75879

Order 2000-4-1

Served: April 6, 2000

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

Issued by the Department of Transportation
on the 3rd day of April, 2000

INTRA-ALASKA BUSH	Docket OST-95-405 - 54
SERVICE MAIL RATES	(Docket 44445)

BUSH SHOW CAUSE ORDER

Summary

By this order the Department is vacating the tentative rate proposed in Order 2000-1-10 in view of the omission of Yute Air Alaska's (Yute) data from that order.

Also, the Postal Service has raised issues regarding the underlying update methodology that go beyond a simple technical adjustment to the instant annual mail rate update. Under these circumstances, we will make the rate we are updating final until further Department action, and not for the customary one-year period, so that if some or all of the broad issues raised by the Postal Service can be resolved before the next annual update is due, we will adjust the rate accordingly.

Finally, we will meet informally with the Postal Service and the Alaska air carriers to discuss the issues raised by the Postal Service, and other issues pertaining to the best methodology for updating mail rates.

Background

By Order 2000-1-10 the Department directed all interested persons to show cause why new mail rates should not be set for the period April 1, 2000, through March 31, 2001. The order proposed rate increases of 9.08% in the Linehaul and 3.01% for the Terminal. The order continued to use essentially the same costing methodology that has been used by the Department for ten years since the current base rate was established by

Order 90-10-34, though a technical adjustment was made to the calculation of ERA Aviation's (ERA) terminal element to reflect the fact that ERA operates a large percentage of its service with mainline equipment. [1]

On March 2, 2000, the Postal Service filed an Answer to Order 2000-1-10. That Answer proposed that several interim changes be made to the basic costing methodology used by the Department that the Postal Service asserted would improve the accuracy of the mail rate. The Postal Service also urged the Department to begin collecting information that it believes would allow us to more accurately set mail rates on a long-term basis.

Adjustments to the Tentative Rate set in Order 2000-1-10

We have become aware of a problem with the rate proposed in Order 2000-1-10. The calculation did not include data for Yute because it had not, and still has not, reported all of its required information. [2] At the time that we calculated the proposed rate, we had been informed that Yute had ceased operations and filed for liquidation under Chapter 7 of the Bankruptcy Code. We were subsequently informed that Yute is not being liquidated and, in fact, is operating without ever having ceased service. In the meantime, we must determine an appropriate rate for the bush carriers in Alaska. Yute has been one of the largest and lowest cost operators in Alaska, at least on a block hour and weighted departure basis, and excluding Yute's data from the data used to calculate the proposed rate detracts from the accuracy of that rate. Because Yute has still not reported its YE 9/30/99 data, however, we will include Yute in the pool of carriers by estimating its costs on the basis of its YE 9/30/98 costs. We will make two adjustments, one to its unit costs and one to its weighting in the class rate. First, we will decrease the weighting of Yute in view of Postal Service data showing it carried less mail in 1999 than in 1998. We will also increase Yute's unit costs by 3.28% for the linehaul and 2.96% for the terminal, based on the long-term inflationary trends specified in Order 99-2-19.

Objections to Current Department Costing Methodology

On March 2, 2000, the Postal Service raised a number of issues regarding the fundamental costing methodology we use to update the bush rate. Currently the linehaul element of the bush mail rate is updated on the basis of dividing the reported annual direct operating costs of about 20 carriers by the block hours of those same carriers. [3] This index is then compared to the corresponding number developed by the Department

---

[1] ERA's linehaul costs are directly assigned by aircraft type, and mainline costs are specifically excluded from the calculation of bush linehaul rates. However, departure related costs for ERA are not separated between mainline and bush equipment, but are rather part of one cost pool. In Order 2000-1-10, the Department reduced the amount of ERA's terminal costs assigned to the bush on a pro rata basis for the number of bush and mainline weighted departures.

[2] Our Bureau of Enforcement is determining what enforcement actions, if any, should be undertaken against Yute for its late filing.

[3] That pool of carriers generally transports about 90% of total Alaska bush mail traffic.

for unit cost per block hour in 1986, the base year of the Department's bush mail investigation. The methodology implicitly assumes that, over time, the average size and speed of the aircraft used have remained relatively constant. Similarly, the Department determines terminal costs by dividing departure-related terminal costs reported by the carriers by weighted departures of those same carriers, and compares that to a similarly derived number for 1986.

In addition, because rates are prospective and the updates are based on historical costs, the Department projects increases into the future based on the long-term (ten-year) trend in cost increases. [4]

Postal Service Interim Adjustments

The Postal Service urges the Department to make several immediate changes on an interim basis in the update methodology. It claims those changes would improve the accuracy of the mail rates. For both the linehaul and the terminal elements the Postal Service would have the Department weight each aircraft type by the payload of the aircraft type as reported in Jane's All the World's Aircraft. [5] Similarly, for the linehaul, it would have us weight each aircraft type by its cruise speed as shown in Jane's. The Postal Service would cushion the impact these adjustments would have on decreasing the mail rate by switching from the 1986 base period to 1997.

The Postal Service has presented comments to our updating methodology that we believe deserve serious consideration. However, they raise several issues which we would like to consider further before deciding whether to adopt the changes recommended by the Postal Service. For example, information available to us indicate that at least some of the payloads proposed by the Postal Service may be inaccurate. Also, it is not clear that cruise speed is an appropriate weighting because the Postal Service has produced no information indicating that the average block speed of bush aircraft has increased over time.

Before reaching a decision on changing the way we calculate rate adjustments we will afford interested parties an opportunity to comment on the Postal Service's proposals. We note that we recently adjusted our procedures for projecting inflation from a year-over-year to a ten-year trend after constructive discussions with all parties over a two-year period. We would propose to use similar informal procedures to discuss these and any other relevant costing issues.

---

[4] The current method for projecting cost increases based on the long-term trend in costs was first established in Order 98-1-25 after almost two years of meetings between the carriers, the Postal Service, and the Department.

[5] While the Department currently weights bush departures by gross takeoff weight of each aircraft type, it assigns the dozens of different aircraft types into five broad weight classes, such that two very different sizes of aircraft may be assigned the same weight.

