

**BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

**CONTINUATION OF CERTAIN AIR SERVICE**

**Under Public Law 116-136  
§§ 4005 and 4114(b)**

Docket DOT-OST-2016-0010

**REQUEST FOR CORRECTION**

Grant Aviation, Inc. (Grant) has found incorrect information in Order 2020-4-2 on page one of Appendix B and page three of Appendix C.

Page one of Appendix B lists both Akun, AK and Akutan, AK as points of service for Grant. Akun, AK is a separate island from the City of Akutan, AK containing the only land airport available to serve that community. Order 2019-1-8 of Docket DOT-OST-2000-7068 (included in this request) selected Grant to provide Essential Air Service (EAS) to Akutan, AK. Grant's service to Akutan (KQA) will consist of 12 nonstop round trips between Dutch Harbor (Unalaska) and the airport on Akun Island (7KA). Maritime Helicopters, Inc. was selected to provide service between 7AK and the City of Akutan. The scheduled flights filed with OAG for this service are filed to KQA to allow the USPS to designate mail for the City of Akutan on those flights. 7KA is not a mail destination in the USPS system. Grant uses 7AK for all T100 filings to the Department for this EAS contract. Grant hereby requests the Department to revise Appendix B by combining Akun, AK (7KA) and Akutan, AK (KQA) as a single point of service obligation for Grant.

Appendix C contains a list of seasonal points served by each covered carrier. On page three Igiugig, AK is listed as a Summer seasonal point for Grant. Order 2019-11-19 of Docket DOT-OST-2015-0176 selected Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service to provide EAS at Igiugig, AK for the two-year period from December 1, 2019 through November 30, 2021. Grant hereby requests that the Department correct page three of Appendix C by removing Igiugig, AK as a seasonal point for Grant.

Respectfully Submitted,



Robert M. Kelley  
CEO/President  
Grant Aviation, Inc.  
6420 Freyholtz Ln.  
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**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**



Issued by the Department of Transportation  
on the 29<sup>th</sup> of January, 2019

Essential Air Service at

**AKUTAN, ALASKA**  
(FAIN 69A3451960318)  
(FAIN 69A3451960470)<sup>1</sup>

**DOCKET DOT-OST-2000-7068**

Under 49 U.S.C. § 41731 *et seq.*

**ORDER SELECTING AIR CARRIERS**

**Summary**

By this Order, the U.S. Department of Transportation (the Department) is re-selecting Grant Aviation, Inc. (Grant) to provide Essential Air Service (EAS) at Akutan, Alaska, for a two-year period. Grant's service at Akutan will consist of 12 nonstop round trips between Dutch Harbor (Unalaska) and the airport on Akun Island (7AK). The Department is also subsidizing Maritime Helicopters, Inc. (Maritime) to provide service between 7AK and the City of Akutan on Akutan Island. For service provided by Grant between Dutch Harbor and 7AK, the Department is establishing an annual subsidy rate of \$924,259 for the period from January 1, 2019, through December 31, 2019, ("Year One") and \$951,170 from January 1, 2020, through December 31, 2020 ("Year Two"). For service provided by Maritime between 7AK and the City of Akutan, the Department is establishing an annual subsidy rate of \$846,798 for the period from January 1, 2019, through December 31, 2019, ("Year One") and \$874,832 from January 1, 2020, through December 31, 2020 ("Year Two").<sup>2</sup>

**Unique Situation at Akutan**

EAS at Akutan had traditionally been provided via the Akutan Seaplane Base. In September 2012, the Alaska Department of Transportation and Public Facilities opened a new airport (7AK) with a paved 4,500 foot runway on Akun Island, about seven miles from Akutan.

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<sup>1</sup> Federal Award Identification Number.

<sup>2</sup> Such subsidy is calculated on a fiscal year basis, subject to the availability of funds.

Grant currently provides EAS from Dutch Harbor to 7AK, and the community has contracted with a helicopter service to provide a link between 7AK and Akutan. While helicopter service has proven more reliable than the hovercraft service that the community had previously provided, it presents a continued financial burden for the community (Aleutians East Borough or the Borough.)

### **Background**

On May 27, 2016, the Department requested proposals that would also contemplate connecting passengers between 7AK and Akutan. Later, by Order 2017-1-4 (January 3, 2017), the Department finalized its tentative action in Order 2016-10-14, reselecting Grant to provide EAS at Akutan, Alaska, and established an annual subsidy rate of \$850,491 for the period from October 1, 2016, through September 30, 2017, and \$890,001 from October 1, 2017, through September 30, 2018. The annual rate was prorated because Grant was unable to partner with a carrier holding the same regulatory authority necessary to complete the 12 round trips for the second leg of the journey cited in the proposal. The second leg of the journey requires helicopter service from 7AK to the City of Akutan, which is currently financed by the Borough.

On June 11, 2018, the Department issued Order 2016-6-8 requesting proposals from air carriers interested in providing EAS at Akutan for a new period beginning October 1, 2018. In that order, the Department stated that it was “willing to entertain a variety of proposals for EAS, including proposals that would contemplate service from Dutch Harbor to Akutan, without a stop at 7AK, and proposals that would contemplate service between Dutch Harbor and 7AK but also provide connecting service between 7AK and Akutan.” In response to that request for proposals, Grant and Maritime submitted a combined proposal to provide fixed-wing and helicopter service between Dutch Harbor and the City of Akutan.

The Department subsequently entered into discussions with Grant, Maritime, and the Borough about the financial burden of the helicopter service between 7AK and the City of Akutan, including cost share options. During those discussions, the Department issued Order 2018-11-10 (November 19, 2018) to extend existing service provided by Grant through December 31, 2018, to allow additional time for a final decision to be made.

### **Proposals**

In response to Order 2018-6-8, Grant and Maritime submitted a combined proposal on July 2, 2018, to provide fixed-wing and helicopter service between Dutch Harbor and the City of Akutan. The original proposal requested a total annual subsidy of \$2,491,364 for the first year of service, of which \$1,532,804 was requested for the helicopter portion of the service.

### **Subsequent Developments**

On November 11, 2018, Grant and Maritime submitted a revised combined proposal to provide fixed-wing and helicopter service between Dutch Harbor and the City of Akutan (see Appendix B). The revised proposal included an updated and reduced expense for the cost of the helicopter portion of the service, and this reduced expense in turn lowered the requested annual subsidy for the entire proposal. It is the Department’s understanding that the Borough will continue to contribute funding (the remaining 50 percent of the cost) to Maritime towards the helicopter service. The revised proposal contained a reduced annual subsidy for Year One of \$1,771,057,

of which \$846,798 was requested from the Department for 50 percent of the helicopter service. For Year Two, the reduced annual subsidy is \$1,826,002, of which \$874,832 was requested from the Department for 50 percent of the helicopter service. Grant proposed to provide 12 weekly non-stop round trips between Dutch Harbor and 7AK, and Maritime proposed to provide 24 weekly non-stop connection helicopter flights from 7AK to Akutan to support capacity requirements.

