



2019 North Slope Air Carriers Workshop

FINAL REPORT





INTRODUCTION

The North Slope Air Carriers Workshop is a collaboration between Voice of the Arctic Iñupiat, the Alaska Air Carriers Association, and the State of Alaska Department of Transportation to convene air carriers that service North Slope communities, the United States Postal Service, and indigenous and community leaders to work towards developing a unified plan to promote improvements in service – including the Alaska Bypass Program, freight, and passenger services – to North Slope communities.

Transportation infrastructure is a critical component of sustainable development and strengthens the resiliency of Arctic communities. Expertise from a diverse group of participants and industry executives highlights the importance of providing critical services and benefits to Alaska's rural communities while minimizing cultural, social, environmental, and economic risks.

Voice of the Arctic Iñupiat (VOICE), co-host of the North Slope Air Carriers Workshop, is a non-profit organization comprised of leaders – of tribal organizations, Alaska Native Corporations, and municipal governments – from Alaska's North Slope region. VOICE works collectively toward improving the lives of community members through advocacy and engagement in local, state, and international arenas and operates off the core belief that local people should have the greatest say in issues that affect the Arctic Slope. This fall, we were grateful for the opportunity to collaborate with the commercial aviation industry and the government agencies responsible for overseeing it.

The outcomes of the Workshop included identifying gaps in communication and lack of clarity about how programs are intended to operate, celebrating leading practices, and plans for future dialogue. Through a long day filled with collaboration and conversation, our partners worked to share their experience, broaden their perspective, and understand other stakeholders. After a productive and meaningful 2019 North Slope Air Carriers Workshop, we look forward to further exploring ways to continue this dialogue in the future



ALASKA BYPASS MAIL PROGRAM

Bypass Mail was introduced in 1972 as a solution to the uniquely Alaskan problem of delivering mail in rural Alaska. Alaska's vast area, difficult geography, sparse population, and limited infrastructure in combination with few certified mainline air carriers and increasing rural populations created a slow and unreliable system for bush package service as subcontractors were unable to keep up with demand. Hub postal centers were inundated with packages with no way to send them to rural communities as air carriers prioritized passengers and luggage.

The Alaska Bypass Program (ABP, Bypass) was introduced as a mutually beneficial solution for easing Postal Service (USPS, PS) operational bottlenecks and providing more reliable rural package service. The Bypass Program operates on a hub-and-spoke system where businesses in Anchorage and Fairbanks ship directly to rural customers via major airlines. The pallets are then broken down and delivered to small rural communities by smaller airline companies or independent pilots. As the name suggests, goods bypass the Postal Service entirely – Bypass mail is defined as parcel post mail, but it is not required to be handled by PS personnel or handled in a PS facility. Currently, there are 14 active Bypass mail hubs statewide.

Shortly after the establishment of the ABP, the United States moved towards airline deregulation. Until the 1970's, commercial airlines were highly regulated by the Civil Aeronautics Board (CAB), which assigned routes, limited market entry, and set ticket prices. In regards to the ABP, a CAB controlled program known as Mail Pay set the rates that the PS would pay for airmail throughout the country, which reimbursed air carriers for trips to rural areas that are not as economical. As the country moved away from deregulation and the CAB, authority to set the rates that the PS would pay to air carriers in Alaska was transferred to the Department of Transporta-

tion, effectively maintaining the structure of airline regulation in Alaska exclusively – certified carriers, government set rates, and a Mail Pay-like system.

This led to a pendulum swing in the other direction, air carriers began eliminating passenger service in favor of carrying more profitable ABP pallets paid for by the PS. In response, Congress introduced the Rural Service Improvement Act of 2002 (RSIA). The purpose of RSIA was to create safer and more consistent service to villages and gave priority to airlines that also carried passengers, ensuring that carriers were not carrying additional Bypass pallets at the expense of passenger service. RSIA was described as a "four legged stool," designed to:

1. Provide the most affordable means of delivering food and everyday necessities to rural communities;
2. Establish a system whereby the PS can meet its obligations to deliver mail to every house and business in America;
3. Support affordable and reliable passenger service; and
4. Support affordable and reliable non-mail freight service.