Postal Service Long-Term Adjustments

The Postal Service in its Answer has also raised the issue of requiring more detailed reporting by the carriers. We note that staff met with the Postal Service and carriers in Alaska on this issue in July of 1999, and the Postal Service's Answer will provide impetus for all the parties to move that discussion forward. While more detailed data is of course desirable, we must weigh the need for that data against the cost to the carriers of supplying that data. We note that the mail distribution system in Alaska is critically important both in terms of the overall transportation system in Alaska and as a source of revenue to the carriers that affects those carriers' operations. Also, the Postal Service expended $55,438,452 to move the bush mail and $61,855,618 to move the mainline mail in YE 9/30/99, and these sums are significant for the Postal Service. Given the Department's mandate to establish rates that are compensatory as well as to ensure that the mail rate system is conducive to a sound aviation system in Alaska, it is incumbent that we have the data to make this analysis. Again, we will renew our discussions with the carriers and the Postal Service on this issue in our meetings with the parties. Because the more detailed data are not currently reported, it may be necessary, as the Postal Service has proposed, to first make interim adjustments before we make more fundamental changes.

Final Rates Until Further Department Action

The Department in general no longer sets rates that are retroactively adjustable. Retroactive rates were abandoned after discussions with the carriers and the Postal Service. [6] In this case, it is not clear when all the interim or long-term issues will be resolved. If the interim issues are resolved well before our customary annual update occurs, we would wish to make the new rate effective as soon as possible. On the other hand, those issues may not be resolved before next year's update is due. Under these circumstances, we will make the rate we propose here final, but will not set a termination date. This will afford us the flexibility to make adjustments to the rate when appropriate in the coming year.

Summary

The proposed final rates, contained in Appendix A, reflect the application of cost adjustment factors, developed in Appendix B, to the basic mail rate structure established by the Department in Order 90-10-34. We have used the carriers' reported operating expenses for the YE 9/30/99, except for the estimates calculated for Yute, as discussed above. We have increased the carriers' unit costs to the mid-point of the new projected annual rate period, based on the long-term (ten-year) average annual changes in unit costs. As the Department deems appropriate, additional carriers may be added to or deleted from the pool of update-carriers in the future, so that a representative sample of the bush carriers in Alaska is maintained.

---

[6] See page 9 of the Final Report on the Review of the Alaska Mail Ratemaking Methodology, Docket OST-95-405.

The proposed final rates differ from the final rates currently in effect by the amounts shown in the following table:

	YE 3/31/00	YE 3/31/01	% Change
Linehaul Charge per Billing Ton-Mile	$9.1442	$9.4198	3.01%
Terminal Charge per Pound Originated	$.3486	$.3509	0.66%

The combination of the proposed linehaul and terminal charges produces proposed rates that are 1.019 percent higher than those in effect for the current period for an 88-mile average length of haul.

Other Matters

With the proposed rate we continue to use the methodology first implemented in Order 98-1-25. Although no parties have formally raised the issue, in our discussions with the Postal Service and the carriers we will be open to making the rates more sensitive to abrupt changes in fuel price, e.g., by using the most recent quarterly costs rather than the most recent year's figures in our update of the rate.

The regression parameters are shown in Appendix F. They indicate that the regression is highly significant and reasonably reliable. The results indicate that over the last nine yearsx unit costs have increased annually by 3.72% for the non-fuel linehaul and 2.73% for the terminal element. These results are not inconsistent with economy-wide inflation trends over the period.

As we frequently find, there have been significant changes in individual carriers' cost elements, with some carriers' unit costs decreasing while others have increased. We have reviewed individual quarters of all the carriers' data, especially those whose unit costs have changed the most, to determine if data for any single quarter appeared unduly aberrant. We have not detected any extreme swings, but we invite all carriers to review the attached data, with special focus on their own reporting, to determine if any errors may have been made.

To that end, we have included for the first time an Appendix G, which highlights each carrier's unit costs by block hour and by weighted departure.

The Department tentatively finds and concludes that:

The fair and reasonable final rates of compensation to be paid in their entirety by the Postmaster General pursuant to the provisions of 49 U.S.C. 41901 for the transportation of mail by aircraft having a payload of 7,500 pounds or less, the facilities used and useful therefore, and the services connected therewith, by each holder of a certificate authorizing the transportation of mail by aircraft within the State of Alaska, for the

period beginning April 1, 2000, or 7 day after the date of issue of a final Department order with respect to the rates proposed here, whichever occurs later, until further Department action, or until further order of the Department, whichever occurs later, are those specified in the attached Appendix A; and

ACCORDINGLY,

1. We fix, determine, and publish the proposed final rates specified in Appendix A, to be effective for the period beginning April 1, 2000, or 7 days after the service date of this order, whichever is later, until further Department action;

2. We direct all interested persons having objections to the rate set in Appendix A to file objection within 7 days of the service date of the order. Filing of such objection will not stay the effectiveness of the rate, but we will review the objections in a timely manner and will, if necessary, adjust the final rate as appropriate;

3. These dockets shall remain open until further order of the Department; and

4. We will serve this order upon all parties on the Service List for this Docket.

By:

A. BRADLEY MIMS
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

An electronic version of this document is available on the World Wide Web at
http://dms.dot.gov/reports/reports_aviation.asp
The electronic version may not include all of the appendices

INTRA ALASKA BUSH SERVICE MAIL RATES

	Base Year Rates 1	Adjustment Factors 2	Final Rates 3	Orders 99-4-11 & 99-2-19 Preceding Rate 4	Year-Over-Year Change 5
Effective April 1, 1999, through March 31, 2000					
Linehaul Charge per Billing Ton-Mile	$5.9525	58.25%	$9.4198	$9.1442	3.01%
Terminal Charge per Pound Originated	$.2217	58.27%	$.3509	$.3486	0.66%

Sources:
Column 1. Appendix E, Order 90-10-34.
Column 2. Appendix B to this order.
Column 3. Column 1 increased by column 2.
Column 4. Note that show cause Order 2000-1-10, setting final rates of $9.9746 and $.3591 did not become final.