### **Decision**

When selecting a carrier to provide EAS in Alaska, 49 U.S.C. § 41733(c)(1) directs us to consider six factors: (A) service reliability; (B) contractual and marketing arrangements with a larger carrier at the hub; (C) interline arrangements with a larger carrier at the hub; (D) community views; (E) the carrier's plan to market its service to the community; and (F) the experience of the applicant in providing scheduled air service or significant patterns of non-scheduled air service.

Grant has many years of experience providing EAS at Akutan and was the only fixed-wing carrier to submit a proposal in partnership with Maritime. The Department accordingly selects Grant and Maritime to provide EAS at Akutan with weekly service to Dutch Harbor. The Department is selecting the revised proposal that includes helicopter service at the reduced rate until a more viable option can be provided between 7AK and the City of Akutan, as discussed in the paragraph below.

The Department selects Grant and Maritime for EAS with the understanding that the Borough is working with the U.S. Army Corps of Engineers to investigate the feasibility of building a breakwater or wave barrier on Akun under the Section 107 Small Navigations Project Continuing Authorities Program.<sup>3</sup> The underlying objective is to provide a safe harbor for a marine ferry to act as the transportation link between the Akun Airport and the City of Akutan. Should the feasibility study result in a recommendation to go forward with a breakwater project, the Borough plans to discontinue the helicopter service in favor a passenger ferry once a breakwater or wave barrier is constructed. The Borough believes that a passenger ferry will be both cost effective and logistically superior to a helicopter. The Borough estimates that the Corps' investigation will be completed in 2020. The Section 107 Program provides for expedited consideration and funding for small navigation projects. The Borough believes the project, once evaluated, will be eligible for Section 107.

### **Other Carrier Requirements**

The Department makes the selection at Akutan contingent upon its receipt of properly-executed certifications from Grant and Maritime that the carriers are in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities.

### **Carrier Fitness**

Title 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 Essential

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3 33 CFR 263.21

Air Service. Grant and Maritime are subject to the Department's continuing fitness requirements, and no information has come to the Department's attention that would alter the carriers' fitness at this time. The Department has contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect the air carriers' fitness. The Department therefore concludes that the carriers remain 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. and Maritime Helicopters, Inc. to provide Essential Air Service at Akutan, Alaska, from January 1, 2019, through December 31, 2020, at the rates described in Appendix C;
2. The Department directs Grant Aviation, Inc. and Maritime Helicopters, Inc. to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years from the date of service of this Order, or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carriers may forfeit their compensation for any claim that is not supported under the terms of this Order;
3. The Department finds that Grant Aviation, Inc. and Maritime Helicopters, Inc. continue to be fit, willing, and able to operate as certificated air carriers and are capable of providing reliable Essential Air Service at Akutan, Alaska;
4. This selection is contingent upon receiving properly-executed certifications from Grant Aviation, Inc. and Maritime Helicopters, Inc. that the air carriers are in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities <sup>4</sup>;
5. This docket will remain open until further order of the Department; and

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

6. The Department will serve copies of this Order on the Alaska Department of Transportation and Public Facilities, the civic parties of Akutan, Alaska, Grant Aviation, Inc., Maritime Helicopters, Inc., and Aleutians East Borough.

By:

Joel Szabat  
Assistant Secretary for  
Aviation and International Affairs

(SEAL)

*An electronic version of this document is available at*  
<http://www.regulations.gov>

**SERVICE AREA MAP****Nonstop Great Circle Miles**

Akun (7AK) to Akutan (KQA)	7
Dutch Harbor (OUT) to Akutan (KQA)	42
Akun (7AK) to Dutch Harbor	35

**Grant/Maritime Revised Proposal**

**GRANT AVIATION, INC**  
**Essential Air Service Proposal**  
**Akutan, Alaska, 12 Round Trip Flights To Dutch Harbor Weekly, DOT-OST-2000-7068**

	Year 1	Year 2	2 Year Subtotal
<b>REVENUES FROM SCHEDULED OPERATIONS</b>			
Passenger Revenue	210,000	210,000	420,000
Freight Revenue	36,800	37,260	74,060
Mail Revenue	68,372	69,226	137,598
<b>TOTAL REVENUE FROM OPERATIONS</b>	<b>315,172</b>	<b>316,486</b>	<b>631,658</b>
<b>DIRECT EXPENSES</b>			
Pilot Comp, Benefits & Travel	178,949	183,423	362,372
Mechanic Comp, Benefits & Travel	137,634	141,074	278,708
Fuel & Oil	71,471	76,832	148,303
Insurance	34,571	35,435	70,006
Aircraft Parts & Reserves	79,127	81,105	160,232
Ownership Expense	183,708	183,708	367,416
Helicopter Services by Maritime Helicopters (at 50% of costs)	846,798	874,832	1,721,629
<b>TOTAL DIRECT EXPENSE</b>	<b>1,532,258</b>	<b>1,576,409</b>	<b>3,108,666</b>
<b>INDIRECT STATION EXPENSES</b>			
Rent - Hangar & Terminal	61,643	63,185	124,828
Equipment	8,100	8,100	16,200
Station Managers	41,156	42,185	83,341
Ground Service Agents	75,834	77,324	153,158
Customer Service Agents	41,156	42,185	83,341
Housing	34,992	34,992	69,984
Utilities	16,200	16,605	32,805
<b>TOTAL INDIRECT STATION EXPENSE</b>	<b>279,081</b>	<b>284,576</b>	<b>563,657</b>
Administrative Costs	175,546	179,480	355,026
<b>TOTAL EXPENSE</b>	<b>1,986,885</b>	<b>2,040,465</b>	<b>4,027,349</b>
5% Profit Margin	99,344	102,023	201,367
<b>TOTAL ECONOMIC COST</b>	<b>2,086,229</b>	<b>2,142,488</b>	<b>4,228,716</b>
<b>REQUESTED SUBSIDY</b>	<b>1,771,057</b>	<b>1,826,002</b>	<b>3,597,058</b>

Note: The above schedule shows the resulting annual subsidy required to perform at the rate of 85% for the service proposed for this village.