In reality, RSIA came with its own challenges, including severely limiting competition amongst air carriers as the Act made it incredibly difficult for new entrants to the Bypass market. In the late 1990's/early 2000's, there were 56 air carriers operating in Alaska, today there are 9 or 10. Additionally, the prioritization of mail to passenger carriers created a new problem in backlogging regional hubs, as passenger carriers are often in the worst position to move mail given that their planes are filled with people, luggage, and non-mail freight.

The PS has been looking to identify efficiencies in the system and areas to save costs. The PS pays lower mainline rates to air carriers that deliver to regional hubs and more expensive bush rates to carriers that service downline destinations. Cost savings are realized by converting a bush destination to a hub, reducing the rates paid to move mail to that destination. The PS has also tried to make greater use of surface transportation where available, and has implemented hovercraft in the mail delivery system.

The air carriers and the USPS have held a few working groups over the years to work together to create greater efficiency and lower costs while preserving the intra-Alaska mail system. Turnover in USPS personnel and an incredibly complicated system with a tendency towards unintended consequences has challenged the process.

GOOD PRACTICES & NOTABLE SUCCESSES

- USPS has made it a focus to bring Postal Service leadership to Alaska so that they can better understand the unique conditions and system in place.
- A new USPS employee has been hired in Anchorage to work specifically on Bypass mail, working to coordinate with air carriers and with local communities.
- New training requirements in place for hub postmasters to have greater oversight over Bypass mail.
- USPS will be working in 2020 to implement a scanning process to track mail through the Bypass system, which air carrier is responsible for it, and when it gets delivered. This will vastly improve USPS's ability to communicate effectively with local community members that are frustrated by delayed mail.
- Increased planning for peak seasons will allow more effective measures to handle overload of

mail and freight while meeting service standards.

- USPS has been looking at ways, in addition to aircraft and trucking, to transport mail. Including snowmachine transport in winter on North Slope Borough maintained Community Winter Access Trails. These efforts have been met with varying success, but USPS is committed to continuing to explore new and creative solutions.

KEY CHALLENGES

- Every air carrier has a different business model, which makes it difficult to identify a universal solution.
- Air carriers lack certainty in what direction the PS is likely to head and the security of the Bypass Program and are therefore hesitant to invest in infrastructure such as new facilities and new aircraft.
- Adverse weather can back up the entire system and affects Bypass across the whole state.
- Difficulty staffing long-term, reliable postmasters and relief postal workers in villages; lots of turnover, not a lot of communication.
- Number of air carriers in the Bypass system has decreased while the mail volume has increased.
- Some things, such as perishable foods, are sent through Bypass mail, which is not set up to handle them.
- As the USPS is "bypassed" in the system, they are unable to track mail effectively.
- Elements of the current system make it difficult for the PS to pursue needed network improvements.

REMOTE TRANSPORTATION IN THE ARCTIC

While each Arctic country faces its own challenges, exploring the similarity and differences across countries may help us answer primary questions - how can we best support our rural communities that rely on aviation and how do we fund aviation systems in the Arctic? While there are certainly differences across the Arctic - the scope of infrastructure development, the role of government, and funding processes vary by country - there are also interest-

ing similarities. The hub-and-spoke model, in which the largest airports in each region act as an anchor for the rest of the system, often subsidizing smaller airport operations, help to consolidate areas so that regions can make systems choices. Government subsidies make un-economical flights and transports a reasonable option for industry. See table for more information on funding and support systems in place across Arctic nations.



