



Response to Order: 2025-1-1
UNITED STATES OF AMERICA
Department Of Transportation

DOT-OST-2024-0143
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Proposal of Sterling Airways Inc. to Provide Subsidized
EAS at
Unalakleet, Alaska
And
St. Mary's, Alaska

February 11th, 2025



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

In response to Order 2025-1-1, Sterling Airways, Inc. ("Sterling") is pleased to submit the attached proposal to provide Essential Air Service (EAS) to Unalakleet (UNK) and St. Mary's (KSM), Alaska. Sterling will be the contracting and operating carrier of the proposed service.

Sterling is an established regional air carrier providing reliable, high-quality scheduled service in Alaska. Our team brings deep operational experience in the region, with a proven ability to navigate the unique challenges of flying in remote Alaskan communities. We currently operate the SAAB 2000, a fast, efficient turboprop well-suited for these routes, and are in the process of adding ATR 42 aircraft, with FAA authorization expected by May 15, 2025.

Sterling's Alaska-based flight crews, maintenance personnel, and operations team were selected by the Company for their extensive experience in the region and their commitment to safety, reliability, and exceptional service. Our strong operational performance, with a 97% controllable completion rate and 86% on-time performance, ensures that our customers can depend on consistent, well-executed flights year-round.

The proposed subsidy requirements, service schedules, and financial details are outlined in the attached exhibits. Our comprehensive financial model is based on multi-year cost and operational analysis, ensuring a sustainable, cost-effective service that meets the needs of the Department and the communities we serve.

Sterling Airways hereby certifies that it is in full compliance with Department regulations regarding drug-free workplaces, nondiscrimination, and lobbying activities. Upon selection, Sterling will complete all required certifications as mandated by the DOT.

We appreciate the opportunity to submit this proposal and look forward to working with the Department and the communities of Unalakleet and St. Mary's to deliver reliable, community-driven air service that keeps these essential connections strong.

Wayne Heller
Wayne Heller (Feb 11, 2025 15:12 EST)

Wayne Heller

President & Chief Executive Officer



Service Proposal & Schedule

Sterling Airways proposes to provide subsidized Essential Air Service (EAS) to **St. Mary's (KSM) and Unalakleet (UNK)** in accordance with the levels outlined in the Department of Transportation's request.

The proposals to Unalakleet and St. Mary are NOT contingent on each other. Sterling will accept any combination that the DOT may decide to award Sterling.

For St. Mary's, Sterling will provide:

- Three (3) weekly round flights during peak season
- Two (2) weekly round flights during off-peak season

For Unalakleet, Sterling offers three service options:

- Option A: Three (3) weekly round flights year-round (per DOT requirements)
- Option B: Four (4) weekly round flights, incorporating additional service based on community input
- Option C: Five (5) weekly round trips flights, further increasing connectivity per community feedback

All flights will operate to/from Anchorage (ANC) and will be operated using the SAAB2000 for Unalakleet and the ATR42 for St. Mary's.

Sterling requests the ability to adjust scheduled service during peak and off-peak periods as needed, provided that annual operational and compensation limits outlined in this proposal are not exceeded. As part of this flexibility, Sterling reserves the ability to incorporate a maximum of one stop per flight for operational optimization.

Proposed Schedule:

Flight	Route	Departure	Arrival	Block Time
1601	ANC → UNK	10:10 AM	11:35 AM	1:25
1602	UNK → ANC	12:05 PM	1:30 PM	1:25
2201	ANC → KSM	12:40 PM	2:00 PM	1:20
2202	KSM → ANC	3:30 PM	4:50 PM	1:20

Service days:

- **St. Mary's:** Tuesday, Thursday, Saturday (peak season)
- **Unalakleet:** Tuesday, Thursday, Saturday (Monday added for Option B & C, Friday added for Option C)



Connectivity & Distribution

Sterling Airways is committed to ensuring that passengers traveling to and from St. Mary's (KSM) and Unalakleet (UNK) have access to seamless connections to the broader national and international air transportation network. By leveraging interline agreements, global distribution channels, and major online travel agencies (OTAs), Sterling enhances accessibility and convenience for residents, business travelers, and visitors alike.

