

Essential Air Service (EAS) and Alaska Service Mail Rates Update

2022 AACCA Convention & Trade Show

**Anchorage, AK
March 1, 2022**

EAS Team Organizational Structure

U.S. Department of Transportation (DOT)

- **Office of the Undersecretary for Policy**
 - **Office of Aviation Analysis & International Affairs**
 - **Office of Aviation Analysis**
 - **EAS & Domestic Analysis Division**
 - **EAS Team**

The team consists of six DOT transportation industry analysts managing 172 communities receiving subsidized EAS, including 61 in Alaska;

Finance support (S3.6), managing a budget and processing claims for payments submitted by # air carriers;

And legal oversight provided by the Office of the General Counsel (OGC)

EAS Program: History

- ◎ **October 24, 1978: The passage of the Airline Deregulation Act. EAS is created as a 10-year program to assist the transition to a deregulated environment.**
- ◎ **P.L. 104-264 §278 amended 49 U.S.C. §41742, eliminating the EAS program expiration date of September 30, 1998.**

EAS Program: History

January 25, 1980:

- ◎ **Order 80-1-67 originally issued to determine frequencies, designated hub(s), and required aircraft types for most EAS communities in Alaska**
- ◎ **<https://www.transportation.gov/office-policy/aviation-policy/alaskan-essential-air-service-determination>**

EAS Program: Eligibility

- ◎ Originally, all communities that had scheduled air service on October 24, 1978, were eligible for EAS
- ◎ Currently, outside of AK & HI, only those communities that were receiving subsidized EAS between September 30, 2010, and September 30, 2011, are eligible
- ◎ All communities in AK & HI currently remain eligible
- ◎ There is more activity in EAS community additions/suspensions in AK compared with that of the contiguous United States

EAS Program: Minimum Frequency

49 USC 41732 (b)(1)(B) gives specific authority for minimum requirements for EAS in Alaska :

- ⦿ (b) Minimum Requirements.—Basic essential air service shall include at least the following:
- ⦿ (1) (B) for a place in Alaska, a level of service at least equal to that provided in 1976 or 2 round trips a week, whichever is greater, except that the Secretary of Transportation and the appropriate State authority of Alaska may agree to a different level of service after consulting with the affected community.

EAS Program: Alaska Snapshot*

- 59** Alaska communities currently receiving subsidized EAS (**nearly 1/3 of all 172 total communities**) served by 16 different air carriers
- Maximum annual value of all contracts: **\$30,133,666** (8.5% of all contracts @ max annual value)
- Length of contracts currently in effect:
 - 1 Year: **0**
 - 2 Years: **25**
 - 3 Years: **1**
 - 4 Years: **7**
 - 5 Years: **26**

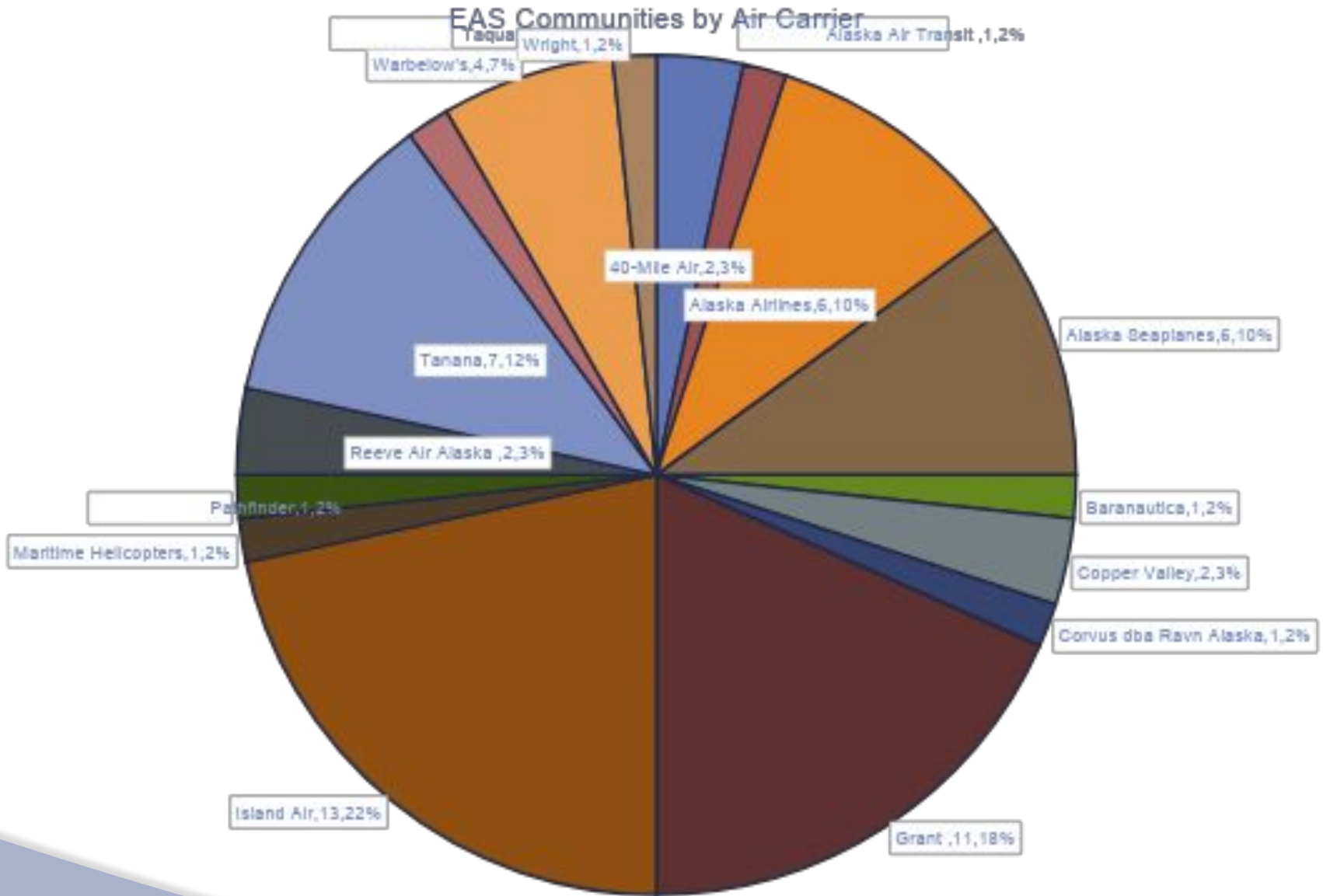
*Under the current legislation, 142 additional communities in Alaska are eligible for EAS, under certain criteria