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS

	Base Year Ended 09/30/1986 1/	Year Ended 09/30/1999 2/	Regressed Annual Change YE 9/30/89 to YE 9/30/99 3/	Mid-Point to Mid-Point Change 4/	Estimated Unit Cost at 10/01/2000 5/	Percent Change 1986 Base Year to 10/1/00 6/
		$19,156,344				
Fuel Cost/Hour		$66.99	NA	NA	$66.99	
Non-Fuel Line-Haul Exp. plus G&A		$93,897,426				
Cost per Hour		$328.38	3.72%	5.65%	$346.93	
Total Hours	180,100	285,942				
Unit Cost Per Hour, Fuel + Non-Fuel	$261.57	$395.37			$413.93	58.25%
Departure Expense plus G&A	$11,966,847 7/	$29,879,450				
Wtd. Departures	370,383 7/	609,425				
Unit Cost per Wtd. Dep.	$32.31	$49.03	2.73%	4.30%	$51.14	58.27%

1/ Order 90-10-34, updated in this order and in Order 96-12-41.
2/ Appendix C, page 1 for fuel expense, page 7 for nonfuel expense, and Appendix D, page 3 for departure-related expense.
3/ See regression results in Appendix F. For fuel, we will apply no inflation factor.
4/ Reflects the fact that from the mid point of the reporting period to the midpoint of the prospective rate is 1 and 1/2 years.
1.0372 x 1.0186; where 1.0186 is the average annual unit cost increase projected for a 6-month period.
1.0273 x 1.01365 where 1.01365 is the average annual unit cost increase projected for a 6-month period.
5/ Fuel -- most recent cost of $66.99/hr., nonfuel: $328.38 x 1.0565 = $346.93/hr; Departure-Related, $49.03 x 1.0430 = $51.14 /wtd. departure.
6/ $401.82/$261.57 in column 1 produces a 53.62% increase and $50.07/$31.84 in column 1 produces a 57.26% increase.
7/ ERA had $1,547,577 departure related + G&A Expense and 64,851 system weighted departures in the base year, of which 43,086 were with DHC-6 Twin Otters, or 66.44%. We will therefore reduce Departure Expense by $519,367 and Wtd. Departures by 21,764 from previous levels.

INTRA-ALASKA BUSH SERVICE MAIL RATES
Summary of Carriers' Fuel Portion of Linehaul Expenses

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	$35,186	$23,456	$15,945	$31,385	$270,832	$463,281	0	0	0	0	0
2 . Arctic Circle	$44,750	$235,884	$421,431	$433,263	$431,909	$443,792	$490,760	$533,056	$502,772	$528,182	$584,922
3 . Arctic Tpt.	$555,128	$707,700	$706,900	$787,709	$827,430	$945,777	$615,419	$581,572	$590,640	$647,736	$620,719
4 Baker	$485,991	$519,232	$530,486	$612,694	$732,302	$696,739	$584,135	$607,266	$817,099	$652,904	$250,663
5 . Bering	$889,441	$1,076,472	$1,187,734	$1,269,098	$1,194,713	$1,323,895	$1,349,311	$1,496,028	$1,524,183	$1,430,917	$1,408,723
6 . Camai	0	$150,022	$169,033	$244,869	$316,631	$290,997	$215,492	$333,499	$258,967	$246,122	$246,782
7 . C. Smythe	$1,234,119	$1,507,368	$1,563,107	$1,536,488	$1,595,845	$1,731,262	$1,536,388	$1,678,754	$1,718,056	$1,883,520	$1,809,763
8 . ERA-Bush 1/	$1,196,513	$1,360,536	$1,192,367	$1,250,030	$1,293,542	$1,360,157	$1,193,374	$1,158,772	$1,265,057	$1,259,261	$1,464,447
9 . Frontier	$541,176	$1,016,285	$924,540	$842,869	$1,113,161	$1,327,767	$1,522,471	$1,582,012	$1,878,939	$1,607,510	$1,741,547
10 . Grant	0	0	0	0	0	0	$314,886	$618,912	$708,284	$823,405	$1,186,940
11 . Hageland	0	0	0	0	$394,178	$491,142	$668,617	$983,661	$1,511,469	$1,668,781	$1,473,255
12 . Ketchikan	$162,320	$217,375	$243,822	$332,315	$439,774	$429,014	$451,931	$631,989	0	0	0
13 . Larrys	$454,616	$561,145	$649,570	$650,150	$624,930	$597,413	$581,069	$630,989	$637,420	$724,572	$667,001
14 . MarkAir	$1,260,706	$1,532,451	$3,174,889	$3,580,404	$3,273,431	$3,259,227	$3,852,509	0	0	0	0
15 . Peninsula	$2,250,110	$2,184,025	$2,170,875	$1,812,994	$2,023,615	$2,234,496	$2,353,471	$2,887,413	$3,498,157	$3,458,677	$3,339,460
16 . Tanana	$74,022	$138,632	$174,715	$191,937	$268,508	$221,539	$213,094	$305,315	$360,315	$259,249	$401,352
17 . Taquan	$	$	$426,967	$656,227	$716,421	$556,761	$679,149	$812,049	$1,095,632	$1,145,396	$1,085,284
18 . Temsco	$720,023	$839,519	$699,666	0	0	0	0	0	0	0	0
19 . Warbelows	$	$	$164,979	$273,323	$388,802	$559,104	$691,558	$986,751	$1,162,981	$1,032,794	$1,008,653
20 . Wings	$421,364	$475,994	$391,385	$418,465	$542,740	$549,073	$503,392	$537,034	$493,137	$444,914	$489,024
21 . Wright	$321,149	$325,299	$362,323	$366,769	$357,818	$392,308	$388,849	$438,891	$478,569	$440,259	$412,083
22 . Yute	0	0	$747,919	$911,467	$998,077	$1,019,879	$897,886	$1,131,193	$1,117,553	$1,014,370	$965,716
Total Fuel Expense	$10,646,614	$12,871,395	$15,918,653	$16,202,456	$17,804,659	$18,893,623	$19,103,761	$17,935,156	$19,619,230	$19,368,569	$19,156,344
Total Bush Hours from Page (4)	196,246	225,268	255,315	274,885	299,826	321,355	326,973	282,711	278,077	282,327	285,942
Unit Cost per Hour for Fuel	$54.25	$57.14	$62.35	$58.94	$59.38	$58.79	$58.43	$63.44	$70.55	$68.60	$66.99

1/ Includes expenses reported for Twin Otters, DC-3, and King Air aircraft. Excludes expenses reported for DH8-100 and CV-580 mainline aircraft.

