BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Essential Air Service at ST. GEORGE, ALASKA ST. PAUL ISLAND, ALASKA under 49 U.S.C. § 41731 *et seq.*	))))))	Docket DOT-OST-2017-0109 Docket DOT-OST-2017-0110

PROPOSAL OF CORVUS AIRLINES, INC. DBA
RAVN ALASKA TO PROVIDE ESSENTIAL AIR SERVICE
AT ST. GEORGE AND ST. PAUL ISLAND, ALASKA

Communications with respect to this document should be addressed to:

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October 10, 2017

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Pursuant to Order 2017-8-21 (served August 22, 2017),[1] Corvus Airlines, Inc. d/b/a Ravn Alaska ("Ravn Alaska") hereby presents its proposal to provide essential air service ("EAS") with subsidy at St. George, Alaska ("STG") and St. Paul Island, Alaska ("SNP") for a two-year period beginning within 90 days of award.

Ravn Alaska and Hageland Aviation Services, Inc. d/b/a Ravn Connect ("Ravn Connect") (together, the "Ravn Carriers") operate safe, reliable, affordable, and convenient scheduled air service throughout Alaska, and presently provide critical air transportation to over 100 local communities throughout the State.[2] Each of the Ravn Carriers holds the requisite DOT economic and FAA safety authorities necessary for its EAS proposal herein. Specifically, Ravn Alaska holds a certificate of public convenience and necessity to engage in interstate air transportation of persons, property and mail, as last re-issued pursuant to

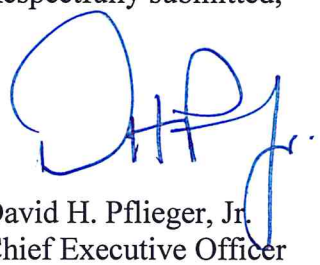
[1] Under the terms of Order 2017-8-21, proposals initially were due by September 19, 2017. By email dated September 20, 2017, the Department extended the deadline for proposals until October 10, 2017. See Dockets DOT-OST-2017-0109 and 0110.

[2] Details of safety practices and a new management team are located on pages 5 and 6.

Order 2014-7-15 (served July 22, 2014) and an associated FAA-issued air carrier certificate authorizing domestic passenger and cargo operations under 14 C.F.R. part 121.

Attached, you will find a detailed introduction to Ravn Alaska and Ravn Connect, an outline of our subsidy request, and other information that demonstrates why Ravn Alaska is the best choice to provide Essential Air Service at St. George and St. Paul Island, Alaska. We look forward to working with these communities and their leaders in the coming days to further detail our proposal.

Respectfully submitted,



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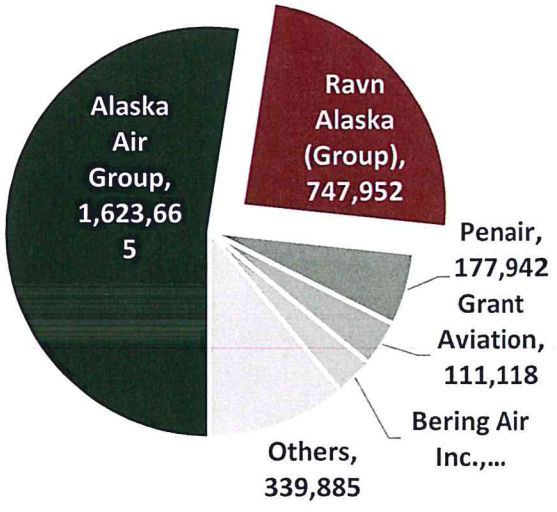
I. Introduction

Ravn Air Group was formed in 2009 when ERA Aviation, now Corvus Airlines, was acquired by the parent company of Hageland Aviation and Frontier Flying Service. Hageland and Frontier had come together just the year before. In 2014, the company was rebranded as Ravn Alaska with all Federal Aviation Regulation ("FAR") Part 121 passenger operations operated by Corvus Airlines doing business as Ravn Alaska, and all FAR Part 135 passenger operations operated by Hageland Aviation doing business as Ravn Connect. The Frontier Flying Services certificate is dedicated to all cargo services.