Interline Agreements & Seamless Travel

Sterling Airways maintains interline agreements with Alaska Airlines and Delta Air Lines, the two largest carriers serving Ted Stevens Anchorage International Airport (ANC). These agreements provide significant advantages to passengers, including:

- **Seamless Ticketing:** Passengers can book multi-leg itineraries that include Sterling flights and connecting flights on Alaska Airlines and Delta within a single reservation.
- **Through-Checked Baggage:** Travelers connecting through ANC can check their baggage all the way to their final destination without needing to claim and recheck their bags.
- **Synchronized Schedules:** Sterling works closely with its interline partners to provide optimal connectivity, reducing layover times for passengers making connections at ANC.

These agreements ensure that travelers from Unalakleet and St. Mary's have easy access to the national and international air network via Anchorage, enhancing mobility for both personal and business travel.

Sterling Airways' flights are available on Sterling's own distribution website, and across all major Global Distribution Systems (GDS), including Amadeus, Sabre, Etc. This extensive GDS presence ensures that travel agents, corporate travel planners, and airline partners can efficiently book and manage Sterling Airways flights.

Additionally, Sterling is fully integrated with all major Online Travel Agencies (OTAs), including Expedia, Kayak, Google Flights, Orbitz, Skyscanner, Priceline and more.

By offering flights on these widely used booking platforms, Sterling ensures that passengers can easily search, compare, and book travel to and from St. Mary's and Unalakleet, increasing accessibility and demand for these routes.

Enhancing Local & Regional Connectivity

Sterling's investment in strong distribution networks and strategic airline partnerships demonstrates its commitment to ensuring St. Mary's and Unalakleet remain well-connected throughout the state of Alaska and beyond. Through these initiatives, Sterling provides residents and businesses in these communities with reliable, well-integrated air service that meets both local and regional transportation needs.



Aircraft & Operational Readiness

Sterling Airways is committed to operating efficient and proven aircraft to ensure reliable and high-quality Essential Air Service (EAS) to St. Mary's (KSM) and Unalakleet (UNK). For this proposal, Sterling will operate:

- **SAAB 2000 for Unalakleet (UNK)** – A high-speed, turboprop aircraft already certified and in service within Sterling's fleet.
- **ATR 42 for St. Mary's (KSM)** – A turboprop aircraft well-suited for the region's operational conditions, currently being added to Sterling's ops spec.

ATR 42 Certification & Contingency Plan

Sterling Airways has already commenced the FAA authorization process for the ATR 42, and the current Schedule of Events projects completion by May 15, 2025. Sterling anticipates that the ATR 42 will be fully operational before the end of the DOT hold-in period.

However, as part of Sterling's commitment to uninterrupted service, the following contingency plan is in place should any unforeseen delays occur. Sterling's subsidiary, Executive Express Aviation, LLC (EEA), operates a Beech 1900 under FAA Part 135. If the ATR-42 is not authorized by the end of the DOT's hold-in period, the Beech 1900 will be temporarily deployed by EEA under a Part 380 for St. Mary's service until the ATR 42 certification is complete.

This contingency ensures that EAS service to St. Mary's will be provided with no disruption in the event of any unforeseen delay in the addition of the ATR 42 to Sterling's FAA Operations Specifications.

Operational Efficiency & Adaptability

Sterling Airways has extensive experience operating scheduled air service in Alaska and understands the challenges of remote-region aviation. The SAAB 2000 and ATR 42 are well-suited for the harsh operating conditions of Western Alaska, providing:

- **High reliability** with a dispatch rate optimized for severe weather conditions.
- **Fuel efficiency**, reducing operating costs and environmental impact.
- **Cabin comfort** with modern seating configurations and in-flight amenities tailored for regional service.