INTRA-ALASKA BUSH SERVICE MAIL RATES

Summary of Carriers' Non-Fuel Portion of Linehaul Expenses

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	$160,310	$111,455	$55,301	$127,558	$651,607	$1,039,624	0	0	0	0	0
2 . Arctic Circle	$239,635	$782,942	$1,520,501	$1,931,882	$1,828,908	$1,883,867	$1,904,437	$2,189,676	$2,228,293	$2,573,369	$2,911,816
3 . Arctic Tpt.	$1,358,331	$1,821,722	$1,953,680	$2,277,146	$2,186,356	$2,556,934	$2,012,910	$2,016,154	$2,158,418	$2,314,194	$2,359,695
4 . Baker	$1,067,203	$1,402,452	$1,218,598	$1,347,122	$1,351,126	$1,399,824	$1,379,173	$2,069,817	$2,261,396	$2,435,385	$1,041,175
5 . Bering	$2,481,181	$2,812,566	$3,386,937	$3,754,937	$2,859,102	$3,467,595	$3,111,071	$3,740,304	$3,640,136	$3,811,890	$4,500,081
6 . Cumai		$637,824	$879,830	$1,115,325	$1,205,524	$1,187,038	$696,602	$984,870	$952,933	$1,142,758	$1,188,491
7 . C. Smythe	$2,746,307	$3,383,807	$3,545,673	$3,729,951	$3,878,774	$4,400,387	$4,200,724	$4,939,512	$4,997,528	$5,626,645	$5,152,718
8 . ERA-Bush	$2,916,803	$3,638,343	$3,140,350	$3,740,563	$3,663,912	$4,108,645	$4,573,631	$5,421,211	$6,077,780	$6,695,915	$7,009,555
9 . Frontier	$1,706,108	$2,987,463	$3,512,016	$2,862,192	$2,938,575	$3,665,967	$3,571,471	$3,399,537	$4,175,453	$4,677,890	$6,574,019
10 . Grant	0	0	0	0	0	0	$989,281	$1,552,176	$1,634,068	$2,067,353	$3,671,932
11 . Hageland	0	0	0	0	$1,615,947	$2,103,566	$2,891,130	$4,172,072	$5,276,921	$5,640,262	$5,953,480
12 . Ketchikan	$592,618	$1,066,772	$1,310,925	$1,968,661	$2,216,911	$2,456,201	$2,078,166	$3,052,466	0	0	0
13 . Larrys	$1,447,039	$1,613,349	$1,723,459	$1,933,824	$1,972,039	$1,939,067	$1,964,963	$2,140,351	$2,273,726	$2,332,341	$2,705,169
14 . MarkAir	$6,687,535	$8,162,304	$13,527,315	$16,034,911	$14,270,150	$15,340,457	$16,979,907	0	0	0	$0
15 . Peninsula	$8,826,400	$8,824,955	$8,061,162	$8,196,228	$8,686,861	$9,598,516	$9,692,809	$12,518,111	$15,502,064	$18,727,182	$19,174,254
16 . Tanana	$198,723	$374,812	$544,831	$579,418	$729,792	$707,757	$614,431	$823,773	$844,928	$972,203	$1,181,709
17 . Taquan	0	0	$1,336,077	$2,579,295	$2,824,827	$2,563,742	$3,125,506	$3,565,626	$4,315,825	$5,172,303	$5,528,676
18 . Temsco	$2,220,720	$3,171,681	$2,780,131	0	0	0	0	0	0	0	0
19 . Warbelows	0	0	$319,414	$713,905	$929,483	$1,499,133	$1,777,365	$2,124,111	$2,724,393	$2,899,505	$2,754,851
20 . Wings	$1,301,611	$1,529,639	$1,797,838	$1,473,722	$1,851,958	$2,202,820	$1,899,445	$1,781,217	$2,086,952	$2,495,120	$2,602,116
21 . Wright	$1,033,059	$1,185,865	$1,338,573	$1,478,289	$1,451,216	$1,539,992	$1,440,395	$1,423,608	$1,486,578	$1,827,527	$2,348,405
22 . Yute	0	0	$1,671,102	$2,578,751	$3,082,968	$3,483,807	$3,195,345	$4,142,897	$4,169,678	$3,297,011	$3,138,870
Total DOC less Fuel	$34,983,583	$43,507,951	$53,623,713	$58,423,680	$60,196,036	$67,144,939	$68,098,762	$62,057,489	$66,807,070	$74,708,853	$79,797,013
Total Bush Hours from Page (4)	196,246	225,268	255,315	274,885	299,826	321,355	326,973	282,711	278,077	282,327	285,942
Unit Cost per Hour for Non-Fuel	$178.26	$193.14	$210.03	$212.54	$200.77	$208.94	$208.27	$219.51	$240.25	$264.62	$279.07

INTRA-ALASKA BUSH SERVICE MAIL RATES
Summary of Carrier Fuel + Non-fuel Linehaul Expenses 1/