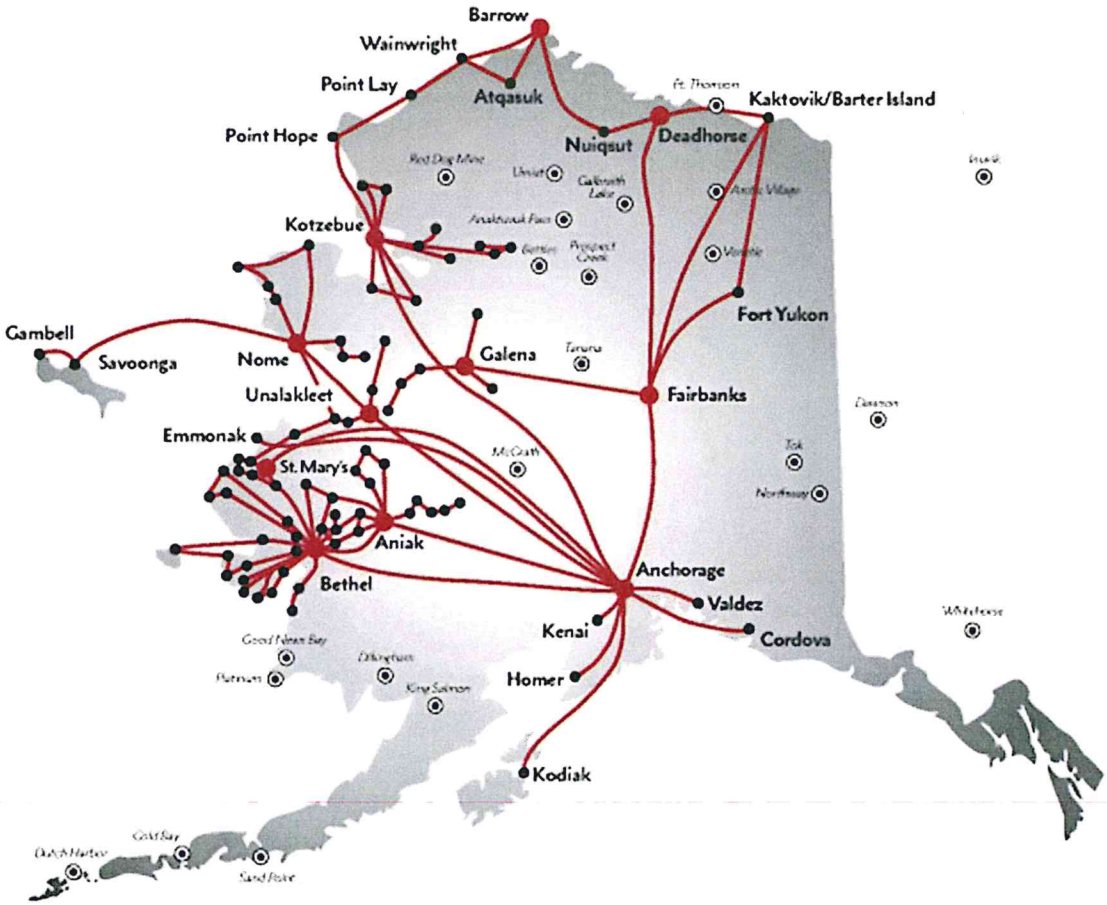
Scheduled Service Passengers,
U.S. T100 Year Ending June 2017



Although the Ravn brand is relatively new, our history in Alaska is long, as our predecessor companies introduced the first

commercial helicopter services to Alaska in 1948. Charter services to villages began in 1950, and our scheduled passenger services have been operating since 1983.

The Ravn Carriers transported over 700,000 passengers in the year-ending June 2017 or 24% of all scheduled intra-Alaska passenger traffic for that period, commanding the second largest carrier market of intra-Alaska passenger air travel. Further, during that time, Ravn Alaska transported over 400,000 passengers between 16 airports across the state. All together, the Ravn Carriers operate in over 100 communities through Alaska, from the North Slope to the Gulf of Alaska.



The top priority at Ravn Alaska and Ravn Connect is the safety of our customers and our employees. Both Ravn Alaska and Ravn Connect are recognized as Medallion Shield carriers by the Medallion Foundation, which was founded in 2001 to reduce aviation accidents by fostering a proactive safety culture and promoting higher safety standards through one-on-one mentoring, research, education, training, auditing and advocacy. In addition, Ravn Carriers are now in the process of completing world-renowned IATA Operational Safety Audit ("IOSA") certifications, an internationally recognized and accepted evaluation designed to not only assess safety, but also the operational management and control systems of an airline. Ravn Alaska's Part 121 Corvus operations have further enhanced the safety of their operations through the use of an FAA-approved Flight Operational Quality Assurance ("FOQA") program and an FAR Part 5, Safety Management Systems ("SMS"). SMS entails a formal, top-down, organization-wide approach to managing safety risk and assuring the effectiveness of safety risk controls. FOQA is a voluntary program which allows airlines to share information so that the FAA can monitor national trends and target resources to specific initiatives. Both programs are being expanded to Ravn Connect.

