

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

Essential Air Services at)
)
ST. PAUL, ALASKA)
)
Under 49 U.S.C. 41731 *et seq.*)
)

DOCKET DOT-OST-2019-0038

**ESSENTIAL AIR SERVICE PROPOSAL
OF ALASKA CENTRAL EXPRESS, INC.**

Pursuant to the Order 2021-4-3, Alaska Central Express, Inc. (“Alaska Central”) hereby submits its proposal to provide essential air service with subsidy between Anchorage and St. Paul Island, Alaska. The passenger service offered by Alaska Central will be provided with 1900C “combi” model aircraft configured with 9 passenger seats, capable of transporting 1800 pounds of cargo and mail with a full passenger load, and updated with the latest autopilot, radar and navigational technology.

Alaska Central’s proposal is set out in detail in the attachment hereto. In brief, Alaska Central will offer three times weekly service between Anchorage and St. Paul for transportation passengers, freight and mail. Service will be scheduled to be conducted on a non-stop basis, although fuel stops may be required depending on the weather and other factors, in which case the technical stop will be at Dillingham. In the first year of EAS operations Alaska Central is requesting a subsidy need of \$1,225,811. In the second year of operations the subsidy need is \$1,262,585. The financial assumptions supporting and justifying the Alaska Central subsidy request have been formulated on the basis of the current Alaska Central costs. While the effects of the pandemic in the near term cannot be known for certain, Alaska Central will be prepared to

adjust its service levels with existing aircraft in its fleet to accommodate any increase in passenger traffic as may be warranted.

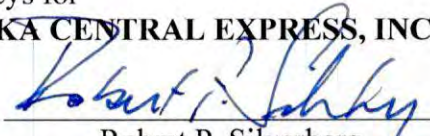
Alaska Central looks forward to being able to provide this important service to these Alaska communities in accordance with the attached proposal.

Respectfully submitted,

Silverberg Goldman, PLLC

Attorneys for
ALASKA CENTRAL EXPRESS, INC.

By:


Robert P. Silverberg

Dated: April 26, 2021

St. Paul Essential Air Service Proposal of Alaska Central Express

Pursuant to the Order 2021-4-3, Alaska Central Express, Inc. ("Alaska Central") hereby submits its proposal to provide essential air service between Anchorage and St. Paul Island. Alaska Central proposes to provide essential air service between Anchorage and St. Paul based on a reasonable request of \$1,225,822 in subsidy for the first year of service and \$1,262,585 based on a projected 3% cost increase in the second-year subject to adjustment as discussed below. The services will be provided with Beechcraft 1900C "combi" configured aircraft equipped with 9 passenger seats and substantial residual mail and cargo capacity. Nonstop service to and from St. Paul will be offered by Alaska Central three times a week. If conditions do not permit service to be provided on a nonstop basis from Anchorage to St. Paul, a technical stop will be made at Dillingham.

Currently, Alaska Central operates a fleet of 18 1900C aircraft, of which 12 are configured for combined passenger and cargo operations and some of these combi aircraft will be deployed to this service. Even as configured for passenger service, Alaska Central can also transport up to 1800 pounds of cargo and mail on its combi aircraft. Alaska Central will not be required to obtain any additional aircraft in order to provide the specific air transportation services described in the Attachment hereto.

Alaska Central has an 18-year history of successfully serving the air transportation needs of the Anchorage-St. Paul market. The Alaska Central proposed service pattern will result in the operation of scheduled passenger and cargo-capable flights benefiting shippers, the Postal Service as well as passengers. This is especially important as the Covid pandemic has had such a devastating impact on passenger demand for air transportation services to and from St. Paul.¹ Revenues generated by the movement of mail and cargo will compensate in part for the sharp reduction in passenger revenues due to Covid, thereby reducing subsidy need. Alaska Central's projections allow it to partially recover the cost of providing scheduled passenger service to St. Paul, thereby preserving limited Essential Air Service funds and benefiting the Department in its ongoing efforts to facilitate Essential Air Service in Alaska and in the lower 48 states where subsidies are needed to support essential services.