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	$195,496	$134,911	$71,246	$158,943	$922,439	$1,502,905	$	$	$	$	$
2 . Arctic Circle	$284,385	$1,018,826	$1,941,932	$2,365,145	$2,260,817	$2,327,659	$2,395,197	$2,722,732	$2,731,065	$3,101,551	$3,496,748
3 . Arctic Tpt.	$1,913,459	$2,529,422	$2,660,580	$3,064,855	$3,013,786	$3,502,711	$2,628,329	$2,597,726	$2,749,058	$2,961,930	$2,980,414
4 . Baker	$1,553,194	$1,921,684	$1,749,084	$1,959,816	$2,083,428	$2,096,563	$1,963,308	$2,677,083	$3,078,495	$3,088,289	$1,291,838
5 . Bering	$3,370,622	$3,889,038	$4,574,671	$5,024,035	$4,053,815	$4,791,490	$4,460,382	$5,236,332	$5,164,319	$5,242,807	$5,908,804
6 . Camai	$	$787,846	$1,048,863	$1,360,194	$1,522,155	$1,478,035	$912,094	$1,318,369	$1,211,900	$1,388,880	$1,435,273
7 . C. Smythe	$3,980,426	$4,891,175	$5,108,780	$5,266,430	$5,474,619	$6,131,649	$5,737,112	$6,618,266	$6,715,584	$7,510,165	$6,962,481
8 . ERA	$4,113,316	$4,998,879	$4,332,717	$4,990,593	$4,957,454	$5,468,802	$5,767,005	$6,579,983	$7,342,837	$7,955,176	$8,474,002
9 . Frontier	$2,247,284	$4,003,748	$4,436,556	$3,705,061	$4,051,736	$4,993,734	$5,093,942	$4,981,549	$6,054,392	$6,285,400	$8,315,566
10 . Grant	$	$	$	$	$	$	$1,304,167	$2,171,088	$2,342,352	$2,890,758	$4,858,873
11 . Hageland	$	$	$	$	$2,010,125	$2,594,708	$3,559,747	$5,155,733	$6,788,390	$7,309,043	$7,426,735
12 . Ketchikan	$754,938	$1,284,147	$1,554,747	$2,300,976	$2,656,685	$2,885,215	$2,530,097	$3,684,455	$	$	$
13 . Larrys	$1,901,655	$2,174,494	$2,373,029	$2,583,974	$2,596,969	$2,536,480	$2,546,032	$2,771,340	$2,911,146	$3,056,913	$3,372,170
14 . MarkAir	$7,948,241	$9,694,755	$16,702,204	$19,615,315	$17,543,581	$18,599,684	$20,832,416	$	$	$	$
15 . Peninsula	$11,076,510	$11,008,980	$10,232,037	$10,009,222	$10,710,476	$11,833,012	$12,046,280	$15,405,524	$19,000,221	$22,185,859	$22,513,714
16 . Tanana	$272,745	$513,444	$719,546	$771,355	$998,300	$929,296	$827,525	$1,129,088	$1,205,243	$1,331,452	$1,583,061
17 . Taquan	$	$	$1,763,044	$3,235,522	$3,541,248	$3,120,503	$3,804,655	$4,377,675	$5,411,457	$6,317,699	$6,613,960
18 . Temsco	$2,940,743	$4,011,200	$3,479,797	$	$	$	$	$	$	$	$
19 . Warbelows	$	$	$484,393	$987,228	$1,318,285	$2,058,237	$2,468,923	$3,110,862	$3,887,374	$3,932,299	$3,763,504
20 . Wings	$1,722,975	$2,005,633	$2,189,223	$1,892,187	$2,394,698	$2,751,893	$2,402,837	$2,318,251	$2,580,089	$2,940,034	$3,091,140
21 . Wright	$1,354,208	$1,511,164	$1,700,896	$1,845,058	$1,809,034	$1,932,300	$1,829,244	$1,862,499	$1,965,147	$2,267,786	$2,760,488
22 . Yute	$	$	$2,419,021	$3,490,218	$4,081,045	$4,503,686	$4,093,231	$5,274,090	$5,287,231	$4,311,381	$4,104,586
Fuel & Non-Fuel Line Haul Expense	$45,630,197	$56,379,346	$69,542,366	$74,626,136	$78,000,695	$86,038,562	$87,202,523	$79,992,645	$86,426,300	$94,077,422	$98,953,357

1/ Page 1 plus page 2.

INTRA-ALASKA BUSH SERVICE MAIL RATES
Summary of Block Hours by Carrier

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	1,209	764	293	791	4,329	4,706	0	0	0	0	0
2 . Arctic Circle	1,566	4,755	6,644	7,045	6,844	7,942	8,287	8,569	7,802	8,390	8,581
3 . Arctic Tpt.	13,499	15,209	14,342	15,403	16,008	19,233	12,002	10,099	9,723	9,171	8,207
4 . Baker	10,462	9,266	7,821	9,483	9,173	9,675	8,803	8,010	9,334	6,153	4,013
5 . Bering	15,378	15,249	14,332	14,354	12,503	13,108	13,331	14,382	14,020	13,633	13,722
6 . Camai	0	4,887	4,982	6,601	7,420	6,058	5,616	9,034	7,964	6,169	6,608
7 . C. Smythe	16,075	17,693	19,026	17,827	17,320	18,279	16,792	17,600	17,223	17,837	17,237
8 . ERA, Bush	15,214	14,840	12,001	15,028	16,427	16,022	13,547	12,281	13,334	13,157	16,104
9 . Frontier	8,460	11,865	11,863	12,028	14,572	17,843	18,609	18,734	19,217	20,579	20,975
10 . Grant	0	0	0	0	0	0	5,717	8,855	8,679	10,913	17,940
11 . Hageland	0	0	0	0	10,374	12,539	17,293	22,891	25,485	23,488	22,860
12 . Ketchikan	5,287	6,626	7,125	9,563	11,088	11,692	12,714	15,798	0	0	0
13 . Larrys	10,707	11,590	11,739	11,545	10,897	10,874	9,985	10,746	10,420	11,945	12,008
14 . MarkAir	33,715	39,591	53,914	62,620	60,322	62,544	72,883	0	0	0	0
15 . Peninsula	29,880	31,450	29,793	28,216	29,312	31,827	31,055	35,404	39,811	44,302	46,130
16 . Tanana	2,659	4,735	5,406	5,333	6,424	5,897	6,067	7,403	7,419	8,331	9,040
17 . Taquan	0	0	10,052	16,140	16,916	16,190	16,494	18,765	21,566	21,965	18,684
18 . Temsco	13,975	15,845	11,657	0	0	0	0	0	0	0	0
19 . Warbelows	0	0	3,083	5,627	7,863	11,220	12,118	14,581	15,859	17,172	15,018
20 . Wings	12,802	13,303	11,582	11,177	12,949	12,714	11,547	11,700	11,289	11,371	12,542
21 . Wright	5,358	7,600	7,828	7,431	6,876	7,577	7,353	7,676	8,434	9,276	9,895
22 . Yute	0	0	11,832	18,673	22,209	25,415	26,760	30,183	30,498	28,475	26,248
Total Bush Hours	196,246	225,268	255,315	274,885	299,826	321,355	326,973	282,711	278,077	282,327	285,942