CANADA

Similar to Alaska, much of Canada is only accessible by air; there are 518 airports in Canada. Airports in northern Canada are owned and operated by provincial or territorial governments. Similar to the Alaska Bypass Program, the Government of Canada has operated a Food Mail Program to reduce the cost of shipping to rural communities; program differs in that the Canadian government directly funded the program. The Food Mail Program was largely ineffective, and in 2011, Nutrition North Canada (NNC) replaced the Food Mail Program. NNC's goal is to "reduce the cost of perishable foods as part of the Government of Canada's Northern Strategy." Similar to the Food Mail Program, the NNC is directly funded by the government, however it only subsidizes certain eligible "nutritious" foods as well as certain non-food items such as diapers and non-prescription drugs, sold by registered retailers, suppliers, and country good processors. The program serves approx. 116 communities.

GREENLAND

Greenland is almost solely dependent on air travel as it has no roads. Greenland has 80 communities; 18 have airports, 14 have air service, and 47 have heliports. All air transportation in Greenland is operated by the government through Air Greenland. Greenland utilizes a Public Service Obligation (partially backed by the Kingdom of Denmark) like Norway and other European countries to subsidize Air Greenland operations and operates off of a moral obligation to maintain airports, even those that are not self-sufficient (only 2 airports in Greenland are self-sufficiently funded.) Greenland is supported by sea transportation for movement of cargo from March to December.