**Grant Aviation, Inc.**  
**Essential Air Service to be provided at Akutan, Alaska**  
**DOCKET DOT-OST-2000-7068**

<u>Effective Period:</u>	January 1, 2019, through December 31, 2020
<u>Scheduled Service:</u>	12 weekly nonstop round trips to Dutch Harbor (Unalaska)
<u>Aircraft type:</u>	Nine-seat Beech King Air 200 or Piper PA-31-350

	<u>Year1</u>	<u>Year 2</u>
<u>Annual Subsidy:</u> <sup>1</sup>	\$924,259	\$951,170
<u>Annual Flights:</u> <sup>2</sup>	1,248	1,248
<u>Subsidy per Flight:</u> <sup>3</sup>	\$741	\$762
<u>Weekly Ceiling:</u> <sup>4</sup>	\$17,774	\$18,292

Note: The 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 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 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 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 carrier to provide service on these routes. The 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 complete, 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 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 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 December 21, 2018. The Government's obligation for performance under this Order beyond December 21, 2018, 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 December 21, 2018, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond December 21, 2018, 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 31<sup>st</sup>; August claims must be submitted by November 30<sup>th</sup>, and so on.

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<sup>1</sup> See Appendix B. Year One Total annual subsidy of \$1,771,057 minus helicopter cost of \$846,798 and Year Two Total annual subsidy of \$1,826,002 minus helicopter cost of \$874,832

<sup>2</sup> 12 nonstops per week x 2 directions x 52 weeks = 1,248.

<sup>3</sup> Annual compensation divided by 1,248 annual departures at both Atka and Nikolski (24 weekly departures x 52 weeks x 100 percent completion)

<sup>4</sup> Weekly departures multiplied by subsidy per flight

**Maritime Helicopters, Inc.**  
**Essential Air Service to be provided at Akutan, Alaska**  
**DOCKET DOT-OST-2000-7068**

<u>Effective Period:</u>	January 1, 2019, through December 31, 2020
<u>Scheduled Service:</u>	24 weekly non-stop round trips from Akutan Island to Akun Island (7AK)
<u>Aircraft type:</u>	Bell 206 Long Ranger 4 Helicopter

	<u>Year1</u>	<u>Year 2</u>
<u>Annual Subsidy:</u> <sup>1</sup>	\$846,798	\$874,832
<u>Annual Flights:</u> <sup>2</sup>	2,496	2,496
<u>Subsidy per Flight:</u> <sup>3</sup>	\$339	\$350
<u>Weekly Ceiling:</u> <sup>4</sup>	\$16,285	\$16,824

Note: The 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 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 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 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 carrier to provide service on these routes. The 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 complete, 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 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 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 December 21, 2018. The Government's obligation for performance under this Order beyond December 21, 2018, 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 December 21, 2018, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond December 21, 2018, 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 31<sup>st</sup>; August claims must be submitted by November 30<sup>th</sup>, and so on.

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<sup>1</sup> See Appendix B. Annual subsidy requested for cost of Helicopter Services

<sup>2</sup> Akutan 24 nonstops per week x 2 directions x 52 weeks = 2,496

<sup>3</sup> Annual compensation divided by 2,496 annual departures (48 weekly departures x 52 weeks x 100 percent completion)

<sup>4</sup> Weekly departures multiplied by subsidy per flight



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

Issued by the Department of Transportation  
on the 29th day of November, 2019

Essential Air Service at

**EKWOK, ALASKA** (FAIN  
#69A3452060380)<sup>1</sup>

**IGIUGIG, ALASKA** (FAIN  
#69A3452060482)

**KING COVE, ALASKA** (FAIN  
#69A3452060382)

**PILOT POINT, ALASKA** (FAIN  
#69A3452060383)

**UGASHIK, ALASKA** (FAIN  
#69A3452060384)

**DOCKET DOT-OST-2015-0175**

**DOCKET DOT-OST-2015-0176**

**DOCKET DOT-OST-2015-0177**

**DOCKET DOT-OST-2015-0178**

**DOCKET DOT-OST-2015-0179**

Under 49 U.S.C. § 41731 *et seq.*

**ORDER SELECTING AIR CARRIERS AND  
RESPONDING TO MOTION TO REJECT CERTAIN PROPOSALS**

**Summary**

By this Order, the U.S. Department of Transportation (the Department) is re-selecting Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service (Tanana Air) to provide Essential Air Service (EAS) at Igiugig, Alaska, for the two-year period from December 1, 2019, through November 30, 2021 as described in the table below:

Community	Subsidy Year 1 <sup>2</sup>	Subsidy Year 2 <sup>2</sup>	Weekly Round Trips	Hub Airport	Aircraft <sup>3</sup>
Igiugig	\$197,810	\$205,722	3	King Salmon	Cessna C- 207/Piper PA-32

<sup>1</sup> Federal Award Identification Number.

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

<sup>3</sup> Tanana Air may use a 9-seat Cessna 207 or Piper PA-31 Navajo aircraft to meet demand at no additional subsidy.

Additionally, by this Order, the Department is re-selecting Grant Aviation, Inc. (Grant Aviation) to provide EAS at Ekwok, Pilot Point, and Ugashik, Alaska, for the two-year period from December 1, 2019, through November 30, 2021, as described in the table below:

Community	Subsidy Year 1 <sup>2</sup>	Subsidy Year 2 <sup>2</sup>	Weekly Round Trips	Hub Airport	Aircraft
Ekwok	\$71,744	\$75,190	3	Dillingham	Gipps Aero GA-8 (7-seats) or Cessna C-207 (6-seats)
Pilot Point and Ugashik	\$349,591	\$363,307	4	King Salmon	Cessna Caravan C-208 (9-seats)

Lastly, by this Order, the Department is re-selecting Grant Aviation to provide EAS at King Cove, Alaska, for the five-year period from December 1, 2019, through November 30, 2024, as described in the table below:

Community	Subsidy Year 1 <sup>2</sup>	Subsidy Year 2 <sup>2</sup>	Subsidy Year 3 <sup>2</sup>	Subsidy Year 4 <sup>2</sup>	Subsidy Year 5 <sup>2</sup>	Weekly Round Trips	Hub Airport	Aircraft
King Cove	\$615,426	\$635,242	\$655,066	\$675,792	\$697,478	12	Cold Bay	Piper Navajo Chieftain (9-seats)

### Background

By Order 2017-11-1, issued on November 2, 2017, the Department selected Grant Aviation to provide EAS at Igiugig, King Cove, Pilot Point, and Ugashik, and Tanana Air to provide EAS at Ekwok for the two-year period from December 1, 2017, through November 30, 2019. In anticipation of the end of those rate terms, the Department issued Order 2019-7-2 on July 3, 2019, soliciting proposals from air carriers interested in providing EAS, with subsidy support if necessary, at the above communities for a new term beginning December 1, 2019.<sup>4</sup> Those proposals were due to the Department by August 2, 2019. Due to an error in the courtesy distribution email, most Alaskan air carriers did not receive a copy of Order 2019-7-2. As a result, the Department re-issued the courtesy distribution email with the Alaskan air carriers as recipients, and extended the due date for proposals to August 26, 2019.

In response to that Order, Tanana Air and Grant Aviation submitted proposals to serve Ekwok, Igiugig, Pilot Point, and Ugashik; Grant Aviation was the only air carrier to submit a proposal to serve King Cove.

