



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

Issued by the Department of Transportation  
on the 2<sup>nd</sup> of October, 2019

Essential Air Service at

**ST. PAUL ISLAND, ALASKA**  
(FAIN 69A3452060478<sup>1</sup>)

**DOCKET DOT-OST-2019-0038**

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 Corvus Airlines d/b/a Ravn Alaska (Ravn) to provide Essential Air Service (EAS) at St. Paul Island, Alaska (St. Paul), for a two-year term from October 1, 2019, through September 30, 2021. Ravn will operate three weekly round trips to Ted Stevens Anchorage International Airport (Anchorage) using Bombardier Dash 8 series 100 aircraft at a first-year annual subsidy rate of \$2,110,170, and a second-year annual subsidy rate of \$2,224,491.<sup>2</sup>

**Background**

By Order 2018-4-5 (April 10, 2018), the Department relied on Peninsula Airways, Inc. d/b/a PenAir (PenAir) to provide EAS at St. Paul. At St. Paul, PenAir was providing up to four weekly round trips to Ted Stevens Anchorage International Airport (Anchorage) on an unsubsidized basis.

On December 21, 2018, Ravn Air Group purchased the assets of PenAir. On March 3, 2019, Ravn's parent company, Ravn Air Group, replaced PenAir with Ravn, which began providing three weekly round trips from St. Paul to Anchorage. Two days later, on March 5, 2019, Ravn submitted to the Department a notice of intent to terminate service at St. Paul in 90 days, or on June 3, 2019.

Title 49 U.S.C. § 41734 prohibits a carrier from suspending service before 90 days at EAS-eligible places where a carrier provides the only scheduled air transportation. By Order 2019-4-6 (April 5, 2019), the Department prohibited Ravn from terminating EAS at St. Paul and requested proposals, with or without subsidy, from carriers interested in providing replacement service. In

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

<sup>2</sup> Subsidy is calculated and distributed on a fiscal year basis, subject to the availability of funds. The Department established a hold-in rate for Ravn at St. Paul through September 30, 2019. *See* Order 2019-7-3.

response to Order 2019-4-6, Ravn submitted a proposal for passenger service, with cargo capacity, and Northern Air Cargo, LLC (NAC), submitted a cargo-only proposal.

### **Summary of Proposals**

#### **Ravn**

Ravn proposed three weekly round trips to Anchorage, using 29-seat Dash 8-100 aircraft, with four seats blocked to accommodate emergency rafts. The first-year annual subsidy would be \$2,110,170, and the second-year annual subsidy rate would be \$2,224,491. Westbound flights may make a technical stop (at Bethel, Dillingham, or other location) enroute from Anchorage to St. Paul.

#### **NAC**

NAC proposed fifty-two cargo-only flights per year to St. Paul using Boeing 737-300/400 jet aircraft at \$610,168 annually, with a proposed subsidy mitigation strategy that could result in annual refunds ranging from \$69,014 to \$344,989.

The proposals, as well as the entire docket, may be accessed online at [www.regulations.gov](http://www.regulations.gov) by entering the docket number in the search field.

### **Community Comments**

On May 7, 2019, the Department requested community comments regarding the air carrier selection at St. Paul. Substantial comments were received from civic, tribal, and business leaders, all in support of Ravn. The commenters, which include the mayor and the president of the Aleut Community, recommended that the Department negotiate an increase in the EAS subsidy or other arrangements to require four, as opposed to the three, weekly round trips that Ravn proposed, to Anchorage.

In particular, Ron Philemonoff, President and CEO of the Tanadgusix Corporation (TDX) recommended that the Department uses “whatever flexibility it has to provide for adequate service under the current, pending RFP, or that it rejects the current RFP and Ravn proposal, and goes out to rebid the EAS, telling bidders to sharpen their pencils to recalculate their costs of their roundtrip tickets, and to address the capacity need for increased frequency of flights to 4 times a week during peak summer season and during the peak Crab fishing season.” Mr. Philemonoff stated his support for the NAC proposal. He also noted that St. Paul is 400 miles from the mainland of Alaska proper, in the middle of the Bering Sea and that there are no roads or marine highway links or service to St. Paul. He stated that the community’s only life line is access to mainland Alaska by air service, and residents depend on it to sustain the community, its people, its economic viability, and access to emergency medical care.