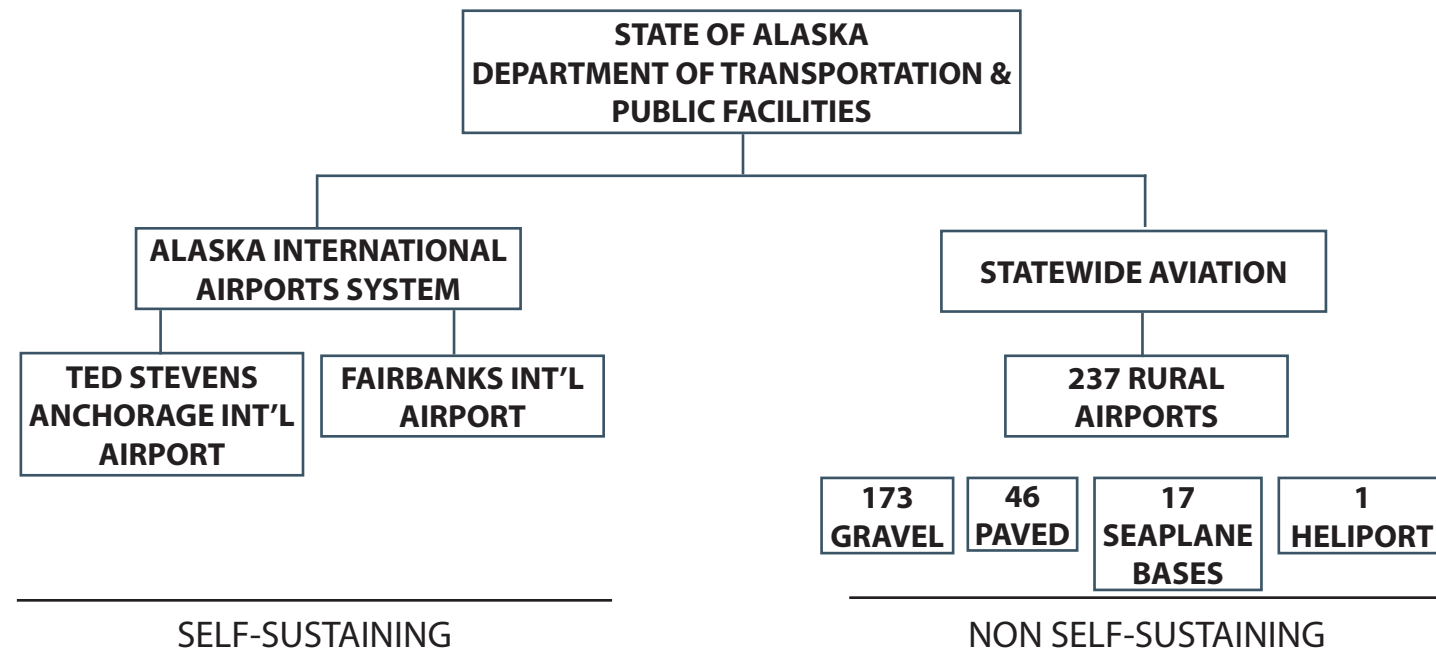
NORWAY

Remote transportation in Norway is supported by much more robust infrastructure, and includes roads, railways, ports, and airports. Norway has 98 airports, 45 of which are public. Nearly all civil airports in Norway are operated by state-owned limited company, Avinor AS, with nearly half funded by user fees; the others receive funding from commercial ventures (parking, shopping). Only five of the country's 46 airports have positive revenue, and they pay for services and infrastructure at all of the rest. Like other European nations, Norway operates off a social responsibility to keep airports running despite unprofitability and has a Public Service Obligation (PSO) for supporting systems of air transport. The PSO is very similar to the Essential Air Service in the United States and Nutrition North in Canada, but is more expansive - shipments can be subsidized for food, medication, mail, tools, and equipment. Norway has the largest number of PSO routes in the European Union (around 60).

ALASKA

Alaska is serviced by road, rail, air, and a marine highway. Aviation plays a huge role in Alaska's transportation infrastructure: Alaska has over 400 public airports, the State of Alaska owns and operates 239 airports and there are approximately 747 recorded landing areas (private, public, and military) not including off-airport landing sites. Essential Air Service, a government subsidy service intended to maintain rural air service is active in approximately 60 Alaskan communities. The Alaska Bypass Program, described in an earlier section, "Alaska Bypass Mail System," operates to 14 hubs and 105 destinations around the state.

A FOCUS ON ALASKA



The aviation industry provides primary access for 82% of Alaskan communities off the contiguous road system. Gravel and paved runways, seaplane bases, and heliports make up a vast network of airline infrastructure in Alaska. Across the state, there are only 20 Part 139 certified airports, also known as jet hubs, capable of supporting large passenger airliners and cargo planes. The State of Alaska is the largest owner and operator of airports in the world and oversees both rural and international aviation systems in the state.

While the state-owned International Airports in Anchorage and Fairbanks are mandated to be self-sustaining, the rural system is not and draws on extensive state and federal resources to remain operational. The state creates revenue at public airports through fuel taxes, user and registration fees, and landing fees, but these revenues add up to but a fraction of operation costs to keep rural airports open and usable. Optimizing sand and chemical use at rural airports and converting maintenance to federal programs are huge cost-savers and essential to the sustainability of the system.

Alaska relies heavily on the Federal Aviation Administration's Airport Improvement Program (AIP) funding - federal dollars from a trust fund acquired from surcharges on every airline passenger in the United States. Alaska receives about \$200M per year, but the grant program reflects federal priorities and not state necessities. The State of Alaska matches grants through the AIP at a general rate of 6.25% of project eligible costs, though some Essential Air Service airports in designated economically stressed communities qualify for a 5% match of project eligible costs; total airport match from State is about ~\$11M per year.

KEY CHALLENGES

- Future trends indicate that federal funding is shrinking steadily.
- Remoteness - low access to resources, staffing, and oversight
- Capital improvement is very expensive
- Climate change
- Federal compliance requirements in a unique environment.
- Balancing needs and cost with revenue.