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<sup>4</sup> The Order requesting proposals was posted in all community dockets at [www.regulations.gov](http://www.regulations.gov).

### **Proposals of Tanana Air**

Tanana Air's proposal included the following options:

- Three round trips per week between Ekwok and Dillingham, Alaska, using a Cessna C-207 aircraft, at an annual subsidy rate of \$81,514 for the first year, and \$84,774 for the second year.
- Three round trips per week between Igiugig and King Salmon, Alaska, using a Cessna C-207 or Piper PA-31 Navajo aircraft, at an annual subsidy rate of \$197,810 for the first year, and \$205,722 for the second year.
- Four round trips per week between Pilot Point (via Ugashik) to King Salmon, Alaska, using a Cessna C-207 aircraft, at an annual subsidy rate of \$395,476 for the first year, and \$411,295 for the second year.

### **Proposals of Grant Aviation**

Grant Aviation's proposal included these options:

- Three round trips per week between Ekwok and Dillingham, Alaska, using a 6-seat Gipps Aero GA-8, or 6-seat Cessna C-207, at an annual subsidy rate of \$71,744 for the first year, and \$75,190 for the second year. Grant also submitted a 5-year proposal for service that incorporated discounts over the longer term: Year 1: \$69,412; Year 2: \$72,746; Year 3: \$76,059; Year 4: \$79,546; Year 5: \$83,221.
- Three round trips per week between Igiugig and King Salmon, Alaska, using a 6-seat Gipps Aero GA-8, or 6-seat Cessna C-207, at an annual subsidy rate of \$175,130 for the first year, and \$180,098 for the second year. Grant also submitted a 5-year proposal for service that incorporated discounts over the longer term: Year 1: \$169,438; Year 2: \$174,245; Year 3: \$179,011; Year 4: \$183,978; Year 5: \$189,157.
- Twelve round trips per week between King Cove and Cold Bay, Alaska, using a 9-seat Piper PA-32 Navajo aircraft, at an annual subsidy rate of \$636,099 for the first year, and \$656,581 for the second year. Grant also submitted a 5-year proposal for service that incorporated discounts over the longer term; Year 1: \$615,426; Year 2: \$635,242; Year 3: \$655,066; Year 4: \$675,792; Year 5: \$697,478.
- Four round trips per week between Pilot Point (via Ugashik) and King Salmon, Alaska, using 9-seat Cessna C-208B Grand Caravan aircraft, at an annual subsidy rate of \$349,591 for the first year, and \$363,307 for the second year. Grant also submitted a 5-year proposal for service that incorporated discounts over the longer term: Year 1: \$338,229; Year 2: \$351,500; Year 3: \$365,019; Year 4: \$379,273; Year 5: \$394,303.

### **Comments and Motion of Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service**

On October 7, 2019, Mr. Hank Myers, authorized agent for Tanana Air, filed comments and a motion requesting the Department reject Grant Aviation's bids as non-responsive. The motion addresses EAS at Igiugig, Pilot Point, and Ugashik (at issue here), and Egegik and Levelock, Alaska (which will be addressed in a future Order). In the motion, Mr. Myers asserts the following:

- While Mr. Myers received a copy of the Order and filed on behalf of Tanana Air as required, neither Tanana Air nor Grant Aviation were served.

- On August 3, the Department contacted Grant Aviation and asked if it was going to file a competitive bid to Tanana Air.
- When it was confirmed that neither carrier was officially served, a new due date of August 26 was set.
- Grant Aviation used its advance notice that Tanana Air was bidding on Igiugig, Pilot Point, and Ugashik to manipulate its bids in those markets to undercut Tanana.
- Referring to 14 CFR § 302.205, the motion states that “Grant fails to meet this requirement in all its bids [sic]. It does not include unit costs or revenues. It does not list block hours, departures, passengers, pounds of mail or pounds of freight. It is therefore very difficult or impossible to compare Grant bids [sic] to Tanana on an even basis.”

The Department takes notice that neither Tanana Air nor Grant Aviation received the courtesy distribution of Order 2019-7-2 (the request for proposals or RFP). The RFP was posted in all public community dockets via [www.regulations.gov](http://www.regulations.gov), the official repository for all Orders and correspondence for EAS communities and their respective air carrier selection processes. Subsequent to this posting, the Department discovered the distribution oversight on its own, and in the interest of transparency, fairness, and consistency with other carrier selection proceedings, decided to extend the period to receive proposals from interested carriers. The Department notified air carriers of the extension through the courtesy distribution list for proposals for EAS communities in Alaska and through Regulations.gov. The proposals received as of August 2, the original due date for proposals, were not submitted to the Docket, nor were they distributed to any outside party, by the Department in any other manner. Contrary to the assertion made by Mr. Myers, the Department did not contact Grant Aviation on August 3, 2019, and the Department has no reason to believe that Grant Aviation had any advance notice of which, if any, communities Tanana Air intended to consider for proposals.

Regarding the assertion that Grant Aviation failed to follow 14 CFR § 302.205, this regulation falls under 14 CFR § 302 Subpart B: Rules Applicable to U.S. Air Carrier Certificate and Foreign Air Carrier Permit Licensing Proceedings, and is not applicable to the EAS carrier selection process. Furthermore, in the RFP, the Department states:

Interested carriers should prepare their proposals with every expectation that their initial proposals will represent their *final* and *only* proposals. However, the Department retains the discretion to negotiate proposals with carriers when the Department deems it desirable. The Department also retains the discretion to reject outright all unreasonable or unrealistic proposals and re-solicit a new round of proposals. However, negotiation or rejection are only an occasional exception to the rule.

The Department is providing in this Order some basic information to help interested air carriers prepare proposals, but a precise format for those proposals will not be prescribed. The applicants can make their own judgments as to the level of detail they wish to present; however, air carriers may want to include proposed schedules as well as supporting data for subsidy requests, such as projected block hours, revenues and expenses. The Department strongly encourages clear, well-

documented proposals that will facilitate their evaluation by the affected community and the Department.

The Department has determined that no additional information is needed from Grant Aviation or Tanana Air for the carrier selections under this proceeding. As stated above, the Department, in our discretion, may negotiate proposals or request additional information if such information is deemed helpful to the selection case. The arguments contained within the motion regarding Mr. Myer's stated inability to compare or contrast various aspects of the competing bids does not compel us to request any further information, as we conclude that the information provided in the proposals from Grant Aviation and Tanana Air was sufficient to facilitate the selection case.

Accordingly, the Department denies the motion of Mr. Myers to reject the proposals of Grant Aviation for the communities of Igiugig, Pilot Point, and Ugashik as non-responsive.<sup>5</sup>

### **Community Comments**

On August 27, 2019, the Department requested community comments regarding this EAS selection case. Comments were received by the Department from the communities of Ekwok, Igiugig, Pilot Point, and Ugashik. No comments were received from King Cove.