** Metlakatla and Skwentna are expected to be receiving subsidized EAS this year

Grant and Tanana Air Service/Shannon's Air Taxi completed an asset purchase transaction. Tanana Air Service is no longer operating as of December 30, 2021

* As of February 2020, contracts currently in place

EAS Communities by Air Carrier



Alaska EAS subsidized communities by air carrier*

40-Mile Air – 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

Baranautica – 1: Port Alexander

Copper Valley – 2: May Creek, McCarthy

Corvus dba Ravn Alaska – 2: St. Paul, McGrath

Grant – 11: Akutan (DUT to 7AK), Atka, Chignik, Chignik Lake, False Pass, King Cove, Levelock, Nikolski, Port Heiden, St. George, Twin Hills

Island Air – 13: Alitak, Amook Bay, Karluk, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, Uganik, West Point, Zachar Bay, Akhiok

Maritime Helicopters: Akutan (7AK to Akutan)

Pathfinder – 1: Diomedede

Reeve Air Alaska – 2: Gulkana, McGrath

Taquan – 1: Hydaburg

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

Wright – 1: Lake Minchumina

Grant is also temporarily covering 7 communities after cessation of service by Tanana Air Service - Egegik, Ekwok, Igiugig Perryville, Pilot Point, South Naknek, and Ugashik