The State of Alaska’s Department of Transportation and Public Facilities echoed similar sentiments regarding St. Paul. John Binder, Deputy Commissioner, commented: “The community depends on scheduled air service for passenger, freight, and mail service for their basic necessities, routine medical services, and general economic well-being. Finally, I am writing you to express my strong support for continuation of the Essential Air Service program in Alaska and to emphasize the crucial access EAS provides to our remote communities. I respectfully urge the U.S. DOT to support and continue EAS in Alaska.”

### **Additional Comments**

By letter dated May 17, 2019, Alaska Central Express, Inc. (ACE) opposed the submission of NAC's all cargo service to St. Paul, stating that NAC is neither proposing to provide passenger service nor is it authorized to provide scheduled passenger service. The letter further stated that ACE provides St. Paul with three weekly cargo flights and has done so since 2002, without subsidy. Therefore, ACE requested the Department dismiss or reject NAC's cargo only proposal.

### **Decision**

In selecting a carrier to provide subsidized EAS for an eligible place in Alaska, 49 U.S.C. § 41733(c)(1) directs the Department to consider six factors: (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) community views, giving substantial weight to the views of the elected officials representing the users of the service; (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.

In addition, the Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, as continued by the Continuing Appropriations Act, 2019, Pub. L. No. 115-245, and the Further Additional Continuing Appropriations Act, 2019, Pub. L. No. 116-5, provides that, when selecting a carrier to provide EAS, the Department may consider the relative subsidy requirements, thus codifying a factor that we have considered since the inception of the program.

The Department is selecting Ravn to provide EAS at St. Paul, with subsidy, for two years. Ravn meets all the selection criteria, and the Department finds its service and subsidy levels reasonable.

Over the last two years, the Department, including staff from the Office of Aviation and International Affairs, the EAS program team, the Office of Governmental Affairs, the Federal Aviation Administration, and Tribal Affairs liaisons met in person with representatives of the Aleut Community of St. Paul, TDX, and Congressional offices for the Alaska delegation. Among the many topics discussed were the process of getting Corvus/Ravn's Dash 8 aircraft certified for over-water operations needed for flights to/from St. Paul, increased need for additional flights due to seasonal needs of nature tours on St. Paul, seafood production, new industry development with testing of unmanned aerial systems, and, specifically, the community's stated need for four weekly round trips, either on a year-round basis, or, at least on a seasonal basis.<sup>3</sup>

For many years, service to St. Paul was operated on an unsubsidized basis. As noted earlier, shortly after Ravn assumed operations of St. Paul's service from PenAir, it filed a notice of intent

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<sup>3</sup> In response to multiple requests from community members, and after the Department's last meeting with representatives from TDX and Blank Rome on June 20, 2019, the EAS program office contacted Ravn's consultant and requested information to informally evaluate the subsidy that the carrier would require to operate an additional round trip, with consideration of peak seasonal needs. Ravn submitted a brief financial forecast indicating that a fourth weekly flight during certain peak periods would require approximately \$300,000 more in annual subsidy.

to terminate its unsubsidized service of three weekly round trips. Through the hold-in process, the Department ensured the community uninterrupted service, and, now with this selection, will be providing the carrier with nearly \$4.5 million in subsidy over the two-year term for three weekly round trips. The EAS program ensures a safety-net level of air service for eligible communities, such as St. Paul, and subsidizes such service if service would otherwise not be provided without subsidy. It may not be always be all that a community desires.

Nonetheless, when comparing PenAir's Saab 340B aircraft to Ravn's Dash 8 aircraft, the Dash 8 has more seat and cargo capacity. St. Paul observed that the Saab 340B aircraft typically carried a maximum of 18 passengers,<sup>4</sup> while the Dash 8 carries 25, an increase of seven passengers. When taking into account the additional capacity of each Dash 8 flight, at three weekly round trips, it is more capacity than adding a fourth weekly round trip (25 seats each way x 3 flights/week = 75 seats/week with the Dash 8 versus 18 seats each way x 4 flights/week = 72 seats/week with the Saab 340B).<sup>5</sup> Ravn, at any time, can provide additional service without subsidy, if it determines the service to be economically feasible.

Because the Department is not selecting Northern Air Cargo's proposal, the request from Alaska Central Express to dismiss or reject it is moot, and the Department will take no further action on ACE's request.