### **Comments from Ekwok**

The Department received comments in favor of Grant Aviation in a letter dated September 13, 2019, from the Vice President of the City of Ekwok, and in letters from 27 residents of the community. Comments in favor of Tanana Air were received by letters dated July 8, 2019, from the City Administrator of the City of Ekwok, the Mayor of Ekwok, the Administrator and President of the Ekwok Tribal Council, and one community resident. Regarding the City of Ekwok, the Department received conflicting support from the Vice President and the City Administrator. The Department contacted the City of Ekwok by telephone to clarify and received a copy of the minutes of a City of Ekwok meeting during which the City voted in support of Grant Aviation.

### **Comments from Igiugig**

The Department received a comment in favor of Tanana Air in a letter dated September 25, 2019, from Karl Hill, Administrator/Vice President of the Igiugig Village Council. The letter states that: "Our community has strong connections with Tanana Air/Shannons Air and we trust that they will provide on-time mail and passenger service. We are confident that they will diligently fulfill their contractual obligations as an essential air service."

### **Comments from King Cove**

No comments were received from King Cove.

### **Comments from Pilot Point / Ugashik**

The Department received comments in favor of Grant Aviation in an email dated October 4, 2019 from Lori Ann Abyo-Phillips, City Manager of the City of Pilot Point. The email states, in part: "We are in full support of Grant Aviation to continue this service to Pilot

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<sup>5</sup> As noted earlier, the part of the Motion relating to Egegik and Levelock will be addressed in a separate Order.

Point and Ugashik. We have depended on them for regular mail deliveries and trying to keep to their schedule.”

Deborah Olsen, the Postmaster for Egegik, Alaska, and the surrounding villages of Pilot Point and Ugashik, also submitted comment in an email dated September 26, 2019. The email states in part: “I have been here since 2007, when Grant Aviation took the contract many years ago the level of service has improved greatly, the mail has arrived without problem, and I also have been a passenger on many occasion, the staff have always been courteous and flew me and other to where we needed to go. I am in full support as a Postmaster and as an individual of Grant Aviation serving Egegik and the surrounding villages (Pilot Point/ Ugashik/ Levelock etc. for years to come.”

In a letter dated September 9, 2019, the Pilot Point Tribal Council expressed support for Tanana Air. The letter states, in part: “Pilot Point is very much interested in having another air carrier come in to provide services.”

### **Decision**

Title 49 U.S.C. § 41733(c)(1) directs the Department to consider the following criteria 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 EAS, giving substantial weight to the views of the elected officials representing the users; (E) the experience of the applicant in providing, in Alaska, scheduled air service or significant patterns of non-scheduled air service; and (F) whether the air carrier has included a plan in its proposal to market the service.<sup>6</sup>

At Igiugig, the Department has decided to select Tanana Air because its proposal aligns most with the statutory criteria. Tanana Air has been a certificated air carrier since February 1984<sup>7</sup> and has provided reliable air transportation operations in the Alaska bush markets for many years. As indicated in the comments section above, the Department received many comments in support of the selection of Tanana Air, including, significantly, the support of the Igiugig Village Council, the governing body representing the users. The carrier selection criterion at 49 U.S.C. 41733(c)(1)(D) requires that, with respect to the preferences of the actual and potential users of the service, the Secretary give substantial weight to the views of elected officials representing those users.

At Ekwok, Pilot Point, and Ugashik, the Department has decided to select Grant Aviation, because its proposals align most with the statutory criteria. Grant Aviation has significant experience serving Alaska bush markets, and, as indicated in the comments section above, the Department received many comments in support of the selection of Grant Aviation, including, significantly, the support of the City of Ekwok, and the City of Pilot Point, the governing bodies representing the users. At Ugashik, the Postmaster provided her support of Grant Aviation, which the Department considers significant due to the vital importance of timely mail delivery to

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<sup>6</sup> In addition, the Consolidated Appropriations Act, 2019, Pub. L. No. 116-6, as continued by the Continuing Appropriations Act, 2020, and the Health Extenders Act, 2019, Pub. L. No. 116-59, 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.

<sup>7</sup> See Order 84-2-12. That authority was most recently reissued by Order 98-7-6.



these communities. The carrier selection criterion at 49 U.S.C. 41733(c)(1)(D) requires that, with respect to the preferences of the actual and potential users of the service, the Secretary give substantial weight to the views of elected officials representing those users.

At King Cove, the Department re-selects Grant Aviation, the incumbent and only air carrier to submit a proposal to serve this community. Grant Aviation has provided air transportation operations in and around the Alaska Peninsula for many years and has provided EAS at this community since 2015. The Department will select Grant Aviation's five-year term as outlined in its proposal.

This selection decision provides an appropriate mix of passenger and freight space to meet the demand at all of the above communities. Additionally, the Department finds the service levels and subsidy requests to be reasonable. The selections of Tanana Air and Grant Aviation will ensure the citizens of these communities and their visitors continue to have access to the national air transportation system.

### **Service Transition**

The Department expects Grant Aviation and Tanana Air to work together to make a smooth transition at Ekwok and Igiugig, with no service hiatus. Before each carrier suspends service, the Department expects the carriers to notify all passengers holding reservations for travel after the suspension date, to assist those passengers in making alternate air transportation arrangements, or to provide a full refund of the ticket price, without penalty, if requested.

If Grant Aviation is unable to start service at Ekwok on December 1, 2019, Tanana Air is *required* to serve Ekwok with its current service pattern until Grant Aviation begins full EAS at the community. In that case, Tanana Air will be compensated at the first-year annual subsidy rate of its proposed bid for Ekwok (see Appendix B).

If Tanana Air is unable to start service at Igiugig on December 1, 2019, Grant Aviation is *required* to serve Igiugig with its current service pattern until Tanana Air begins full EAS at the community. In that case, Grant Aviation will be compensated at the first-year annual subsidy rate of its proposed bid for Igiugig (see Appendix A).