Alaska Central has constructed its proposal using current unit costs, freight and mail rates and assumed passenger traffic revenue. With a 5% margin Alaska Central

¹ By St. Paul Emergency Ordinance, No. 21-93, the City of Saint Paul extended and modified previously adopted rules that severely limit passenger traffic to all categories of passengers except defined essential passengers, passengers with critical needs and fully vaccinated individuals. The rule is effective until April 30, 2021 and based on past renewals will be renewed for additional 30-day periods based on then existing conditions. Given the sensitivity of the community to the hazard posed by the introduction of the virus to the isolated island community, Alaska Central expects the travel limitations, as they may be modified, to remain in place until the end of the Covid 19 pandemic.

projects economic costs in the first year of operations of \$2,780,719 and total revenue of \$1,564,908 resulting in a subsidy need in the first year of \$1,225,811. Second year subsidy need is calculated to be \$1,262,585. With the relatively lower cost of operation of Alaska Central's Beechcraft 1900C combi aircraft, and the ability to transport passengers plus an additional 1800 pounds of cargo and mail, the need for subsidy is minimized. As the Department is aware, Alaska Central possesses a certificate of public convenience and necessity last issued by Order 2011-2-12 that authorizes it to engage in interstate schedule air transportation of persons, property and mail with defined "small aircraft." This certificate authority was made effective by Order 2011-9-14. Alaska Central was most recently found fit to engage in scheduled passenger air transportation by DOT in its letter to counsel dated July 31, 2020. Consequently, Alaska Central currently has all of the necessary authority from the Department and the FAA to commence scheduled passenger operations to St. Paul upon being selected by the Department to do so in this proceeding.

With respect to the level of passenger capacity Alaska Central is offering to provide to the St. Paul community, Alaska Central's projection indicates that it will be more than adequate to serve the existing market for passenger service as the community itself has severely metered passenger traffic by prohibiting virtually all but essential passengers from entering the Island. Specifically, Alaska Central is proposing to offer 54 round trip seats per week in the Anchorage-St. Paul market that is more than sufficient to serve the passenger segment of the market while the pandemic is raging and while the Island community is going to great efforts to protect itself from the Coronavirus. When the pandemic is fully brought under control by the administration of vaccines or otherwise and the local restrictions on travel are lifted and the need for additional passenger capacity is demonstrated, Alaska Central will have the capability to add more frequency to meet the needs of the market drawing on its existing fleet of 12 "combi" passenger aircraft.

Alaska Central and its predecessor air carrier have over 32 years of experience providing air transportation within the State of Alaska. Alaska Central currently operates scheduled all-cargo service between Anchorage and 17 points in Alaska as well as on-demand cargo and passenger services throughout the State. Alaska Central currently performs over 130 flights per week. Apart from its history of successful and profitable operations, Alaska Central has an excellent record of service reliability even under the often times harsh Alaska flying conditions, including those found at St. Paul. A measure of the high level of service and reliability Alaska Central provides is found in the statistic that it carries more priority mail for the Postal Service out of Anchorage than any other Part 135 carrier. This is significant because the Postal Service dispatches priority mail based on two factors - the level of service offered and history of service reliability - and not on the basis of equitable tender among competing carriers. The advantage Alaska Central enjoys in the priority mail market substantiates its claim to providing reliable flight service throughout the State.

Other considerations favor the selection of Alaska Central. First, the carrier has achieved superior service reliability within Alaska as discussed above. Second, Alaska Central has amassed years of both scheduled and non-scheduled service experience within the State. Alaska Central is a fixture of the Alaska aviation community in general and in St. Paul, in particular. Third, Alaska Central has underway a fleet-wide Beech 1900 equipment upgrade campaign to install state-of-the-art autopilot, radar and navigational equipment bringing its equipment up to the newest and highest standards which, in turn, support Alaska Central's enviable intra-State completion factor. Alaska Central does not rest alone on its reputation for reliable service within the State. Alaska Central takes pride in sponsoring a variety of intra-State charity events over the years, including such events as the annual Cystic Fibrosis event, Shoot for the Cure, and the American Cancer Society's Making Strides Against Cancer program. In addition, communities throughout the State benefit from receiving donations from Alaska Central to community organizations located at Alaska Central destinations. Giving back to the communities it serves is part of the carrier's operating philosophy. Building on its history of St. Paul operations, Alaska Central is ideally suited to be selected to offer essential air service between Anchorage and St. Paul based on its proposed flight schedule.