In addition to safety, the Ravn Carriers place great emphasis on operational excellence and world-class customer service for our passengers. The Ravn Carriers are now being led by a newly appointed team of successful, seasoned, and highly experienced major airline executives who have successfully started and turned around many different airlines such as Virgin America, Song (Delta's low-cost carrier), Hawaiian Airlines, Fiji Airways, Silver Airways, Era Aviation, and others. As experienced providers of intra-

Alaska passenger and cargo air services, Ravn has achieved superior service reliability levels, and the airline's performance is only expected to get better, now that it is being operated by airline experts with an intense focus on safety and operational reliability.

We operate a variety of aircraft to meet the unique needs of each community we serve across Alaska. All Ravn Alaska flights operated by Corvus Airlines, Inc. are performed by a fleet of 10 modern, fuel efficient Bombardier Dash 8 series 100 aircraft, offering seating for up to 37 passengers. Ravn Connect scheduled flights, operated by Hageland Aviation, are operated with Beech 1900C, the Cessna 208 Caravan, or Piper PA-31 Chieftains, all configured for 9 passenger seats. The company also maintains a fleet of 6-passenger Cessna C207 Skywagons, as well as all-cargo-configured Beech 1900C's and Shorts 330 Sherpas.

In addition to providing critical transportation links across the state, Ravn Alaska has always sought to be a strong corporate partner with the communities we are privileged to serve. Our 1,000 employees live in Alaska, from our headquarters in Anchorage and maintenance bases in Fairbanks, Bethel, and Palmer to our many village agents across the state. We work closely with schools, hospitals, and the State of Alaska to facilitate travel

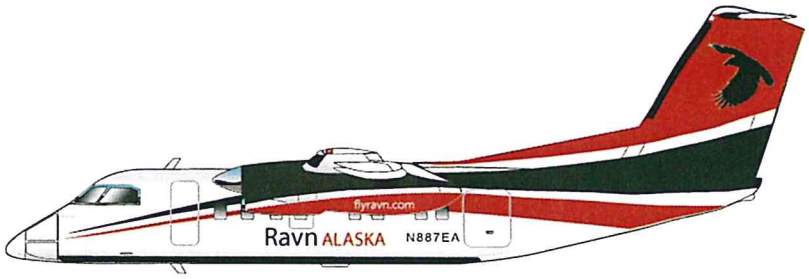
both near and far. Our sponsorships include organizations important to Alaskans, including the American Red Cross, the American Cancer Society, Alaska Schools Activities Association, the Alaska Federation of Natives, Big Brothers Big Sisters of Alaska, the University of Alaska' Nanooks and Seawolves athletics programs, eight local Chambers of Commerce, and numerous events across the state.

The Ravn Carriers offer our passengers a combination of product attributes which are unmatched in Alaska. First, we are the only carriers that specialize in village service with connecting flight service available to Anchorage on a single ticket. We facilitate this service through providing Ravn Alaska service from many of our regional hubs to Anchorage and by maintaining interline ticketing and baggage agreements with other carriers such as Alaska Airlines. In addition to Alaska Airlines, we maintain interline connections American Airlines, Delta Air Lines, and United Airlines to create worldwide reach with a single ticket. Second, Ravn Alaska utilizes the industry-leading SabreSonic Reservations system while maintaining our unique Alaska village agent service. This makes possible a wide range of purchasing options for our customers, which includes purchases through our website, flyravn.com, online travel agents such as expedia.com, traditional travel agents, our call center, and airport and village Ravn agents throughout Alaska. Third, Ravn Alaska offers FlyAway Rewards, our unique frequent flyer program designed to reward loyal customers. In addition to being the only frequent flyer program for rural communities that allows points to be redeemed for travel to Anchorage, FlyAway

Rewards has two elite levels with additional benefits to reward our most frequent travelers.

On certain routes, FlyAway Rewards members may choose to earn Alaska Airlines Mileage Plan miles instead of FlyAway Reward points.