By leveraging Sterling's operational expertise, proven fleet, and contingency planning, the airline ensures that Unalakleet and St. Mary's receive uninterrupted, high-quality, and sustainable air service.



Reliability & Performance

Sterling Airways has a long-standing history of safe and reliable air service with decades of operational experience amongst its team members. Sterling expanded and launched its Alaska operations in 2021, solidifying its role as a trusted regional airline in the state. With a deep understanding of the unique challenges of operating in remote and harsh environments, Sterling consistently delivers high completion rates and on-time performance, ensuring dependable air service to these communities. Current Alaska operational metrics include a controllable completion rate of 97%, minimizing disruptions and ensuring schedule adherence, and a controllable on-time performance of 86%, exceeding regional standards within the state and reducing travel uncertainty for passengers. Sterling is committed to maintaining a minimum controllable on-time performance of 75% and a completion factor of 97% per quarter throughout the contract period, ensuring consistent and reliable service to Unalakleet and St. Mary's.

Sterling's executive leadership brings decades of experience in commercial aviation, with expertise spanning airline operations, safety management, and regulatory compliance. The airline's Alaska-based operational team consists of highly skilled professionals who have been carefully selected for their extensive experience operating in the region's challenging flight environment. Many of Sterling's pilots, mechanics, and operations personnel have spent years flying and operating in Alaska, developing an intimate understanding of the region's unique weather patterns, terrain, and logistical challenges. Each team member was hired not only for their technical skills but also for their unwavering commitment to safety, reliability, and service to remote communities. Sterling's local presence ensures quick response times, proactive decision-making, and continuous engagement with the communities it serves, reinforcing the company's role as a trusted carrier in Alaska.

Community Engagement & Marketing

Sterling Airways is deeply committed to the communities it serves and has engaged extensively with leaders, organizations, and residents in Unalakleet and St. Mary's to ensure that this proposal aligns with their needs. Through direct discussions with community representatives, Sterling has incorporated valuable input regarding frequency, scheduling, and pricing, ensuring that the proposed service meets local expectations while maintaining operational efficiency.

To support and promote these routes, Sterling has allocated a dedicated annual marketing budget of \$25,000 per community. This investment will be used to increase awareness, stimulate demand, and ensure the long-term success of the service through a combination of local outreach efforts, digital marketing campaigns, community sponsorships, and partnerships with local organizations. Sterling understands that successful Essential Air Service goes beyond transportation—it requires strong community ties and active promotion to drive consistent utilization.

Sterling is also committed to maintaining an ongoing dialogue with local stakeholders to continually refine its service based on feedback. The company's Alaska-based team and leadership remain accessible to address community concerns, evaluate operational adjustments, and work collaboratively to ensure that Unalakleet and St. Mary's receive the highest quality air service possible.



Subsidy & Financials

Sterling Airways has structured its proposal to provide reliable and cost-effective Essential Air Service (EAS) to Unalakleet (UNK) and St. Mary's (KSM) while maintaining financial sustainability. The requested subsidy ensures that these critical air links remain viable, supporting the communities' transportation needs without compromising service quality.

Sterling's subsidy request is detailed in **Exhibit A**, where projected expenses, revenue estimates, and financial assumptions are outlined. The proposed subsidy covers operating costs, maintenance, personnel, fuel, and overhead expenses, ensuring that the service remains affordable and accessible for local travelers.

Importantly, Sterling's proposals for Unalakleet and St. Mary's are independent of each other. Sterling will accept any combination of awards that the Department of Transportation may decide, including:

- **Unalakleet service only** (any option proposed).
- **St. Mary's service only** (as proposed).
- **Both routes** in any option selected.

Sterling is open to a 2-year or 4-year contract term, providing the Department with flexibility in selecting the most suitable agreement structure. A standard 4% annual increase in the subsidy amount shall be applied to any subsequent year beyond the base year to account for inflationary pressures.