### **Other Carrier Requirements**

The Department makes these selection decisions contingent upon the Department's receipt of properly-executed certifications from each of Grant Aviation and Tanana Air that the air carrier is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations governing lobbying activities.<sup>8</sup>

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<sup>8</sup> The certifications are internet accessible at: <https://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

### **Air Carrier Fitness**

Title 49 U.S.C. §§ 41737(b) and 41738 require that the Department find air carriers fit, willing, and able to provide reliable service before the Department may subsidize those air carriers to provide EAS. Tanana Air and Grant Aviation are subject to the Department's continuing fitness requirements, and no information has come to the Department's attention that would bring into question the fitness of those air carriers at this time. The Department has contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect the Department's fitness findings. The Department therefore concludes that Tanana Air and Grant Aviation are reliable and 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 Ekwok, Pilot Point, and Ugashik, Alaska, at the service levels and subsidy rates described in Appendix C, for the period from December 1, 2019, through November 30, 2021, and sets the rate of compensation for Grant Aviation, Inc. for the provision of Essential Air Service at Ekwok, Pilot Point, and Ugashik, Alaska, as described in Appendix C;
2. The Department sets a temporary rate, as described in Appendix C, for Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service to provide Essential Air Service at Ekwok, Alaska, from December 1, 2019, through December 31, 2019, or until Grant Aviation, Inc. commences full Essential Air Service, whichever is earlier;
3. The Department selects directs Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service to provide Essential Air Service at Igiugig, Alaska, at the service levels and subsidy rates described in Appendix C, for the period from December 1, 2019, through November 30, 2021, and sets the rate of compensation for Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service for the provision of Essential Air Service at Igiugig, Alaska, as described in Appendix C.
4. The Department sets a temporary rate, as described in Appendix C, for Grant Aviation, Inc. to provide Essential Air Service at Igiugig, Alaska, from December 1, 2019, through December 31, 2019, or until Bidzy Ta Hot' Aana Inc. d/b/a Tanana Air Service commences full Essential Air Service, whichever is earlier;
5. The Department selects Grant Aviation, Inc. to provide Essential Air Service at King Cove, Alaska, at the service levels and subsidy rates described in Appendix C, for the period from December 1, 2019, through November 30, 2024, and sets the rate of compensation for Grant Aviation, Inc., for the provision of Essential Air Service at King Cove, Alaska, as described in Appendix C;
6. The Department directs Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service and Grant Aviation, Inc. to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years from the service date of this Order or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight

logs for aircraft sold or disposed of must be retained. The air carriers may forfeit their compensation for any claim that is not supported under the terms of this Order;

7. The Department finds that Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service and Grant Aviation, Inc. continue to be fit, willing, and able to operate as certificated air carriers, and capable of providing reliable Essential Air Service;

8. These dockets will remain open pending further Department action; and

9. The Department will serve copies of this Order on the civic officials of Ekwok, Igiugig, King Cove, Pilot Point, and Ugashik, Alaska, the Alaska Department of Transportation and Public Facilities, Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service, and Grant Aviation, Inc.

By:

David E. Short  
Deputy Assistant Secretary  
Aviation and International Affairs

(SEAL)

*An electronic version of this document is available at  
<http://www.regulations.gov>*

**GRANT AVIATION, INC**  
**Essential Air Service Proposal**  
**EKWOK, Alaska, 3 Round Trip Flights To Dillingham Weekly, DOT-OST-2015-0175**

	Year 1	Year 2	2 Year Total
<b>REVENUES FROM SCHEDULED OPERATIONS</b>			
Passenger Revenue	47,093	47,564	94,657
Freight Revenue	14,393	14,537	28,930
Mail Revenue	88,046	88,927	176,973
<b>TOTAL REVENUE FROM OPERATIONS</b>	<b>149,532</b>	<b>151,028</b>	<b>300,560</b>
<b>DIRECT EXPENSES</b>			
Pilot Comp, Benefits & Travel	30,851	31,622	62,473
Mechanic Comp, Benefits & Travel	15,711	16,025	31,736
Fuel & Oil	17,136	18,421	35,557
Insurance	5,940	6,059	11,999
Aircraft Parts & Reserves	17,395	17,743	35,138
Ownership Expense	14,316	14,316	28,632
<b>TOTAL DIRECT EXPENSE</b>	<b>101,349</b>	<b>104,186</b>	<b>205,535</b>
<b>INDIRECT STATION EXPENSES</b>			
Rent - Hangar & Terminal	5,047	5,148	10,195
Equipment	1,680	1,680	3,360
Station Managers	12,212	12,456	24,668
Ground Service Agents	37,253	37,699	74,952
Customer Service Agents	6,750	6,885	13,635
Housing	3,972	3,972	7,944
Utilities	2,100	2,142	4,242
<b>TOTAL INDIRECT STATION EXPENSE</b>	<b>69,014</b>	<b>69,982</b>	<b>138,996</b>
Administrative Costs	40,376	41,278	81,654
<b>TOTAL EXPENSE</b>	<b>210,739</b>	<b>215,446</b>	<b>426,185</b>
5% Profit Margin	10,537	10,772	21,309
<b>TOTAL ECONOMIC COST</b>	<b>221,276</b>	<b>226,218</b>	<b>447,494</b>
<b>REQUESTED SUBSIDY</b>	<b>71,744</b>	<b>75,190</b>	<b>146,934</b>

**GRANT AVIATION, INC**  
**Essential Air Service Proposal**  
**IGIUGIG, Alaska, 3 Round Trip Flights To King Salmon Weekly, DOT-OST-2015-0176**

	<b>Year 1</b>	<b>Year 2</b>	<b>2 Year Total</b>
REVENUES FROM SCHEDULED OPERATIONS			
Passenger Revenue	9,837	9,936	19,773
Freight Revenue	22,298	22,521	44,819
Mail Revenue	37,491	37,866	75,357
<b>TOTAL REVENUE FROM OPERATIONS</b>	<b>69,626</b>	<b>70,323</b>	<b>139,949</b>
DIRECT EXPENSES			
Pilot Comp, Benefits & Travel	37,352	38,286	75,638
Mechanic Comp, Benefits & Travel	25,350	25,857	51,207
Fuel & Oil	17,527	18,841	36,368
Insurance	6,180	6,304	12,484
Aircraft Parts & Reserves	18,098	18,460	36,558
Ownership Expense	14,895	14,895	29,790
<b>TOTAL DIRECT EXPENSE</b>	<b>119,402</b>	<b>122,643</b>	<b>242,045</b>
INDIRECT STATION EXPENSES			
Rent - Hangar & Terminal	8,415	8,583	16,998
Equipment	1,403	1,403	2,806
Station Managers	11,809	12,045	23,854
Ground Service Agents	29,800	30,222	60,022
Customer Service Agents	12,762	13,017	25,779
Housing	2,872	2,872	5,744
Utilities	1,978	2,017	3,995
<b>TOTAL INDIRECT STATION EXPENSE</b>	<b>69,039</b>	<b>70,159</b>	<b>139,198</b>
Administrative Costs	44,660	45,694	90,354
<b>TOTAL EXPENSE</b>	<b>233,101</b>	<b>238,496</b>	<b>471,597</b>
5% Profit Margin	11,655	11,925	23,580
<b>TOTAL ECONOMIC COST</b>	<b>244,756</b>	<b>250,421</b>	<b>495,177</b>
<b>REQUESTED SUBSIDY</b>	<b>175,130</b>	<b>180,098</b>	<b>355,228</b>

**GRANT AVIATION, INC**  
**Essential Air Service Proposal**  
**KING COVE, Alaska, 12 Round Trip Flights To Cold Bay Weekly, DOT-OST-2015-0177**