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS
G&A as a Percentage of Operating Expense less G&A 1/

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	13.67%	12.05%	8.67%	16.32%	15.03%	9.63%	0.00%	0.00%	0.00%	0.00%	0.00%
2 . Arctic Circle	18.63%	19.56%	13.11%	12.24%	11.60%	9.62%	10.46%	11.37%	13.01%	11.95%	10.55%
3 . Arctic Tpt.	23.34%	22.97%	21.91%	23.14%	17.83%	14.30%	15.70%	16.67%	17.26%	19.12%	15.62%
4 . Baker	20.53%	16.88%	21.57%	19.49%	16.13%	19.14%	21.67%	15.21%	14.86%	35.17%	48.62%
5 . Bering	11.51%	5.33%	6.52%	9.93%	14.40%	14.10%	13.14%	11.75%	11.77%	13.31%	9.88%
6 . Camai	0.00%	15.82%	21.82%	29.00%	15.83%	16.02%	31.64%	15.46%	28.87%	31.09%	30.24%
7 . C. Smythe	14.05%	10.30%	14.23%	12.58%	12.70%	13.27%	12.56%	11.47%	14.65%	12.13%	10.76%
8 . ERA-Bush	15.54%	16.68%	18.23%	18.95%	16.90%	16.38%	15.56%	15.50%	10.95%	20.81%	22.96%
9 . Frontier	18.86%	15.86%	13.86%	15.43%	14.47%	13.85%	12.17%	11.74%	13.30%	12.54%	10.44%
10 . Grant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.58%	16.80%	26.59%	23.37%	19.97%
11 . Hageland	0.00%	0.00%	0.00%	0.00%	12.23%	13.66%	9.04%	11.31%	7.64%	10.54%	9.52%
12 . Ketchikan	46.84%	27.69%	17.37%	13.08%	15.02%	10.32%	18.94%	8.87%	0.00%	0.00%	0.00%
13 . Larrys	5.09%	4.06%	5.55%	8.07%	7.03%	8.18%	6.70%	6.05%	7.94%	7.54%	4.88%
14 . MarkAir	6.89%	6.37%	5.76%	4.40%	3.36%	2.76%	3.20%	0.00%	0.00%	0.00%	0.00%
15 . Peninsula	11.52%	13.22%	17.11%	14.34%	15.26%	13.81%	14.96%	12.96%	11.82%	12.70%	11.70%
16 . Tanana	24.80%	19.03%	17.15%	17.26%	16.61%	14.54%	17.43%	15.42%	19.34%	20.64%	26.19%
17 . Taquan	0.00%	0.00%	14.56%	21.35%	20.43%	30.92%	33.85%	17.42%	25.39%	23.41%	21.23%
18 . Temsco	19.18%	21.07%	18.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19 . Warbelows	0.00%	0.00%	31.09%	23.90%	22.22%	26.88%	24.80%	16.38%	20.08%	18.11%	13.99%
20 . Wings	30.18%	21.05%	19.12%	21.11%	20.77%	15.95%	13.17%	11.30%	11.50%	9.93%	7.99%
21 . Wright	25.17%	20.95%	25.52%	18.74%	15.74%	15.79%	22.85%	15.96%	20.80%	23.88%	14.67%
22 . Yute	0.00%	0.00%	32.14%	31.07%	37.00%	21.74%	15.79%	12.39%	14.95%	14.20%	14.20%

1/ See Appendix E, Page 3

2/ G&A is used interchangeably, here and elsewhere, with Capacity Related Expense, which is reported on the carriers' F-2.

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS
G&A Assignable to Linehaul (Total Direct Expense Multiplied by G&A Percent) 1/

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	$26,724	$16,257	$6,177	$25,939	$138,643	$144,730	0	0	0	0	0
2 . Arctic Circle	$52,981	$199,282	$254,587	$289,494	$262,255	$223,921	$250,538	$309,575	$355,312	$370,635	$369,956
3 . Arctic Tpt.	$446,601	$581,008	$582,933	$709,207	$537,358	$500,888	$412,648	$433,041	$474,487	$566,321	$465,541
4 . Baker	$318,871	$324,380	$377,277	$381,968	$336,057	$401,282	$425,449	$407,184	$457,464	$1,086,151	$628,092
5 . Bering	$387,959	$207,286	$298,269	$498,887	$583,749	$675,600	$586,094	$615,269	$607,840	$697,818	$583,790
6 . Camai	0	$124,637	$228,862	$394,456	$240,957	$236,781	$288,587	$203,820	$349,876	$431,803	$434,027
7 . C. Smythe	$559,250	$503,791	$726,979	$662,518	$695,277	$813,670	$720,581	$759,115	$983,833	$910,983	$749,163
8 . ERA-Bush	$639,209	$833,813	$789,854	$945,717	$837,810	$895,790	$897,346	$1,019,897	$804,041	$1,655,472	$1,945,631
9 . Frontier	$423,838	$634,994	$614,907	$571,691	$586,286	$691,632	$619,933	$584,834	$805,234	$788,189	$868,145
10 . Grant	0	0	0	0	0	0	$203,189	$364,743	$622,831	$675,570	$970,317
11 . Hageland	0	0	0	0	$245,838	$354,437	$321,801	$583,113	$518,633	$770,373	$707,025
12 . Ketchikan	$353,613	$355,580	$270,060	$300,968	$399,034	$297,754	$479,200	$326,811	0	0	0
13 . Larrys	$96,794	$88,284	$121,703	$208,527	$182,567	$207,484	$170,584	$167,666	$231,145	$230,491	$164,562
14 . MarkAir	$547,634	$617,556	$962,047	$863,074	$589,464	$513,351	$666,637	0	0	0	0
15 . Peninsula	$1,276,014	$1,455,387	$1,750,702	$1,435,322	$1,634,419	$1,634,139	$1,802,123	$1,996,556	$2,245,826	$2,817,604	$2,634,105
16 . Tanana	$67,641	$97,708	$123,402	$133,136	$165,818	$135,120	$144,238	$174,105	$233,094	$274,812	$414,604
17 . Taquan	0	0	$256,699	$690,784	$723,477	$964,860	$1,287,876	$762,591	$1,373,969	$1,478,973	$1,404,144
18 . Temsco	$564,035	$845,160	$629,843	0	0	0	0	0	0	0	0
19 . Warbelows	0	0	$150,598	$235,947	$292,923	$553,254	$612,293	$509,559	$780,585	$712,139	$526,514
20 . Wings	$519,994	$422,186	$418,579	$399,441	$497,379	$438,927	$316,454	$261,962	$296,710	$291,945	$246,982
21 . Wright	$340,854	$316,589	$434,069	$345,764	$284,742	$305,110	$417,982	$297,255	$408,751	$541,547	$404,964
22 . Yute	0	0	$777,473	$1,084,411	$1,509,987	$979,101	$646,321	$653,460	$790,441	$612,216	$582,851
Total Line-Haul G&A Expense	$6,622,012	$7,623,898	$9,785,020	$10,177,251	$10,744,040	$10,967,831	$11,269,874	$10,430,556	$12,340,072	$14,913,042	$14,100,413
Total Bush Hours from Page (4)	196,246	225,268	255,315	274,885	299,826	321,355	326,973	282,711	278,077	282,327	285,942
Unit Cost per Hour, G&A Only	$33.74	$33.84	538.33	$37.02	$35.83	$34.13	$34.47	$36.89	$44.38	$52.82	$49.31