By balancing financial responsibility with Sterling's strong operational track record and deep community commitment, this proposal ensures that Unalakleet and St. Mary's receive sustainable, high-quality air service well into the future—whether individually or together.

Factors for Department Consideration under 49 U.S.C. § 41733(c)(1)

(A) Demonstrated Reliability in Providing Scheduled Air Service

Sterling Airways has a long-standing reputation for reliable operations, with nearly three decades of experience in air service. Having operated in Alaska since 2020, Sterling has demonstrated consistent performance with a 97% controllable completion rate and an 86% controllable on-time performance (OTP). Sterling is committed to maintaining at least 75% controllable OTP and 97% completion per quarter for the duration of the contract.

(B) Contractual, Marketing, Code-Share, or Interline Agreements

Sterling maintains interline agreements with both major carriers serving Anchorage (ANC): Alaska Airlines and Delta Air Lines. These agreements ensure seamless ticketing, through-checked baggage, and optimized connections for passengers traveling beyond ANC. Additionally, Sterling's flights are available in all major Global Distribution Systems (GDS), including Sabre, Amadeus, and Travelport, and are bookable on all major Online Travel Agencies (OTAs) such as Expedia, Kayak, Google Flights, and Orbitz, maximizing accessibility and ease of booking.



(C) Preferences of the Actual and Potential Users of Air Transportation

Sterling has actively engaged with both the Unalakleet and St. Mary's communities to ensure that this proposal aligns with their transportation needs, scheduling preferences, and pricing expectations. Based on direct feedback, Sterling has proposed multiple service options for Unalakleet (three, four, or five weekly flights) to accommodate community input beyond DOT minimum requirements. Sterling remains committed to ongoing engagement with local stakeholders to refine service as needed.

(D) Marketing Plan for Community Awareness

Sterling has allocated a dedicated annual marketing budget of \$25,000 per community to ensure the long-term success of these routes. This budget will be used for community outreach, advertising, sponsorships, and partnerships with local businesses to increase awareness and drive consistent utilization of the service. Sterling's Alaska-based operations team will continue to work closely with each community to promote and refine the service as needed.

(E) Experience in Providing Air Service in Alaska

Sterling's executive leadership and operational team bring extensive experience in Alaska's unique aviation environment, with team members specifically hired for their expertise in Alaskan flight operations, safety, and logistics. The airline has successfully operated scheduled air service in Alaska since 2020, ensuring reliable transportation in remote and weather-sensitive regions. Sterling's fleet of SAAB 2000 and ATR 42 aircraft is well-suited for these routes, offering high dispatch reliability, fuel efficiency, and passenger comfort in Alaska's challenging conditions.

(F) Total Compensation Proposed for Scheduled Air Service

Sterling's subsidy request is detailed in Exhibit A, where we present a dynamic, comprehensive, and well-structured financial model designed to ensure long-term sustainability, efficiency, and cost-effectiveness of the proposed service. Our financial projections are based on multi-year operational analysis, real-world cost assessments, and scalable service structures that optimize the balance between subsidy efficiency and reliable operations.

Additionally, Sterling's proposals for Unalakleet and St. Mary's are independent of each other, and Sterling will accept any combination of awards (UNK only, KSM only, or both in any selected option).

Unlike a one-size-fits-all approach, Sterling's meticulous planning and financial structuring allow for optimized aircraft utilization, scalable service options, and cost efficiencies that provide the best value to both the Department and the communities served. This ensures that the subsidy is used effectively, delivering the highest-quality service at the most responsible cost.