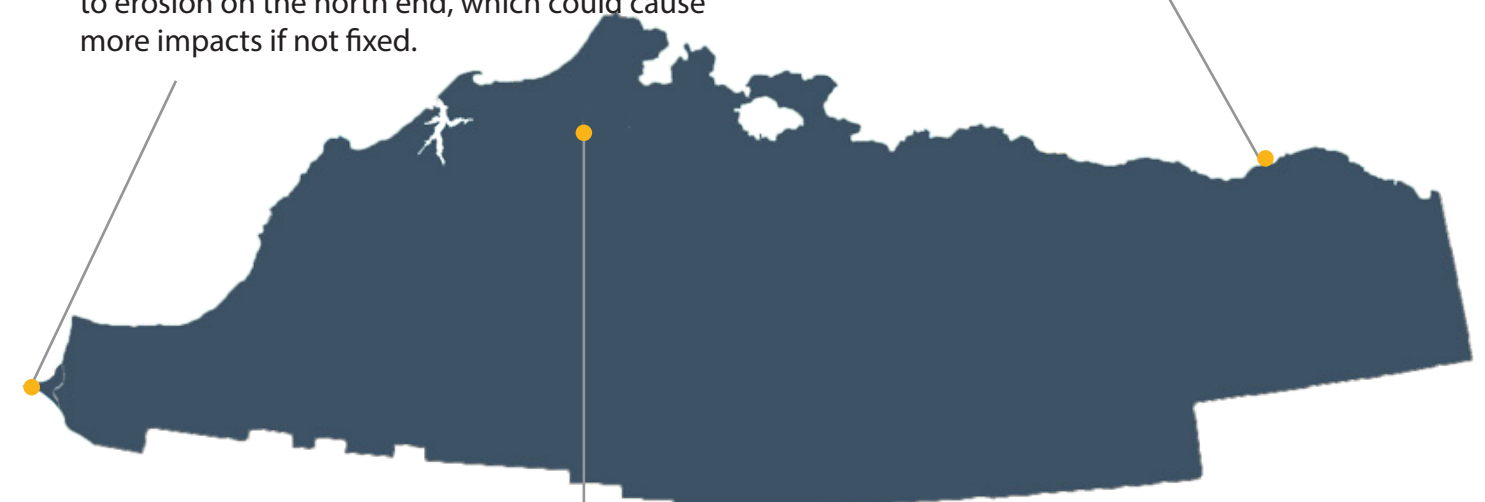
LOCAL PERSPECTIVES

POINT HOPE - Christina Tippin, Mayor

- Two passenger airlines and one freight airline service Point Hope; four passenger flights daily.
- Is a part of the Bypass program
- Even with four flights, it is very expensive to get to our village from the local hub of Kotzebue. It costs more to get from Point Hope to Kotzebue (55 min flight) than it costs to travel from Kotzebue to the lower 48.
- Point Hope has times of year where inclement weather is extremely often due to it's location, which prevents mail, medication, and groceries from reaching the community.
- When weather stations go down, even though FAA has installed cameras on the runway and the weather is good, carriers choose not to fly.
- Difficulty keeping the post office staffed
- Currently waiting for realignment of runway due to erosion on the north end, which could cause more impacts if not fixed.

KAKTOVIK - Amanda Kaleak, Mayor

- Kaktovik (Barter Island) receives two flights a day - from Fairbanks and Deadhorse.
- Currently not a part of Alaska Bypass Program.
- Number of visitors to Kaktovik has increased from 50-60 to about 2,000 per year due to tourists wanting to see polar bear.
- During polar bear viewing season, it can take 3 weeks for passengers to get in or out of the community. This is expensive and causes issues for those that need to get out due to non-emergency medical situations.
- Since there is only one air carrier serving Kaktovik, this also means that freight sits in Deadhorse or Fairbanks for weeks at a time.



ATQASUK - Elizabeth Hollingsworth, NV Atkasuk President and Local Business Owner

- Atkasuk receives three flights per day and one on Sunday.
- Atkasuk Store orders out of Anchorage and depends on the Bypass mail system, which requires a minimum 1,000 lbs. per order.
- Generally unable to order fresh produce for the community because it almost always gets stuck somewhere on its way to Atkasuk and is inedible by the time it arrives, either frozen when it should not be, not properly refrigerated, or the ravens have gotten into the packaging.
- Our goal as a business is to keep costs as low as possible since the cost of living in rural Alaska is already astronomical and people need to be able to feed themselves and their families. This means that I operate at a loss for the foods that cannot be sold.