1/ Page 3 multiplied by page 5.

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS
Non-Fuel Linehaul Expense plus All G&A Allocable to Linehaul 1/

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	$187,034	$127,712	$61,478	$153,497	$790,250	$1,184,354	0	0	0	0	0
2 . Arctic Circle	$292,616	$982,224	$1,775,088	$2,221,376	$2,091,163	$2,107,788	$2,154,975	$2,499,251	$2,583,605	$2,944,004	$3,281,772
3 . Arctic Tpt.	$1,804,932	$2,402,730	$2,536,613	$2,986,353	$2,723,714	$3,057,822	$2,425,558	$2,449,195	$2,632,905	$2,880,515	$2,825,236
4 . Baker	$1,386,074	$1,726,832	$1,595,875	$1,729,090	$1,687,183	$1,801,106	$1,804,622	$2,477,001	$2,718,860	$3,521,536	$1,669,267
5 . Bering	$2,860,140	$3,019,852	$3,685,206	$4,253,824	$3,442,851	$4,143,195	$3,697,165	$4,355,573	$4,247,976	$4,509,708	$5,082,871
6 . Camai	$	$762,461	$1,108,692	$1,509,781	$1,446,481	$1,423,819	$985,189	$1,188,690	$1,302,809	$1,574,561	$1,622,518
7 . C. Smythe	$3,305,557	$3,887,598	$4,272,652	$4,392,469	$4,574,051	$5,214,057	$4,921,305	$5,698,627	$5,981,361	$6,537,628	$5,901,881
8 . ERA	$3,556,012	$4,472,156	$3,930,204	$4,686,280	$4,501,722	$5,004,435	$5,470,977	$6,441,108	$6,881,821	$8,351,387	$8,955,186
9 . Frontier	$2,129,946	$3,622,457	$4,126,923	$3,433,883	$3,524,861	$4,357,599	$4,191,404	$3,984,371	$4,980,687	$5,466,079	$7,642,164
10 . Grant	0	0	0	0	0	0	$1,192,470	$1,916,919	$2,256,899	$2,742,923	$4,642,250
11 . Hageland	0	0	0	0	$1,861,785	$2,458,003	$3,212,931	$4,755,185	$5,795,554	$6,410,635	$6,660,505
12 . Ketchikan	$946,231	$1,422,352	$1,580,985	$2,269,629	$2,615,945	$2,753,955	$2,557,366	$3,379,277	0	0	0
13 . Larrys	$1,543,833	$1,701,633	$1,855,162	$2,142,351	$2,154,606	$2,146,551	$2,135,547	$2,308,017	$2,504,871	$2,562,832	$2,869,731
14 . MarkAir	$7,235,169	$8,779,860	$14,489,362	$16,897,985	$14,859,614	$15,853,808	$17,646,544	0	0	0	0
15 . Peninsula	$10,102,414	$10,280,342	$9,811,864	$9,631,550	$10,321,280	$11,232,655	$11,494,932	$14,514,667	$17,747,890	$21,544,786	$21,808,359
16 . Tanana	$266,364	$472,520	$668,233	$712,554	$895,610	$842,877	$758,669	$997,878	$1,078,022	$1,247,015	$1,596,213
17 . Taquan	0	0	$1,592,776	$3,270,079	$3,548,304	$3,528,602	$4,413,382	$4,328,217	$5,689,794	$6,651,276	$6,932,820
18 . Temsco	$2,784,755	$4,016,841	$3,409,974	0	0	0	0	0	0	0	0
19 . Warbelows	0	0	$470,012	$949,852	$1,222,406	$2,052,387	$2,389,658	$2,633,670	$3,504,978	$3,611,644	$3,281,365
20 . Wings	$1,821,605	$1,951,825	$2,216,417	$1,873,163	$2,349,337	$2,641,747	$2,215,899	$2,043,179	$2,383,662	$2,787,065	$2,849,098
21 . Wright	$1,373,913	$1,502,454	$1,772,642	$1,824,053	$1,735,958	$1,845,102	$1,858,377	$1,720,863	$1,895,329	$2,369,074	$2,753,369
22 . Yute	0	0	$2,448,575	$3,663,162	$4,592,955	$4,462,908	$3,841,666	$4,796,357	$4,960,119	$3,909,227	$3,721,721
	$41,605,595	$51,131,849	$63,408,733	$68,600,931	$70,940,076	$78,112,770	$79,368,636	$72,488,045	$79,147,142	$89,621,895	$93,897,426
Total Bush Hours	196,246	225,268	255,315	274,885	299,826	321,355	326,973	282,711	278,077	282,327	285,942
Unit Cost per Hour, Non-Fuel Linehaul	$212.01	$226.98	$248.35	$249.56	$236.60	$243.07	$242.74	$256.40	$284.62	$317.44	$328.38
Year-over Year Increase		7.06%	9.41%	0.49%	-5.19%	2.73%	-0.14%	5.63%	11.01%	11.53%	3.45%

1/ Page 2 plus page 6.

