

Updates to Essential Air Service (EAS) and Alaska Service Mail Rates

**Alaska Air Carriers Association
Convention & Trade Show**

**Anchorage, AK
February 28, 2019**

Overview of EAS in Alaska*

Number of Alaskan communities currently receiving subsidized EAS:

61

Number of air carriers serving those communities:

15

Maximum annual value of all contracts:

\$23,301,510 (7.1% of all contracts @ max annual value)

Length of contracts currently in effect:

1 Year: **4**

2 Years: **41**

3 Years: **1**

4 Years: **14**

5 Years: **1**

* As of 2/1/2019, contracts currently in place

Alaska EAS communities by air carrier*

40-Mile – 2: Chisana, Healy Lake

Alaska Air Transit - 1: Tatitlek

Alaska Airlines – 6: Adak, Cordova, Gustavus, Petersburg, Wrangell, Yakutat

Alaska Seaplanes – 6: Excursion Inlet, Kake, Angoon, Elfin Cove, Pelican, Tenakee

Copper Valley – 2: May Creek, McCarthy

Corvus – 1: McGrath

Grant – 18: Perryville, Twin Hills, Igiugig, King Cove, Pilot Point, Ugashik, Chignik Lake, Egigik, Levelock, Port Heiden, Atka, Nokolski, St. George, Akutan, Clark's Point, False Pass, South Naknek

Harris Air – 1: Port Alexander

Island Air – 12: Alitak, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, Uganik, West Point, Zachar Bay, Akhiok

Pathfinder – 1: Diomedede (Air Transportation to Noneligible Places/ATNEP)

Reeve – 1: Gulkana

Tanana – 4: Manokotak, Koliganek, New Stuyahok, Ekwok

Taquan – 1: Hydaburg

Warbelow's – 4: Central, Circle, Manley, Minto

Wright – 1: Lake Minchumina

* As of 2/1/2019, contracts currently in place

SEC. 451. ESSENTIAL AIR SERVICE AUTHORIZATION

Discretionary funds for EAS*

\$155,000,000 for fiscal year 2018

\$158,000,000 for fiscal year 2019

\$161,000,000 for fiscal year 2020

\$165,000,000 for fiscal year 2021

\$168,000,000 for fiscal year 2022

\$172,000,000 for fiscal year 2023

*Discretionary funds are appropriated by Congress in the federal budget. Additionally, Mandatory funds (from Overflight Fees) at around \$140,000,000 per year are authorized to be used for the program.

SEC. 452. ESSENTIAL AIR SERVICE AUTHORIZATION

(b) SEASONAL SERVICE — The Secretary of Transportation may consider the flexibility of current operational dates and airport accessibility to meet local community needs when issuing requests for proposal of essential air service at seasonal airports.

Example: West Yellowstone, MT

SEC. 452 STUDY ON ESSENTIAL AIR SERVICE REFORM

Directs The Comptroller General of the United States to conduct a study (due within 180 days of enactment) on the effects of Federal laws and amendments enacted after 2010, analyzing, at a minimum—

- (A) the impact of each relevant Federal law, including the amendments made by each law, on the EAS program;
- B) what actions communities and air carriers have taken to reduce ticket prices or increase enplanements as a result of each law;
- (C) the issuance of waivers by the Secretary under for the 10-enplanement requirement;
- (D) whether budgetary savings resulted from each law; and
- (E) options for further reform of the EAS program

SEC. 453. AIR TRANSPORTATION TO NONELIGIBLE PLACES (ATNEP)

PROGRAM SUNSET

— Ends ATNEP October 2020

Currently, Diomedede, AK, funded by ATNEP, will become a full EAS community.'

SEC. 454. INSPECTOR GENERAL REVIEW OF SERVICE AND OVERSIGHT OF UNSUBSIDIZED CARRIERS

(a) IN GENERAL — By October 2019, the inspector general of the Department of Transportation shall conduct and complete a review of orders issued by the Department of Transportation from 2005 through 2018 to determine whether the carriers providing unsubsidized service provided basic EAS, and whether the Department conducted sufficient oversight of carriers providing unsubsidized service to ensure air service quality and community satisfaction.

SEC. 454. IG REVIEW OF UNSUBSIDIZED CARRIERS

To contain:

- (1) a review of the Department's efforts to communicate to the community served by the unsubsidized carrier on any material air service changes; and
- (2) a review of the Department's efforts to closely monitor the quality of air service provided by the unsubsidized carrier and request proposals for basic EAS if necessary

Alaska Service Mail Rates

Recent Events - Mainline :

- Final Order setting terminal and linehaul rates released on November 8, 2018, in Order 2018-11-2.
- Latest fuel update to the linehaul rates was released on February 7, 2019, by Order 2019-2-6.
- This order was amended by an Erratum, released February 11, 2019.
- Next fuel update expected to be May 2019, using data for quarter-ended September, 2018.

Alaska Service Mail Rates

Recent Events - Bush :

- Final Order setting terminal and linehaul rates released on September 25, 2018, in Order 2018-9-13.
- A fuel update using 2Q 2018 data was to be released the week of Christmas, however, the government shutdown complicated this matter.
 - The Bureau of Transportation Statistics (BTS) was 100% furloughed, so no data could be processed, nor could data corrections be requested
 - General Counsel was staffed with a few lawyers to continue work involving health, life, and safety issues.
- When the government reopened, three data issues considered material to the ratemaking were sent to BTS for investigation/resolution
- BTS is working with the carriers to resolve the data issues so a fuel update can be released.

QUESTIONS?

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