NORTH SLOPE AIR CARRIERS

JANET KLATT - Northern Air Cargo

- Fly to Deadhorse, Utqiagvik, Nome, and Kotzebue - mainline carrier that provides a lot of foods and building materials to the North Slope region. Does not fly passengers at all.
- Large part of business is shuttling Bypass mail from Anchorage and/or Fairbanks to Utqiagvik.
- NAC flies a lot of oversize freight due to large aircraft in fleet - only fly 737's.
- The type of aircraft NAC is committed to flying limits which communities that they can service and limits their involvement in Bypass and Freight delivery to the end user; relies heavily on corporate partners to get "the last mile,"
- Large corporate focus is on supporting local North Slope communities, participating in events, and listen to community voices to provide support and assistance where possible.
- Lack of facilities is a real limitation; have substantial freeze/chill capabilities in Anchorage, but once it reaches rural Alaska we have to rely on other carriers for that aspect.
- Happy to see that the USPS is becoming more engaged and providing more oversight.

LEE RYAN - Ryan Air

- Ryan Air, an Iñupiaq company founded on Iñupiaq values. Driver is to better the lives of people in Western Alaska, where Ryan family originates.
- Core business is hauling cargo, but does offer passenger and charter service on a limited basis.
- Haul mail and freight transferred from mainline carriers to downline destinations.
- Services 72 communities in Western Alaska out of 8 hubs and 21 aircraft.
- Political nature of the system limits ability to make changes and improvements.
- RSIA provides stability and is the backbone of the transportation infrastructure in Alaska; Ryan Air has made significant investments in facilities over the past several years and has plans to continue to invest in local communities to maximize service.
- To improve, we need to continue to educate people on the system and the process.

DEKE ABBOTT - Ravn Air

- Ravn is involved in every aspect of the system from Bypass mail, to freight, to passenger service. Our priorities for loading our airplanes, in order: gas, people, bags, mail, and then cargo.
- Safety is Ravn's top priority; on a daily basis, 5% of flights are cancelled due to weather. This means that sometimes we are backed up; this is an acceptable consequence.
- In regards to weather, Ravn does not fly without weather reports, so if community members can make sure weather stations are functional, or make the appropriate calls to get weather stations fixed when they are non-operational, that would greatly help making sure flights make it out.
- Lack of infrastructure at airports is a true challenge; no maintenance of runway conditions means that we have to halt service to that location.
- The system does not function at its peak performance if passengers do not show up for flights that they are scheduled to be on.

SUSAN HOSHAW - Everts Air Cargo

- C46, DC6, DC9, MD80 to mainline hubs of Bethel, Deadhorse, Nome, Kotzebue, Utqiagvik.
- Also fly to Eagle, Anaktuvuk Pass, Fort Yukon, Beaver, and hope to fly to Kaktovik as well soon.
- Mail is about 40% of business and that varies according to area.
- On the North Slope, Everts mainly moves mail from Deadhorse to Utqiagvik.
- Some limitations from Everts perspective: regulations are not suited to Alaska operational environment; there is also a lot of politics that gets injected into this system which makes improvements difficult.
- Education and managing expectations for all stakeholders, as well as understanding requirements that air carriers operate under, would clear up a lot of frustration.
- The big question is at what point, as the USPS looks for cost savings and changes transportation modes from air to surface; when do we consider that as no longer supporting passenger and freight mail services?

- If the air transportation industry knows what the expectations are, we can modify how we are providing service.