Exhibit A - Financial Information

Unalakleet (UNK) – Option A 3RT a Week

EAS Station	UNK
Hub	ANC
Round trips per Week	3
Segments per week	6
Annual Scheduled Segments	312
Seats per departure	30
Annual Scheduled Seats	9,360
Completion Factor	98.0%
Total Passengers	5,814
Total Block Hours	459
Total Departures	306
Per Ticket Revenue to Carrier	\$ 249.00
Passenger Revenue	\$ 1,447,686
Other Revenue	23,256
Total Revenue	\$ 1,470,942
Crew	\$ 535,557
Direct Wages	\$ 374,890
Fuel and Deicing	562,275
Maintenance	772,486
Aircraft	540,812
Marketing	25,000
Landing and Airport Costs	589,365
Total Direct Costs	\$ 3,400,385
Indirect Costs	\$ 718,225
Total Operating Expense	\$ 4,118,610
Profit @ 5.0%	205,931
Economic Cost	\$ 4,324,541
Required Annual Subsidy	\$ 2,853,599
Per Passenger	\$ 491
Per Trip	\$ 9,325



Unalakleet (UNK) – Option B
4RT a Week

EAS Station	UNK
Hub	ANC
Round trips per Week	4
Segments per week	8
Annual Scheduled Segments	416
Seats per departure	30
Annual Scheduled Seats	12,480
Completion Factor	98.0%
Total Passengers	6,936
Total Block Hours	612
Total Departures	408
Avg Ticket Revenue to Carrier	\$ 234.00
Passenger Revenue	\$ 1,623,024
Other Revenue	27,744
Total Revenue	\$ 1,650,768
Crew	\$ 714,076
Direct Wages	\$ 499,853
Fuel and Deicing	749,700
Maintenance	1,029,982
Aircraft	721,082
Marketing	25,000
Landing and Airport Costs	785,820
Total Direct Costs	\$ 4,525,514
Indirect Costs	\$ 942,574
Total Operating Expense	\$ 5,468,088
Profit @ 5.0%	273,404
Economic Cost	\$ 5,741,492
Required Annual Subsidy	\$ 4,090,724
Per Passenger	\$ 590
Per Trip	\$ 10,026



Unalakleet (UNK) – Option C
5RT a Week

EAS Station	UNK
Hub	ANC
Round trips per Week	5
Segments per week	10
Annual Scheduled Segments	520
Seats per departure	30
Annual Scheduled Seats	15,600
Completion Factor	98.0%
Total Passengers	8,160
Total Block Hours	765
Total Departures	510
Avg Ticket Revenue to Carrier	\$ 217.00
Passenger Revenue	\$ 1,770,720
Other Revenue	32,640
Total Revenue	\$ 1,803,360
Crew	\$ 892,595
Direct Wages	\$ 624,817
Fuel and Deicing	937,125
Maintenance	1,287,477
Aircraft	901,353
Marketing	25,000
Landing and Airport Costs	982,275
Total Direct Costs	\$ 5,650,642
Indirect Costs	\$ 1,165,603
Total Operating Expense	\$ 6,816,245
Profit @ 5.0%	340,812
Economic Cost	\$ 7,157,057
Required Annual Subsidy	\$ 5,353,697
Per Passenger	\$ 656
Per Trip	\$ 10,497



St. Mary's (KSM)

EAS Station	KSM	
Hub	ANC	
Round trips per Week		3
Segments per week		6
Annual Scheduled Segments		312
Seats per departure		30
Annual Scheduled Seats		9,360
Completion Factor		98.0%
Total Passengers		4,284
Total Block Hours		520
Total Departures		306
Per Ticket Revenue to Carrier	\$	399.00
Passenger Revenue	\$	1,709,316
Other Revenue		17,136
Total Revenue	\$	1,726,452
Crew	\$	562,005
Direct Wages	\$	393,403
Fuel and Deicing		517,966
Maintenance		922,938
Aircraft		775,322
Marketing		25,000
Landing and Airport Costs		589,365
Total Direct Costs	\$	3,785,999
Indirect Costs	\$	802,588
Total Operating Expense	\$	4,588,587
Profit @ 5.0%		229,429
Economic Cost	\$	4,818,017
Required Annual Subsidy	\$	3,091,565
Per Passenger	\$	722
Per Trip	\$	10,103