



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

Issued by the Department of Transportation
on the 28th of April, 2020

Essential Air Service at

PORT HEIDEN, ALASKA (FAIN 69A3452060399)¹ DOT-OST-2016-0012

Under 49 U.S.C. § 41731 *et seq.*

ORDER SELECTING AIR CARRIER

Summary

By this Order, the U.S. Department of Transportation (the Department) is selecting Grant Aviation, Inc. (Grant), at Port Heiden, Alaska, for the five-year term from May 1, 2020, through April 30, 2025. Grant will provide Port Heiden with four weekly round trips to King Salmon, Alaska, using Cessna C-208-B Grand Caravan or Cessna C-207 aircraft at the annual subsidy rates below:²

<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
\$289,454	\$305,110	\$319,691	\$335,099	\$351,383

Background

By Order 2018-3-29 (March 29, 2018), the Department selected Grant to provide EAS at Port Heiden from May 1, 2018, through April 30, 2020, with service to King Salmon at annual subsidy amounts of \$491,662 for year one and \$509,127 for year two. Under that Order, Grant provides four weekly round trips using Cessna C-208-B Grand Caravan aircraft. As the end of the current contract approached, the Department issued Order 2019-9-11 (September 16, 2019), requesting proposals from interested air carriers for a new term. In response to that Order, only Grant submitted a proposal for consideration.

Proposal of Grant

Grant proposed four weekly round trips to King Salmon, using 9-seat Cessna C-208-B Grand Caravan or 6-seat Cessna C-207 aircraft for either a five-year term or a two-year term. The annual subsidy rates for the five-year term proposal are listed above under the Summary section. The proposed annual subsidy rates for Grant's two-year term proposal are \$299,177 for the first year and \$315,359 for the second year. Grant states that, while the Department subsidizes only four weekly flights, the carrier anticipates operating additional flights on an unsubsidized basis

¹ Federal Award Identification Number.

² Such subsidy is calculated and distributed on a fiscal year basis, subject to the availability of funds.

on days when passenger traffic is heavy or unusually large mail or cargo loads are required to provide the air transportation needed by the village.

Grant's proposal, as well as the community's entire docket, may be accessed online at www.regulations.gov by entering "DOT-OST-2016-0012" in the search field.

Community Comments

On October 21, 2019, the Department solicited comments from the community regarding this air carrier selection case. The Department received comments from Mr. John Christensen, President of the Native Village of Port Heiden in support of Grant Aviation.

Mr. Christensen stated:

We especially would like to highlight the amazing service they [Grant] provided to us while we were fighting a wildfire in Port Heiden. The state of Alaska was not available due to the other fires and we had to put the fire out ourselves. Grant's support was invaluable. We could not have put out our fire and saved our community without Grant Aviation's exceptional service.

Decision

Title 49 U.S.C. § 41733(c)(1) directs the Department to consider six factors when making an air carrier selection in Alaska: (A) service reliability; (B) contractual and marketing arrangements with a larger air carrier at the hub; (C) interline arrangements with a larger air carrier at the hub (D) the preferences of the actual and potential users of the air service, 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 service; and (F) the experience of the applicant in providing, in Alaska, scheduled air service or significant patterns of non-scheduled air service.³

Grant was the only air carrier to submit a proposal to serve Port Heiden, has served the community reliably for several years, and has the support of the Native Village of Port Heiden. Selecting Grant's proposal for a five-year term provides \$406,225 in savings to the Federal government, when compared to the rates of Grant's current two-year contract. In addition, the government saves \$53,772 by selecting the five-year term proposal over the two-year term. Accordingly, the Department selects Grant to continue providing EAS at Port Heiden for a new, five-year contract term.

Air Carrier Fitness

Title 49 U.S.C. § 41737(b) and 41738 require that the Department finds an air carrier fit, willing, and able to provide reliable service before the Department may subsidize it to provide EAS. Grant 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 Department has contacted the Federal Aviation Administration, and it

³ In addition, the Further Continuing Appropriations Act, 2020, Pub. L. No. 116-94, provides that, when selecting a carrier to provide EAS, the Department may consider the relative subsidy requirements, thus codifying a factor that has been considered since the inception of the program.

has raised no concerns that would negatively affect our fitness finding. Therefore, the air carrier remains fit to conduct the operations proposed here.