JOE BATES - Lynden Air Cargo

- Most of business on the North Slope is freight, we have recently gotten into flying Bypass mail, but it is a small portion of what we do.
- We fly the C130 moving heavy equipment and usually charter for construction projects.
- Sometimes we fly whale meat around the Slope.
- Also do a lot of work with oil companies - Exxon at Point Thomson and with Conoco at Alpine.
- Just entered the Utqiagvik mail tender in the spring and work to fly mail to other hubs around the state.
- Drivers for us is to make sure that rural Alaska is able to eat and stock the shelves in the stores; we realize that we are flying peoples belongings, groceries, etc. and we don't take that lightly.
- Limitation is that there was no oversight on the part of the USPS, now that we have good points of contact we have seen things improve and it makes it easier to operate.
- Recommendation: there are ways that we can streamline this process so that if we see that weather is coming in and things are starting to be backed up, we can make sure those transfers are happening quicker.
- More freeze/chill capabilities will help when things are backed up. Likewise, working with shippers to improve packaging to maintain the quality of food in transit.
- The hubs work well; it is the downline deliveries where the system is bottlenecked.

TIM THOMPSON - Alaska Airlines

- Fifth largest airline in the nation.
- Operate 305 aircraft nationwide.
- 120 million dollars' worth of work in Alaska including upgrading stations and building new hangars.
- Converted three 700-generation aircraft to cargo planes that deliver cargo around Alaska, has greatly increased our capacity to move freight and Bypass mail.
- Passenger service is majority of operations.
- We realize that in Alaska, Alaska Airlines is the school bus, ambulance, milk truck, and we take that commitment very seriously.
- Limitations on a grand scale is to protect the Bypass mail system from the federal government and the main USPS; this will require us to work together and be unified in our message.
- I do believe that Bypass is a great program that works for Alaska.

BRETT CARLSON - Wright Air Service

- On the North Slope, we only service Anaktuvuk Pass.
- We consider those that live in rural Alaska to be the caretakers and heartbeat of Alaska and we want those that live off the road system to thrive.
- Our goal is to send out full planes, whether it be passengers, freight, or mail.
- Our turnover for Bypass is at maximum 3-4 days.



OUTCOMES

COLLABORATION IS KEY

The necessity of collaboration and continuing the conversation were key outcomes from the 2019 North Slope Air Carriers Workshop. Opportunities to continue working together to identify mutually beneficial solutions are numerous.

The North Slope Air Carriers Workshop finished up with a breakout session with groups comprised of government officials, members of the air carrier industry, and local community leaders.

The groups gathered to discuss how to strengthen air transportation to rural communities, to identify areas of improvement with policy, recommendations for the future, and how Voice of the Arctic Iñupiat can support an outcome that benefits the North Slope region.

Below are some of the discussion items and outcomes from the conversations

1. Empower local communities to feel ownership over their airports and air transportation.

- Train local people on using, monitoring, and fixing automated weather systems.
- Create social expectations for priority on flights - elders and those needing medical attention should always have a seat.
- Build shelters at the landing strips - only Utqiagvik, Deadhorse, and Anaktuvuk Pass have any type of shelter at the airport.

2. Prioritize continued education about the air transportation industry in Alaska.

- Bring education and information about the broad system to all stakeholders.
- Make policy understandable for all people; frustrations arise from the unknown and feeling unheard.
- Clarify the process from origin to end user. What is the difference in processing, packaging, shipping, and handling between goods shipped through Bypass mail and freight?
- How has the system changed over time to keep up with shifting needs and demands?
- What IS the best way to get large items to small communities?
- What were the results of the recent Fairbanks to Deadhorse pilot project?

3. Continue the dialogue.

- Partnership between all users to unite to create improvements to infrastructure.
- Work with shippers to improve packaging. This could have downline benefits in expedited handling, and increased integrity of products as they reach their destination.
- We love and rely on the Bypass program; we need to work together to protect this critical program.

4. Recommendations for the future:

- Infrastructure investments create the backbone of the system and encourage further investments from the air carrier industry.
- Need better-defined policy.
- Set goals: mail should be delivered within 7 days.
- There are benefits to competition and could relieve backlogs in both passenger service and Bypass mail.
- Implement mechanism for backlog of Bypass mail; when one carrier is overloaded, mail is transferred to another carrier.