	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
<b>REVENUES FROM SCHEDULED OPERATIONS</b>						
Passenger Revenue	117,674	118,851	120,040	121,240	122,452	600,257
Freight Revenue	39,082	39,473	39,867	40,266	40,669	199,357
Mail Revenue	180,006	181,806	183,624	185,460	187,315	918,211
<b>TOTAL REVENUE FROM OPERATIONS</b>	<b>336,762</b>	<b>340,130</b>	<b>343,531</b>	<b>346,966</b>	<b>350,436</b>	<b>1,717,825</b>
<b>DIRECT EXPENSES</b>						
Pilot Comp, Benefits & Travel	137,521	140,959	143,778	146,654	149,587	718,499
Mechanic Comp, Benefits & Travel	124,134	126,617	129,149	131,732	134,367	645,999
Fuel & Oil	85,209	91,600	98,470	105,855	113,794	494,928
Insurance	18,572	18,944	19,323	19,709	20,103	96,651
Aircraft Parts & Reserves	38,291	39,057	39,838	40,634	41,447	199,267
Ownership Expense	33,845	33,845	33,845	33,845	33,845	169,225
<b>TOTAL DIRECT EXPENSE</b>	<b>437,572</b>	<b>451,022</b>	<b>464,403</b>	<b>478,429</b>	<b>493,143</b>	<b>2,324,569</b>
<b>INDIRECT STATION EXPENSES</b>						
Rent - Hangar & Terminal	55,661	56,774	57,910	59,068	60,249	289,662
Equipment	11,904	11,904	11,904	11,904	11,904	59,520
Station Managers	60,547	61,758	62,993	64,253	65,538	315,089
Ground Service Agents	95,597	96,774	97,975	99,200	100,450	489,996
Customer Service Agents	53,454	54,523	55,614	56,726	57,861	278,178
Housing	17,141	17,141	17,141	17,141	17,141	85,705
Utilities	17,141	17,484	17,834	18,190	18,554	89,203
<b>TOTAL INDIRECT STATION EXPENSE</b>	<b>311,445</b>	<b>316,358</b>	<b>321,371</b>	<b>326,482</b>	<b>331,697</b>	<b>1,607,353</b>
Administrative Costs	177,517	181,869	186,228	190,764	195,487	931,865
<b>TOTAL EXPENSE</b>	<b>926,534</b>	<b>949,249</b>	<b>972,002</b>	<b>995,675</b>	<b>1,020,327</b>	<b>4,863,787</b>
5% Profit Margin	46,327	47,462	48,600	49,784	51,016	243,189
<b>TOTAL ECONOMIC COST</b>	<b>972,861</b>	<b>996,711</b>	<b>1,020,602</b>	<b>1,045,459</b>	<b>1,071,343</b>	<b>5,106,976</b>
Baseline Subsidy Requirement	636,099	656,581	677,071	698,493	720,907	3,389,151
Projected savings as result of longer term	(20,673)	(21,339)	(22,005)	(22,701)	(23,429)	(110,147)
<b>REQUESTED SUBSIDY</b>	<b>615,426</b>	<b>635,242</b>	<b>655,066</b>	<b>675,792</b>	<b>697,478</b>	<b>3,279,004</b>

**GRANT AVIATION, INC**  
**Essential Air Service Proposal**  
**PILOT POINT, Alaska, 4 Round Trip Flights To King Salmon Weekly, DOT-OST-2015-0178**  
**UGASHIK, Alaska, 4 Round Trip Flights To King Salmon Weekly, DOT-OST-2015-0179**

	Year 1	Year 2	2 Year Total
<b>REVENUES FROM SCHEDULED OPERATIONS</b>			
Passenger Revenue	63,535	64,170	127,705
Freight Revenue	37,900	38,279	76,179
Mail Revenue	192,554	194,480	387,034
<b>TOTAL REVENUE FROM OPERATIONS</b>	<b>293,989</b>	<b>296,929</b>	<b>590,918</b>
<b>DIRECT EXPENSES</b>			
Pilot Comp, Benefits & Travel	70,314	72,072	142,386
Mechanic Comp, Benefits & Travel	43,991	44,871	88,862
Fuel & Oil	77,373	83,176	160,549
Insurance	10,089	10,291	20,380
Aircraft Parts & Reserves	56,534	57,665	114,199
Ownership Expense	48,915	48,915	97,830
<b>TOTAL DIRECT EXPENSE</b>	<b>307,216</b>	<b>316,990</b>	<b>624,206</b>
<b>INDIRECT STATION EXPENSES</b>			
Rent - Hangar & Terminal	22,894	23,352	46,246
Equipment	3,816	3,816	7,632
Station Managers	32,127	32,770	64,897
Ground Service Agents	81,532	82,679	164,211
Customer Service Agents	34,721	35,415	70,136
Housing	7,814	7,814	15,628
Utilities	5,380	5,488	10,868
<b>TOTAL INDIRECT STATION EXPENSE</b>	<b>188,284</b>	<b>191,334</b>	<b>379,618</b>
Administrative Costs	117,433	120,472	237,905
<b>TOTAL EXPENSE</b>	<b>612,933</b>	<b>628,796</b>	<b>1,241,729</b>
5% Profit Margin	30,647	31,440	62,087
<b>TOTAL ECONOMIC COST</b>	<b>643,580</b>	<b>660,236</b>	<b>1,303,816</b>
<b>REQUESTED SUBSIDY</b>	<b>349,591</b>	<b>363,307</b>	<b>712,898</b>

Tanana Air proposal for Igiugig, AK

				<b>Appendix A</b>
				<b>Page 2 of 2</b>
<b>ESSENTIAL AIR SERVICE AT IGIUGIK , AK</b>			<b>Cessna 207/Piper PA-32 SERVICE</b>	
<b>TRAFFIC</b>	<b>Total</b>	<b>Average Yield</b>	<b>First Year Revenue</b>	<b>Second Year Revenue</b>
<b>PASSENGERS</b>	200	\$ 66.00	\$13,200	\$13,728
<b>FREIGHT</b>	19000	\$ 0.90000	\$17,100	\$17,784
<b>MAIL</b>	35000	\$ 1.10091	\$38,532	\$40,073
<b>TOTAL</b>			<b>\$68,832</b>	<b>\$71,585</b>
<b>SUBSIDY NEED</b>			<b>\$197,810</b>	<b>\$205,722</b>
<b>SUBSIDY NEED/DEPARTURE</b>			<b>\$634.00</b>	<b>\$659.37</b>
<b>SUBSIDY NEED PER PASSENGER</b>			<b>\$989.05</b>	<b>\$1,028.61</b>
<b>Note: Passenger fares and freight rates are those charged today.</b>				
<b>Mail rates are current class rate increased by 4% to</b>				
<b>reflect anticipated rates.</b>				