II. Service Proposal



Ravn Alaska offers three service proposal options linking St. George ("STG") and St. Paul Island ("SNP") with Ted Stevens Anchorage International Airport ("ANC") for the consideration of the communities and Department of Transportation, set forth in Options A through C herein. Service under each Option is proposed to be operated with Bombardier DHC-8 aircraft configured with 29 passenger seats. Although each Option is an independent proposal, Option C (SNP) may be substituted for the SNP portion of Option B. We have developed these Options in response to our flights, meetings, and outreach to residents of St. George and St. Paul Island who indicated to us that they prefer scenarios which create independent services for each island community. Further, our research indicates that operational reliability at both SNP and STG is often compromised by extreme weather-related conditions at one of the two airports, potentially resulting in reduced reliability for both communities. Therefore, our service proposals below are designed to mitigate these issues to the maximum extent possible.

a. Service Pattern

i. Option A

Option A seeks to replicate the existing service pattern provided by another carrier to the maximum extent possible. Our proposal seeks to provide three weekly roundtrips

between ANC and both SNP and STG, recognizing the need for a planned tech stop westbound with accommodations for an eastbound flag-stop. We propose to take advantage of the Ravn Carriers' large operational base at Bethel, Alaska ("BET") for flag-stops. Instead of continuing the current "wrap" service, we propose that STG service be tagged to SNP in each direction, to ensure greater operational reliability at SNP. Subject to conversation with village leaders and residents, Ravn Alaska proposes the schedule listed below:

Segment	Depart	Arrive	Block	EQP	Days of Operation		
ANC-BET	9:45	11:30	1:45	DH8	Tu	Th	Sa
BET-SNP	12:00	13:45	1:45	DH8	Tu	Th	Sa
SNP-STG	14:10	14:30	0:20	DH8	Tu	Th	Sa
STG-SNP	14:50	15:10	0:20	DH8	Tu	Th	Sa
SNP-ANC	15:45	19:00	3:15	DH8	Tu	Th	Sa
		(19:25)	(Arrival when tech stop required)				

(Note: All times are local)

ii. Option B

With Option B, Ravn Alaska proposes to operate three weekly scheduled round-trip flights between ANC and only SNP and two weekly roundtrips between ANC and STG. This option seeks to remove the tag segment between SNP and STG and allow each island to have its own independent service. By including stops at BET in each direction, we anticipate the ability to sell seats between BET and ANC to passengers not traveling to/from SNP or STG, which offsets some of the increased service level costs. Subject to conversation with village leaders and residents, Ravn Alaska proposes the schedule listed below:

Segment	Depart	Arrive	Block	EQP	Days of Operation
ANC-BET	9:45	11:30	1:45	DH8	Mo Tu Th Fr Sa
BET-SNP	12:00	13:45	1:45	DH8	Mo Th Sa
BET-STG	12:00	13:45	1:45	DH8	Tu Fr
SNP-BET	14:15	15:55	1:40	DH8	Mo Th Sa
STG-BET	14:15	15:55	1:40	DH8	Tu Fr
BET-ANC	16:25	18:05	1:40	DH8	Mo Tu Th Fr Sa

(Note: All times are local)

Please note that Ravn Alaska is willing to service either community or both under Option B.

iii. Option C

Under Option C, Ravn Alaska proposes to operate three weekly scheduled round-trip flights between ANC and only SNP, without the benefit of scheduled stops in BET. Although we anticipate tech stops in BET, particularly westbound, we anticipate no revenue from passengers travelling between ANC and BET. Subject to conversation with village leaders and residents, Ravn Alaska proposes the schedule listed below:

Segment	Depart	Arrive	Block	EQP	Days of Operation
ANC-BET	9:45	11:30	1:45	DH8	Mo Th Sa
BET-SNP	12:00	13:45	1:45	DH8	Mo Th Sa
SNP-ANC	14:15	17:30	3:15	DH8	Mo Th Sa
		(17:55)			(Arrival when tech stop required)

(Note: All times are local)

Our research indicates this service pattern with the potential for nonstop eastbound service to ANC is only possible from SNP and not from STG based on operational conditions. Should both communities desire service from Ravn Alaska and SNP prefer it,

Option C may be substituted for the SNP portion of Option B and be combined with the STG portion of Option B to form a complete pattern of service to both communities.

b. Financial Requirement

Ravn Connect requests an Essential Air Service subsidy of up to $5,438,849 annually to operate service to St. George and St. Paul Island, depending on which Option is selected, as set forth below:

Option A	ANC-SNP	ANC-STG	Total
Stage Length	767	770	-
Estimated Block Time	3.4	4.0	-
Roundtrips per Week	3	3	3
Controllable Completion Factor[3]	90%	85%	85%
Passengers	2489	338	2827
Load Factor	25%	3%	14%
Average Fare	$440	$440	$440
Passenger Revenue	$1,095,160	$148,720	$1,243,880
Mail Revenue	$0	$0	$0
Freight Revenue	$150,240	$37,560	$187,800
Total Revenue	$1,245,400	$186,280	$1,431,680
Variable Costs	$1,994,003	$1,994,003	$3,988,006
Aircraft Ownership	$165,251	$165,251	$327,637
Overhead & Interest	$247,876	$247,876	$495,752
Startup Costs	$67,250	$67,250	$134,500
Total Expenses	$2,474,380	$2,474,380	$4,948,760
Profit (Loss) Excluding Subsidy	($1,228,980)	($2,288,100)	($3,517,080)
Subsidy Revenue (to 5% Margin)	$1,352,699	$2,411,819	$3,764,518
Subsidy per Departure	$4,336	$7,730	$12,066

[3] Controllable Completion Factor excludes anticipated "extreme weather" related cancellations for which the Department normally compensates carriers.

Subsidy per Block Hour	$4,017	$6,218	$3,905
Subsidy per Passenger	$543	$7,136	$1,332

Option B	ANC-SNP	ANC-STG	Total
Stage Length	767	770	-
Estimated Block Time	3.4	3.7	
Roundtrips per Week	3	2	5
Controllable Completion Factor[4]	90%	85%	85%
Passengers	2489	338	2827
Load Factor	24%	5%	17%
Average Fare	$440	$440	$440
Passenger Revenue	$1,095,160	$148,720	$1,243,880
Mail Revenue	$150,240	$25,080	$175,320
Freight Revenue	$0	$0	$0
Total Revenue	$1,245,400	$173,800	$1,419,200
Variable Costs	$3,079,949	$1,980,418	$5,060,368
Aircraft Ownership	$318,240	$216,403	$534,643
Overhead & Interest	$477,360	$324,605	$801,965
Startup Costs	$67,250	$67,250	$134,500
Total Expenses	$3,942,799	$2,588,676	$6,531,476
Profit (Loss) Excluding Subsidy	($2,697,399)	($2,414,876)	($5,112,276)
Subsidy Revenue (to 5% Margin)	$2,894,539	$2,544,310	$5,438,849
Subsidy per Departure	$9,277	$12,232	$10,459
Subsidy per Block Hour	$3,032	$4,150	$3,469
Subsidy per Passenger	$1,163	$7,528	$1,924

[4] Controllable Completion Factor excludes anticipated "extreme weather" related cancellations for which the Department normally compensates carriers.

Option C	ANC-SNP
Stage Length	767
Estimated Block Time	3.2
Roundtrips per Week	3
Controllable Completion Factor[5]	90%
Passengers	2489
Load Factor	24%
Average Fare	$440
Passenger Revenue	$1,095,160
Mail Revenue	$150,240
Freight Revenue	$0
Total Revenue	$1,245,400
Variable Costs	$3,149,317
Aircraft Ownership	$318,240
Overhead & Interest	$477,360
Startup Costs	$73,500
Total Expenses	$4,018,417
Profit (Loss) Excluding Subsidy	($2,773,017)
Subsidy Revenue (to 5% Margin)	$2,973,937
Subsidy per Departure	$9,532
Subsidy per Block Hour	$3,115
Subsidy per Passenger	$1,195

c. Mail and Freight Services

In addition to passenger services, Ravn Alaska expects to transport mail and freight, under the appropriate guidelines and rates.

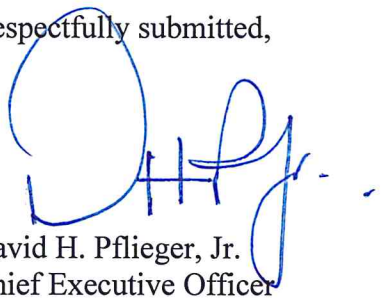
[5] Controllable Completion Factor excludes anticipated "extreme weather" related cancellations for which the Department normally compensates carriers.

III. Conclusion

Ravn Alaska is fit, willing and able to provide EAS with subsidy at St. George and St. Paul Island. We have a demonstrated commitment to providing safe, reliable, affordable and efficient air service throughout Alaska for decades. The payload capacities and passenger/cargo configurations of the aircraft to be used in furtherance of their EAS proposals meet the current market needs. For all the reasons detailed above, the Ravn Carriers urge the Department to select Ravn Alaska to operate EAS with subsidy at STG and SNP for a two-year period, beginning within 90 days of award.

We look forward to working with leaders and residents in St. George and St. Paul Island in the coming days to meet again, further discuss our proposal in detail, and demonstrate why Ravn Alaska is the best carrier to provide the Essential Air Service at each community.

Respectfully submitted,



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