#### **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 we may subsidize it to provide EAS. Ravn is subject to the Department's continuing fitness requirements, and no information has come to the Department's attention that would cause us to question the carrier's fitness at this time. The Department has contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect our fitness findings. Therefore, the 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 Corvus Airlines d/b/a Ravn Alaska to provide Essential Air Service at St. Paul Island, Alaska, and establishes the annual subsidy rates as described in Appendix C;
2. The Department directs Corvus Airlines d/b/a Ravn Alaska 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

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<sup>4</sup> See letter from The City of Saint Paul to the Department, dated November 10, 2017. <https://www.regulations.gov/document?D=DOT-OST-2017-0110-0027>

<sup>5</sup> In addition to the subsidy the Department will be providing Ravn to operate passenger and cargo service, the Department notes that the community also receives air service, on an unsubsidized basis, from two other carriers. ACE will continue to provide three weekly all-cargo flights, without subsidy, and Grant Aviation, Inc. (Grant), provides three weekly round trips from St. Paul Island to Unalaska (Dutch Harbor) via St. George, Alaska. And, nothing in this Order prevents NAC from providing unsubsidized cargo-only service if it so chooses.

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 carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;

3. This selection is contingent upon receiving 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;<sup>6</sup>

4. The Department finds that Corvus Airlines d/b/a Ravn Alaska continues to be fit, willing, and able to operate as a certificated carrier and capable of providing reliable Essential Air Service at St. Paul Island, Alaska;

5. This docket will remain open until further order of the Department; and

6. The Department will serve copies of this order on the civic officials of St. Paul Island, Alaska, the Aleut Community of St. Paul Island, Tanadgusix Corporation, the State of Alaska Department of Transportation & Public Facilities, Corvus Airlines d/b/a Ravn Alaska, and Northern Air Cargo, LLC.

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>*

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<sup>6</sup> The certifications are internet accessible at: <https://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

**AREA MAP**



Maps generated by the Great Circle Mapper - copyright © Karl L. Swartz

### Corvus Airlines d/b/a Ravn Alaska proposal to serve St. Paul Island

	Year 1	Year 2
Stage Length	764	764
Block Hours per Departure	3.4	3.4
Roundtrips per Week	3	3
Scheduled Flights	312	312
Estimated Completion Factor	90%	90%
Estimated Completed Flights	281	281
Passengers <sup>7</sup>	4,292	4,292
Load Factor	61%	61%
Average Fare	\$461	\$461
Ancillary Revenue per Passenger	\$10	\$10
Passenger Revenue	\$2,021,532	\$2,021,532
Mail Revenue	\$182,118	\$182,118
Freight Revenue	\$12,854	\$12,854
Total Revenue	\$2,216,503	\$2,216,503
Variable Costs	\$2,733,127	\$2,815,120
Aircraft Ownership	\$490,019	\$490,019
Overhead & Interest	\$885,756	\$912,328
Total Expenses	\$4,108,901	\$4,217,468
Profit (Loss) Excluding Subsidy	(\$1,892,398)	(\$2,000,965)
Subsidy Revenue (to 5% FAC)	\$2,110,170	\$2,224,491
Subsidy per Departure	\$7,515	\$7,922
Subsidy per Block Hour	\$2,210	\$2,330
Subsidy per Passenger	\$492	\$518

**Corvus Airlines d/b/a Ravn Alaska**  
**Essential Air Service to be provided at St. Paul Island, Alaska**  
**DOT-OST-2019-0038**

Annual Subsidy: Year 1 = \$2,110,170; Year 2 = \$2,224,491

Contract Term: October 1, 2019, through September 30, 2021

Scheduled Service/Hub: Three round trips per week to Ted Stevens Anchorage Int'l Airport (ANC)<sup>1</sup>

Aircraft: 29-seat Dash 8-100

Rate per Eligible Flight: Year 1 = \$7,510<sup>2</sup>; Year 2 = \$7,916

Weekly Ceiling: Year 1 = \$45,060<sup>3</sup>; Year 2 = \$47,496

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.

Funds may not be available for performance under this order beyond September 30, 2019. The Government's obligation for performance under this order beyond September 30, 2019, 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, 2019, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2019, the Department will provide notice in writing to the carrier.

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<sup>1</sup> Flights may operate westbound (Anchorage-St. Paul Island) with an intermediate technical stop. Eastbound flights (St. Paul Island-Anchorage) will generally operate on a nonstop basis.

<sup>2</sup> Year 1 = Annual compensation of \$2,110,170 divided by 281 annual departures (6 weekly flights x 52 weeks x 90 percent completion). Year 2 = Annual compensation of \$2,224,491 divided by 281 annual departures (6 weekly flights x 52 weeks x 90 percent completion).

<sup>3</sup> Year 1 = 6 arrivals and departures per week multiplied by \$7,510 per flight. Year 2 = 6 arrivals and departures per week multiplied by \$7,916 per flight.

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; August claims must be submitted by November 30; and so on.