				<b>Appendix A</b>
				<b>Page 2 of 2</b>
<b>ESSENTIAL AIR SERVICE AT EKWOK , AK</b>			<b>Cessna 207 SERVICE</b>	
<b>TRAFFIC</b>	<b>Total</b>	<b>Average Yield</b>	<b>First Year Revenue</b>	<b>Second Year Revenue</b>
<b>PASSENGERS</b>	590	\$ 59.00	\$34,810	\$36,202
<b>FREIGHT</b>	17000	\$ 0.90000	\$15,300	\$15,912
<b>MAIL</b>	76000	\$ 1.01413	\$77,074	\$80,157
<b>TOTAL</b>			<b>\$127,184</b>	<b>\$132,271</b>
<b>SUBSIDY NEED</b>			<b>\$81,514</b>	<b>\$84,774</b>
<b>SUBSIDY NEED/DEPARTURE</b>			<b>\$261.26</b>	<b>\$271.71</b>
<b>SUBSIDY NEED PER PASSENGER</b>			<b>\$138.16</b>	<b>\$143.69</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>			

**Grant Aviation, Inc.**  
**Essential Air Service to be provided at Ekwok, Alaska**  
**DOT-OST-2015-0175**

Annual Subsidy: Year 1: \$71,744; Year 2: \$75,190

Contract Term: December 1, 2019, through November 30, 2021

Scheduled Service/Hub: Three round trips per week to Dillingham, Alaska

Aircraft: 7-seat Gipps Aero GA-8 or 6-seat Cessna C-207

Rate per Eligible Flight<sup>1</sup>: Year 1: \$230; Year 2: \$241

Weekly Ceiling:<sup>2</sup> Year 1: \$1,380; Year 2: \$1,446

Note: The 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 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 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 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 carrier to provide service on these routes. The 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 service levels, the carrier may cease to provide service to that specific location without regards 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 carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contract 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.

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<sup>1</sup> Annual subsidy divided by 312 annual departures (6 weekly flights x 52 weeks x 100 percent completion).

<sup>2</sup> 6 arrivals and departures per week multiplied by rate per eligible flight.

**Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service**  
**Essential Air Service to be provided at Ekwok, Alaska**  
**DOT-OST-2015-0175**

Annual Subsidy: Year 1: \$81,514

Contract Term: December 1, 2019, through December 31, 2019 *or until Grant Aviation begins full EAS at the community*

Scheduled Service/Hub: Three round trips per week to Dillingham, Alaska

Aircraft: 6-seat Cessna C-207

Rate per Eligible Flight<sup>1</sup>: Year 1: \$261

Weekly Ceiling:<sup>2</sup> Year 1: \$1,568

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<sup>1</sup> Annual subsidy divided by 312 annual departures (6 weekly flights x 52 weeks x 100 percent completion).

<sup>2</sup> 6 arrivals and departures per week multiplied by rate per eligible flight.

**Grant Aviation, Inc.**  
**Essential Air Service to be provided at Igiugig, Alaska**  
**DOT-OST-2015-0176**

Annual Subsidy: Year 1: \$175,130

Contract Term: December 1, 2019, through December 31, 2019

Scheduled Service/Hub: Three round trips per week to Dillingham, Alaska *or until Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service begins full EAS at the community*

Aircraft: 7-seat Gipps Aero GA-8 or 6-seat Cessna C-207

Rate per Eligible Flight<sup>1</sup>: Year 1: \$561

Weekly Ceiling:<sup>2</sup> Year 1: \$3,368

Note: The 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 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 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 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 carrier to provide service on these routes. The 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.

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<sup>1</sup> Annual subsidy divided by 312 annual departures (6 weekly flights x 52 weeks x 100 percent completion).

<sup>2</sup> 6 arrivals and departures per week multiplied by rate per eligible flight.

**Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service**  
**Essential Air Service to be provided at Igiugig, Alaska**  
**DOT-OST-2015-0176**

Annual Subsidy: Year 1: \$197,810; Year 2: \$205,722

Contract Term: December 1, 2019, through November 30, 2021

Scheduled Service/Hub: Three round trips per week to King Salmon, Alaska

Aircraft: 6-seat Cessna C-207 or 6-seat Piper PA-32

Rate per Eligible Flight<sup>1</sup>: Year 1: \$634; Year 2: \$659

Weekly Ceiling:<sup>2</sup> Year 1: \$3,804; Year 2: \$3,956

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<sup>1</sup> Annual subsidy divided by 312 annual departures (6 weekly flights x 52 weeks x 100 percent completion).

<sup>2</sup> 6 arrivals and departures per week multiplied by rate per eligible flight.

**Grant Aviation, Inc.**  
**Essential Air Service to be provided at King Cove, Alaska**  
**DOT-OST-2015-0177**

Annual Subsidy: Year 1: \$615,426; Year 2: \$635,242; Year 3: \$655,066; Year 4: \$675,792; Year 5: \$697,478

Contract Term: December 1, 2019, through November 30, 2024

Scheduled Service/Hub: Twelve round trips per week to Cold Bay, Alaska

Aircraft: 9-seat Piper Navajo Chieftain

Rate per Eligible Flight<sup>3</sup>: Year 1: \$493; Year 2: \$509; Year 3: \$525; Year 4: \$542; Year 5: \$559

Weekly Ceiling:<sup>4</sup> Year 1: \$11,832; Year 2: \$12,216; Year 3: \$12,600; Year 4: \$13,008; Year 5: \$13,416

Note: The 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 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 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 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 carrier to provide service on these routes. The 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 service levels, the carrier may cease to provide service to that specific location without regards 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 carrier do not constitute a total or partial reduction or cessation of payment.

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<sup>3</sup> Annual subsidy divided by 1,248 annual departures (24 weekly flights x 52 weeks x 100 percent completion).

<sup>4</sup> 24 arrivals and departures per week multiplied by rate per eligible flight.

**Grant Aviation, Inc.**  
**Essential Air Service to be provided at Pilot Point and Ugashik, Alaska**  
**DOT-OST-2015-0178 / -0179**

Total Annual Subsidy: Year 1: \$349,591; Year 2: \$363,307

Contract Term: December 1, 2019, through November 30, 2021

Scheduled Service/Hub: Four round trips per week from each community to King Salmon, Alaska

Aircraft: 9-seat Cessna C-208B Grand Caravan

Rate per Eligible Flight<sup>1</sup>: Year 1: \$420; Year 2: \$437

Weekly Ceiling (each community):<sup>2</sup> Year 1: \$6,720; Year 2: \$6,992

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<sup>1</sup> Annual subsidy divided by 416 annual departures (8 weekly flights x 52 weeks x 100 percent completion); divided by 2.

<sup>2</sup> 16 arrivals and departures per week multiplied by rate per eligible flight.