



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

Issued by the Department of Transportation
on the 2nd day of April, 2021

Essential Air Service at

ST. PAUL ISLAND, ALASKA

Under 49 U.S.C. §41731 *et seq.*

DOT-OST-2019-0038

ORDER REQUESTING PROPOSALS

Summary

By this Order, the U.S. Department of Transportation (the Department) is requesting proposals from air carriers interested in providing Essential Air Service (EAS) at St. Paul Island, Alaska, (St. Paul) for a new contract term beginning October 1, 2021, with or without subsidy. Air carriers should file proposals no later than April 26, 2021.

Background

On October 2, 2019, the Department issued Order 2019-10-2 selecting Corvus Airlines, Inc. d/b/a Ravn Alaska (Corvus) to provide EAS at St. Paul for a two-year term from October 1, 2019, through September 30, 2021. Corvus was to 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.

Corvus provided EAS at St. Paul until April 5, 2020, when it ceased all operations and sought protection under Chapter 11 of the U.S. Bankruptcy Code along with its parent company, Ravn Air Group, Inc. and related entities (collectively, the “Ravn Group”).

On June 1, 2020, the Department received a letter from the City Manager of St. Paul requesting that the Department issue a request for proposals from air carriers interested in providing EAS at St. Paul.

Subsequently, by Order 2020-6-16 (June 29, 2020), the Department requested proposals from air carriers interested in providing EAS at St. Paul for a new contract term, with or without subsidy. Notably, the Order stated, in pertinent part:

If Ravn resumes EAS for St. Paul prior to the Department selecting a carrier to provide EAS at St. Paul, or if an entity that acquires Ravn assumes the EAS contract for St. Paul prior to that time, however, the Department may rescind this request for proposals and terminate the carrier selection case.

On July 9, 2020, FLOAT Alaska, LLC (“FLOAT Alaska”) was named as a successful bidder of certain Ravn Group assets, including the stock of Corvus. On August 5, 2020, the U.S. Bankruptcy Court for the District of Delaware entered an order approving an Asset Purchase Agreement (“APA”) between the Ravn Group and FLOAT Alaska. The parties to the APA closed on the transaction on August 7, 2020.

Subsequently, on August 3, 2020, FLOAT Alaska submitted a letter to the Department stating:

FLOAT, the successful bidder for the purchase of Corvus Airlines, Inc. (“Corvus”) from the Ravn bankruptcy estate, [is] advising the Department that Corvus intends to resume essential air service (“EAS”) at St. Paul Island, Alaska (“STP”) and assume the previous pre-bankruptcy EAS contract awarded to Corvus for STP service, as soon as the Department and the FAA grant Corvus authority to resume service. Corvus will shortly be filing its Notice and Application to resume air transportation services with the Department.

The Department also received a proposal from Alaska Central Express, Inc. (ACE) to provide subsidized EAS at St. Paul.

On November 20, 2020, the Department found Corvus fit to resume interstate scheduled passenger services, which Corvus did at St. Paul on December 1, 2020. By Order 2020-12-32 (December 31, 2020), the Department determined that the post-bankruptcy Corvus, owned by FLOAT Alaska, had satisfied the criteria for rescission set forth in Order 2020-6-16 and terminated the air carrier selection case, thereby allowing Corvus to continue performing its EAS obligation at St. Paul under the terms of its contract.

The complete public file for EAS at St. Paul may be accessed online through the Federal Docket Management System at www.regulations.gov by entering the community’s docket number in the “Search” field.

Request for Proposals: General Requirements

The Department is requesting proposals from air carriers interested in providing EAS at St. Paul, with subsidy support if necessary, for a new contract period beginning October 1, 2021. Air carriers should file their proposals no later than April 26, 2021. The proposals will then be uploaded to www.regulations.gov, thereby making them public. Shortly afterwards, the Department will provide a summary of the proposals to the community and ask them to submit their final comments.

The Department expects clear, well-documented proposals that will facilitate their evaluation by the community and the EAS team.¹ Air carrier proposals should be submitted to the Department with all materials merged into a single document. In addition, proposals should be formatted to be viewed online. In order to evaluate air carrier proposals, the Department requires that air carriers adequately describe the service being proposed and the annual amount of subsidy being requested, if any. The Department requests that proposals include information concerning proposed schedules, projected block hours, and financial data supporting subsidy requests including information on projected expenses and revenues. In cases where an air carrier proposes to provide EAS without subsidy and the Department determines that basic EAS, as required by 49 U.S.C. § 41732, can be reliably provided without such compensation, the Department typically will not proceed with the air carrier-selection case. Instead, the Department will simply rely on that air carrier's subsidy-free service as proposed. Lastly, the Department expects that air carriers will have completed due diligence regarding any community-specific operational requirements. Air carriers should prepare their proposals with every expectation that, should they be selected by the Department, they will be able to commence full EAS as described in their proposal on the first day of the new contract term.