Alaska EAS unsubsidized communities by air carrier

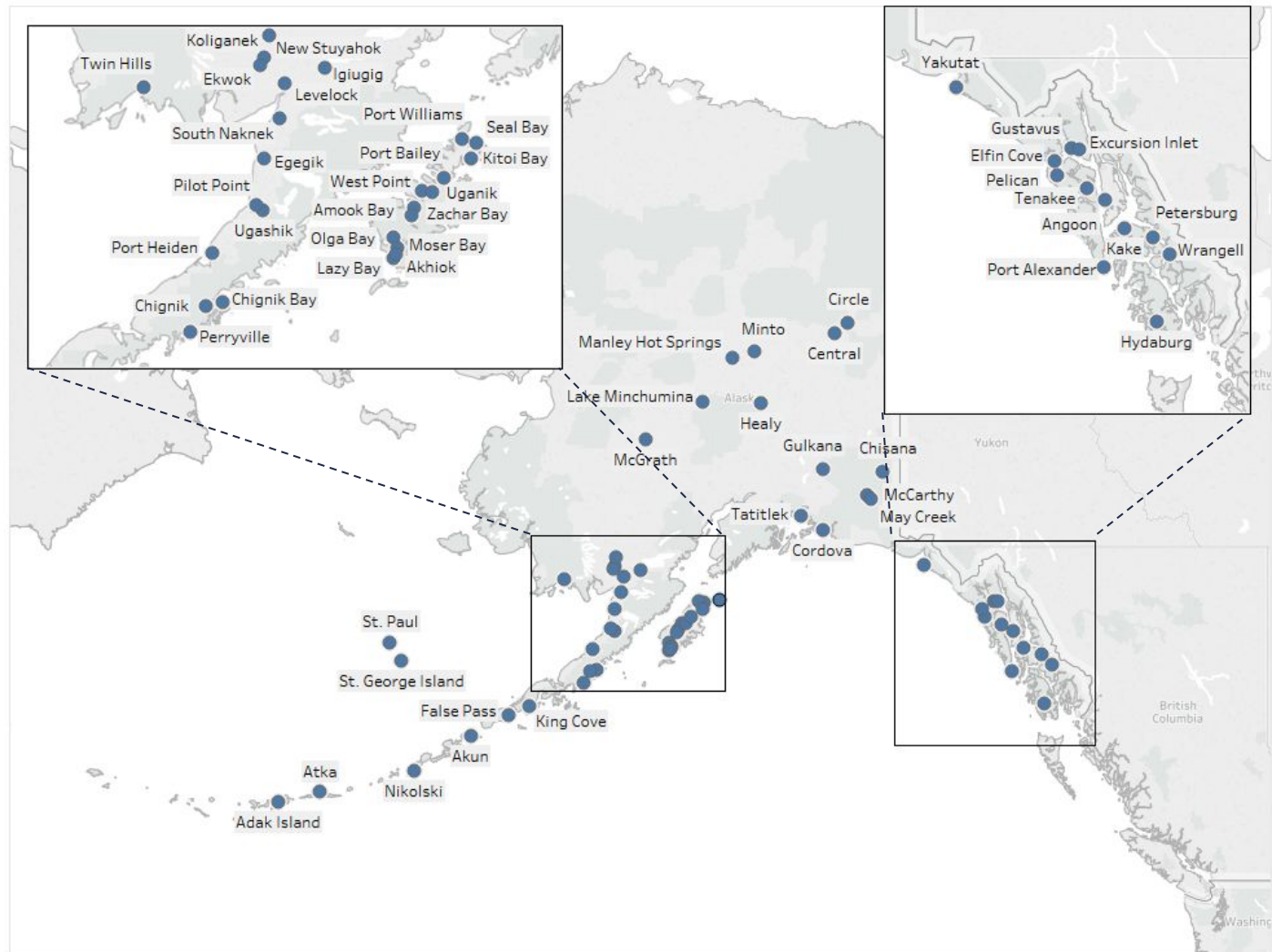
**Grant – Clark’s Point, Koliganek,
Manokotak, New Stuyahok**

Ravn Alaska – Dutch Harbor

Warbelow’s - Rampart

EAS communities in Alaska

*Diomedede added July 1, 2020



Diomedede, AK became an EAS community effective July 1, 2020



Photo: Wikipedia

EAS Funding

- ◎ **Two sources –**
 - **FAA overflight fee revenue (Mandatory)**
 - **Congressionally appropriated budget (Discretionary)**

<u>Fiscal Year</u>	<u>Mandatory</u>	<u>Discretionary</u>
FY2019 (actual)	\$145,437,000	\$175,000,000
FY2020 (actual)	\$122,071,503	\$162,000,000
FY2021 (actual)	\$47,945,123	\$141,724,000
FY2022 (enacted)	\$74,324,761	\$247,700,000

Intra-Alaska Service Mail Rates

- EAS & the Domestic Analysis Division also set rates for Intra-Alaska service mail, including Bypass
- Rates are set separately for Mainline and Bush air carriers
- Annual Show Cause Order and Final Order for Mainline and Bush along with up to three quarterly fuel updates for Mainline and Bush

Intra-Alaska Service Mail Rates: Mainline Recent Events

- The annual show cause Order (2021-3-24) updating Mainline service mail and linehaul rates for the 12-month period ended March 31, 2020, was issued on March 18, 2021
- On April 27, 2021, the Department finalized rates from Order 2021-3-24, and adjusted for the most recent quarterly fuel expenses to reflect fuel costs for the quarter ended June 30, 2020*.
- The next Order will be the third quarterly fuel update reflecting costs for the quarter ended December 31, 2020.

*On May 21, 2021, the Department issued an Erratum correcting calculations in both Orders caused by a typographical error

Intra-Alaska Service Mail Rates: Bush

Recent Events

- Show Cause Order for annual update using data for year-ended September 30, 2020; was released on November 10, 2021
- Final Order 2021-12-15, released December 28, 2021, updated fuel for latest quarter of data available (first quarter 2021)
- The next Show Cause Order for annual update is expected to be released in late summer, 2022, using data for year-ended September 2021
- The next quarterly fuel update should be released in late March or early April, 2022
- The Department is reviewing an interim Seaplane linehaul rate adjustment in Spring 2022, but has made no determination yet

QUESTIONS?

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