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

ACCORDINGLY,

1. The Department selects Grant Aviation, Inc. to provide Essential Air Service at Port Heiden, Alaska, from May 1, 2020, through April 30, 2025, and establishes the subsidy rates as described in Appendix C;
2. This Order is contingent upon the Department's receipt of properly-executed certifications from the air carrier that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;⁴
3. The Department directs Grant Aviation, Inc. 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;
4. The Department finds that Grant Aviation, Inc. continues to be fit, willing, and able to operate as a certificated air carrier, and capable of providing reliable Essential Air Service at Port Heiden, Alaska;
5. This docket will remain open until further Order of the Department; and

⁴ The certifications are internet accessible at: <https://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

6. The Department will serve this Order on the Alaska Department of Transportation and Public Facilities, the civic officials of Port Heiden, Alaska, and Grant Aviation, Inc.

By:

David E. Short
Deputy Assistant Secretary
Aviation and International Affairs

(SEAL)

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

AREA MAP



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Grant Aviation proposal for Port Heiden

GRANT AVIATION, INC
Essential Air Service Proposal
Port Heiden, Alaska, 4 Round Trip Flights To King Salmon Weekly, DOT-OST-2015-0012

	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
REVENUES FROM SCHEDULED OPERATIONS						
Passenger Revenue	68,721	69,408	70,102	70,803	71,511	350,545
Freight Revenue	91,221	92,133	93,054	93,985	94,925	465,318
Mail Revenue	228,752	231,039	233,350	235,683	238,040	1,166,864
TOTAL REVENUE FROM OPERATIONS	388,694	392,580	396,506	400,471	404,476	1,982,727
DIRECT EXPENSES						
Pilot Comp, Benefits & Travel	75,600	77,112	78,654	80,227	81,831	393,424
Mechanic Comp, Benefits & Travel	79,975	81,574	83,205	84,870	86,567	416,191
Fuel & Oil	88,788	95,447	102,606	110,301	118,574	515,716
Insurance	27,273	29,318	29,904	30,503	31,113	148,111
Aircraft Parts & Reserves	70,031	71,432	72,860	74,317	75,804	364,444
Ownership Expense	54,153	54,153	54,153	54,153	54,153	270,765
TOTAL DIRECT EXPENSE	395,820	409,036	421,382	434,371	448,042	2,108,651
INDIRECT STATION EXPENSES						
Rent - Hangar & Terminal	16,481	16,811	17,147	17,490	17,840	85,769
Equipment	2,747	2,747	2,747	2,747	2,747	13,735
Station Managers	23,458	23,927	24,405	24,894	25,391	122,075
Ground Service Agents	54,953	55,778	56,621	57,480	58,356	283,188
Customer Service Agents	24,995	25,495	26,005	26,525	27,056	130,076
Housing	5,625	5,625	5,625	5,625	5,625	28,125
Utilities	5,521	5,632	5,744	5,859	5,976	28,732
TOTAL INDIRECT STATION EXPENSE	133,780	136,015	138,294	140,620	142,991	691,700
Administrative Costs	125,515	129,177	132,644	136,273	140,075	663,684
TOTAL EXPENSE	655,115	674,228	692,320	711,264	731,108	3,464,035
5% Profit Margin	32,756	33,711	34,616	35,563	36,555	173,201
TOTAL ECONOMIC COST	687,871	707,939	726,936	746,827	767,663	3,637,236
Baseline Subsidy Requirement	299,177	315,359	330,430	346,356	363,187	1,654,509
Projected savings as result of longer term	(9,723)	(10,249)	(10,739)	(11,257)	(11,804)	(53,772)
REQUESTED SUBSIDY	289,454	305,110	319,691	335,099	351,383	1,600,737

Grant Aviation, Inc.
Essential Air Service to be provided at Port Heiden, Alaska
DOT-OST-2016-0012

Contract Term: May 1, 2020, through April 30, 2025
Hub: King Salmon, Alaska
Scheduled Service: Four round trips per week to King Salmon
Aircraft: 9-seat Cessna C-208-B Grand Caravan or 6-seat C-207
Compensation Schedule:

<u>Effective Period</u>	<u>Annual Subsidy</u>	<u>Rate per Flight[1]</u>	<u>Weekly Ceiling[2]</u>
May 1, 2020 -April 30, 2021	\$289,454	\$774	\$6,192
May 1, 2021 -April 30, 2022	\$305,110	\$816	\$6,528
May 1, 2022 -April 30, 2023	\$319,691	\$855	\$6,840
May 1, 2023 -April 30, 2024	\$335,099	\$896	\$7,168
May 1, 2024-April 30, 2025	\$351,383	\$940	\$7,520

[1] Annual compensation divided by 374 annual departures (8 weekly departures x 52 weeks x 90 percent completion).

[2] 8 weekly departures multiplied by rate per flight.

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 these rates, 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 amounts or at the stipulated service levels, 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, 2020. The Government's obligation for performance under this Order beyond September 30, 2020, 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, 2020, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2020, the Department will provide notice in writing to the 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 31st, August claims must be submitted by November 30th, and so on.