Interested air carriers should prepare their proposals with the understanding that their initial proposals will represent their *final* and *only* proposals. However, the Department retains the discretion to negotiate proposals with air carriers when it deems it desirable; in such cases, the Department will give all applicants the same opportunity. The Department also retains the discretion to re-solicit a new round of proposals in the event that all proposals received are rejected due to being unreasonable or unrealistic.

Proposals should provide sufficient capacity to accommodate historical levels of traffic with, as a general matter, service up to two airports that provide numerous connecting opportunities to the national air transportation system.² When a crafting a proposal, the air carrier should ensure that the proposed hub best meets the air service needs of the community. In order to assist air carriers in developing traffic and revenue projections for their proposals, the Department has provided a summary of recent historical passengers in Appendix B.³ The Department encourages air carriers to work with the community as they prepare their proposals in order to craft a service proposal that meets the community's needs with subsidy requirements that remain competitive. As always, the Department will fully consider the communities' and State's views before making a long-term air carrier decision.

¹ In selecting an air 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 of the applicant air carrier; (B) the existence of contractual and marketing arrangements with a larger air carrier at the hub; (C) the existence of 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 its service. And HR 133, the Consolidated Appropriations Act, 2021, authorizes the Department to consider the relative subsidy requirements of the applicant air carriers. Interested air carriers should also be aware that the general provisions governing Essential Air Service will be included in the selection Order as part of our authorization of subsidy for the selected service. Appendix C of this Order contains those general provisions.

² For basic EAS in Alaska, service to a small hub or nonhub airport is acceptable. 49 U.S.C. § 41732(a)(2). In some cases, the Department may require service to two airports. 14 CFR 398.2(b)(3).

³ Source: Bureau of Transportation Statistics, Schedule T-100.

Air carriers may propose more than one service option. They can also propose service options different from what the community currently receives—lengths of contract terms or airports, for example. However, proposals should have at least one option that complies with the weekly capacity described below, and compliance with all legal requirements.

Air carriers should note that it is a federal crime to knowingly and willfully make materially false, fictitious, or fraudulent statements, entries, or representations in an EAS proposal submitted to the Department.⁴

Request for Proposals: Specific Requirements

The Department expects proposals that meet basic EAS requirements and are consistent with what the community currently receives, which is three round trips per week to Anchorage using intermediate-sized aircraft.

Community and State Comments

The community and State are welcome to submit comments at any time. The Department encourages interested air carriers to contact the community *before* they submit their proposals so that they can tailor them to the community's needs, as they will not be able to amend them after the due date. As noted earlier, the Department will provide a summary of the proposals to the civic parties shortly after the deadline for air carrier proposals, and ask them to submit their final comments.

Other Air Carrier Requirements

The Department is responsible for implementing various federal statutes governing lobbying activities, drug-free workplaces and nondiscrimination.⁵ Consequently, all air carriers receiving subsidy for EAS must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those air carriers whose subsidies exceed \$100,000 over the life of the contract must also certify that they are in compliance with the regulations governing lobbying activities. Because the Department is prohibited from paying subsidy to air carriers that do not submit these documents, all air carriers that plan to submit proposals involving subsidy should be aware that the selected air carrier will be required to complete the required certifications. Interested air carriers requiring more detailed information regarding these requirements should contact the Office of Aviation Analysis at (202) 366-5903.⁶

This Order is issued under authority delegated by the Secretary of Transportation in 49 CFR 1.25a(b)(6)(ii)(D) and re-delegated to the Director, Office of Aviation Analysis.

⁴ 18 U.S.C. § 1001.

⁵ The regulations applicable to these areas are: (1) 49 CFR Part 20 – New restrictions on lobbying; (2) 49 CFR Part 21 – Nondiscrimination in federally-assisted programs of the Department of Transportation – Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 – Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 – Nondiscrimination on the basis of disability in air travel; (3) 49 CFR Part 32 – Governmentwide requirements for drug free workplace; and (4) 2 CFR Part 1200 – Government-wide debarment and suspension (non-procurement).