HELPFUL TERMINOLOGY

Alaska Bypass Program - ABP, Bypass, By-pass Mail, Bypass system

United States Postal Service - USPS, PS, Postal Service

State of Alaska - SOA, State, the state

Mainline Carrier - Carrier that typically operates between hub airports within their network (i.e. Anchorage, Fairbanks, Utqiagvik, Prudhoe Bay/Deadhorse)

Downline Carrier/Destination - the “spoke” in the hub-and-spoke system; end destination, rural community.

Deadhorse = Prudhoe Bay

PARTICIPANTS

Alaska Airlines
Alaska Air Carriers Association
Atkasuk Corporation
ACE Air Cargo
City of Atkasuk
City of Kaktovik
City of Point Hope
City of Utqiagvik
Everts Air Cargo
Ilisaqvik College
Lynden Air Cargo
Native Village of Atkasuk
Native Village of Kaktovik
Native Village of Point Hope
Native Village of Point Lay
Northern Air Cargo
North Slope Borough
Olgoonik Corporation
Ravn Alaska
Ryan Air
State of Alaska
United States Postal Service
Wright Air
Voice of the Arctic Iñupiat
70 North Air Services





2019 NORTH SLOPE AIR CARRIERS WORKSHOP AGENDA

THURSDAY, 10 OCTOBER

WELCOME

- Rex Rock, Sr, Chairman, Voice of the Arctic Iñupiat
- Sayers Tuzroyluk, Sr, President, Voice of the Arctic Iñupiat

INVOCATION

- Caroline Cannon, Native Village of Point Hope

PURPOSE AND GOALS

- To provide a better understanding of the components of air transportation on the North Slope of Alaska, including passenger service, freight, and Bypass mail;
- To listen to what is working and what needs improvement; and
- To develop a united plan to promote improvements in service to North Slope communities.

OVERVIEW OF CURRENT AIR TRANSPORTATION SYSTEM

- Historical Perspective of Air Transport to Rural Alaska - Susan Hoshaw, Evert's Air Cargo
- Bypass Mail Overview - Ron Habermann, United States Postal Service
- Systems for Remote Delivery Around the World - Lee Ryan, Ryan Air
- Community Perspectives - Amanda Kaleak, Mayor, City of Kaktovik; Christina Tippin, Mayor, City of Point Hope; Elizabeth Hollingsworth, President, Native Village of Atkasuk

(PANEL) AIR CARRIER RECOMMENDATIONS AND DISCUSSION

Moderated by Mackenzie Fischer, Program Manager, Voice of the Arctic Iñupiat

- Janet Klatt, Director of Sales and Community Relations, Northern Air Cargo
- Lee Ryan, President, Ryan Air
- Deke Abbott, Senior Vice President of Flight Operations, Ravn Alaska
- Susan Hoshaw, Assistant General Manager, Everts Air Cargo
- Joe Bates, Loadmaster, Lynden Air Cargo
- Tim Thompson, Manager, External Affairs, Alaska Airlines
- Brett Carlson, Co-owner, Wright Air Service

ALASKA AIR CARRIERS ASSOCIATION

- Robin Spaulding, Membership Coordinator, Alaska Air Carriers Association

(BREAKOUT SESSION) PLANNING FOR THE FUTURE

- Identify areas of improvement with policy;
- How can VOICE best support an outcome that benefits our region?;
- Where do we want to be a year from now?
- How can we collectively support each other to strengthen air transportation to rural communities?

CLOSING COMMENTS



QUYANAQ

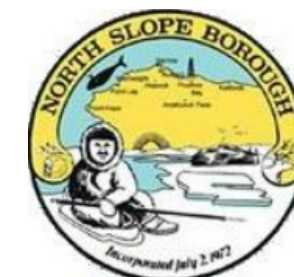
COLLABORATIVE PARTNERS



VOICE
OF THE ARCTIC IÑUPIAT



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