⁶ The certifications are available online under “Reports and Publications” at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

ACCORDINGLY,

1. The Department requests that air carriers interested in providing Essential Air Service at St. Paul Island, Alaska, submit their proposals, with or without subsidy, no later than April 26, 2021. The proposals should be e-mailed to: EAS@dot.gov and Venkatesh.paluvai@dot.gov with the title “Proposal to Provide EAS at St. Paul Island, Alaska”;⁷
2. This docket will remain open until further Order of the Department; and
3. The Department will serve this Order on the civic officials of St. Paul Island, Alaska, the Alaska Department of Transportation & Public Facilities, and the courtesy distribution list for requests for proposals for EAS communities in Alaska.

By:

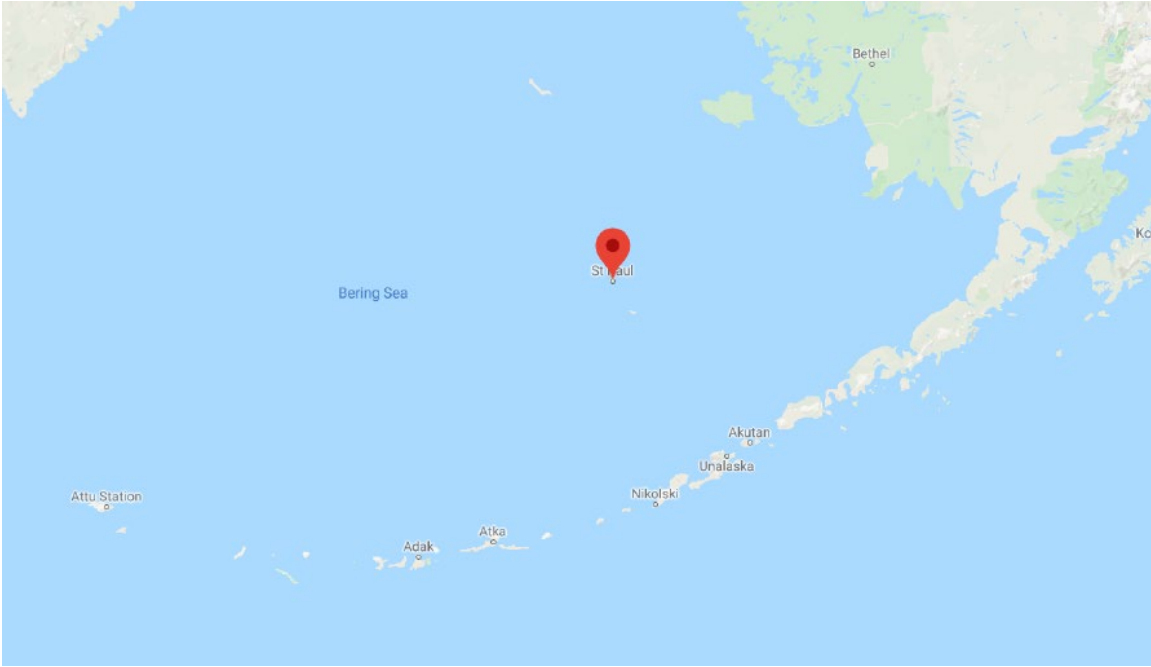
TODD M. HOMAN
Director
Office of Aviation Analysis

(SEAL)

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

⁷ Questions regarding filings in response to this Order may be directed to Mr. Venk Paluvai at (202) 366-5432 or venkatesh.paluvai@dot.gov.

AREA MAP



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Historical Traffic at St. Paul (SNP) ⁸

Year	Month	Carrier	Passengers	Mail (lbs.)	Freight (lbs.)
2020	January	Corvus	266	94	314
2020	January	Grant Aviation	38	0	272
2020	February	Corvus	271	0	45
2020	February	Grant Aviation	21	0	693
2020	March	Grant Aviation	13	0	38
2020	April	Grant Aviation	6	0	0
2020	May	Grant Aviation	25	0	87
2020	June	Grant Aviation	76	0	430
2020	July	Grant Aviation	74	0	545
2020	August	Grant Aviation	67	0	1060
2020	September	Grant Aviation	29	0	305
2020	October	Grant Aviation	38	0	1233
2020	November	Grant Aviation	31	0	670
2020	December	Corvus	92	0	1890
2020	December	Grant Aviation	11	0	899
2020 Total			1058	94	8481
2021	January	Corvus	130	0	1887
2021	January	Grant Aviation	3	0	699
2021	February	Corvus	120	0	2095
2021	February	Grant Aviation	6	0	396
2021 Total			259	0	5077

⁸ Source: Bureau of Transportation Statistics; Form 41, Schedule T-100 Market Report.

Example of General Terms and Conditions for Essential Air Service

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 [DATE]. The Government's obligation for performance under this Order beyond [DATE], 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 [DATE], until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond [DATE], the Department will provide notice in writing to the air 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.