INTRA-ALASKA BUSH SERVICE MAIL RATES
Total Departure Related Expense

		YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 .	Alaska Island	$21,652	$20,600	$8,290	$34,463	$207,005	$449,389	0	0	0	0	0
2 .	Arctic Circle	$93,897	$297,505	$505,190	$613,859	$658,392	$669,037	$780,404	$842,988	$899,168	$861,087	$995,787
3 .	Arctic Tpt.	$1,296,698	$1,532,638	$1,511,618	$1,762,426	$1,855,568	$2,073,924	$2,018,919	$2,090,340	$2,445,415	$2,267,035	$2,098,792
4 .	Baker	$351,276	$593,525	$315,409	$509,111	$428,799	$443,263	$470,666	$366,253	$529,881	$493,983	$490,329
5 .	Boring	$689,765	$516,608	$597,474	$675,551	$544,712	$1,331,410	$1,330,368	$1,471,556	$1,557,595	$1,534,357	$862,123
6 .	Camai	$	$290,681	$273,065	$312,055	$429,099	$360,126	$212,243	$478,319	$268,491	$384,856	$522,648
7 .	Cape Smythe	$1,396,091	$1,678,343	$1,809,074	$2,041,196	$2,117,782	$2,075,246	$1,950,757	$1,814,563	$2,235,682	$2,471,055	$1,980,381
8 .	ERA (System)	$2,343,852	$2,894,734	$3,215,456	$3,249,264	$3,674,883	$4,159,944	$4,697,487	$4,916,906	$5,383,906	$2,561,831	$2,758,425
9 .	Frontier	$416,145	$659,643	$947,465	$960,847	$1,097,912	$1,194,588	$1,597,546	$1,448,179	$1,823,221	2,070,472	$2,525,953
10 .	Grant	$	$	$	$	$	$	$193,179	$505,986	$473,254	$605,743	$859,635
11 .	Hageland	$	$	$	$	$475,700	$779,212	$1,138,169	$1,557,531	$2,004,469	$2,577,072	$2,554,814
12 .	Ketchikan	$65,261	$354,993	$652,294	$1,321,921	$1,020,889	$1,101,700	$1,042,001	$1,652,974	$	$	0
13 .	Larrys	$263,930	$609,548	$734,134	$705,602	$835,916	$875,036	$952,856	$900,237	$1,003,852	$1,113,275	$960,654
14 .	MarkAir	$2,800,440	$3,749,998	$4,705,448	$5,944,923	$5,655,402	$5,360,961	$7,147,924	$	$	$	0
15 .	Peninsula	$2,467,210	$2,866,663	$2,407,861	$2,625,240	$2,625,735	$3,129,990	$3,341,740	$4,309,236	$5,028,363	$4,928,452	$5,320,962
16 .	Tanana	$76,571	$158,363	$259,949	$157,739	$253,368	$256,128	$222,689	$305,213	$344,866	$370,456	$355,769
17 .	Taquan	$	$	$643,798	$1,098,539	$1,543,913	$1,362,711	$1,008,678	$1,237,978	$1,601,653	$2,176,958	$2,086,122
18 .	Temsco	$1,288,644	$1,735,420	$1,728,701	$	$	$	$	$	$	$	0
19 .	Warbelows	$	$	$105,489	$152,889	$169,162	$309,536	$466,368	$601,539	$728,380	$763,989	$470,156
20 .	Wings	$510,918	$671,757	$878,759	$815,058	$774,614	$594,367	$695,058	$688,284	$757,247	$797,775	$810,295
21 .	Wright	$101,716	$153,376	$227,232	$212,308	$221,737	$201,850	$212,040	$283,954	$302,582	$294,311	$278,791
22 .	Yule	$	$	$390,375	$895,687	$1,271,311	$1,234,266	$1,650,384	$1,821,011	$1,531,969	$1,787,353	$1,696,350
	Total	$14,184,066	$18,784,395	$21,918,081	$24,088,678	$25,861,899	$27,962,684	$31,129,476	$27,293,047	$28,919,994	$28,060,060	$27,607,486
Wtd. Deps from Page 4.		438,207	507,798	616,655	665,889	691,633	741,325	756,121	633,436	649,932	676,835	661,832
Total Unit Cost per Wtd. Departure		$32.37	$36.99	$35.54	$36.18	$37.39	$37.72	$41.17	$43.09	$44.50	$41.46	$41.71

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS
G&A as a Percentage of Operating Expense less G&A 1/

		YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 .	Alaska Island	13.67%	12.05%	8.67%	16.32%	15.03%	9.63%	0.00%	0.00%	0.00%	0.00%	0.00%
2 .	Arctic Circle	18.63%	19.56%	13.11%	12.24%	11.60%	9.62%	10.46%	11.37%	13.01%	11.95%	10.58%
3 .	Arctic Tpt.	23.34%	22.97%	21.91%	23.14%	17.83%	14.30%	15.70%	16.67%	17.26%	19.12%	15.62%
4 .	Baker	20.53%	16.88%	21.57%	19.49%	16.13%	19.14%	21.67%	15.21%	14.86%	35.17%	48.62%
5 .	Bering	11.51%	5.33%	6.52%	9.93%	14.40%	14.10%	13.14%	11.75%	11.77%	13.31%	9.88%
6 .	Camai	0.00%	15.82%	21.82%	29.00%	15.83%	16.02%	31.64%	15.46%	28.87%	31.09%	30.24%
7 .	Cape Smythe	14.05%	10.30%	14.23%	12.58%	12.70%	13.27%	12.56%	11.47%	14.65%	12.13%	10.76%
8 .	ERA (System)	15.54%	16.68%	18.23%	18.95%	16.90%	16.38%	15.56%	15.50%	10.95%	20.81%	22.96%
9 .	Frontier	18.86%	15.86%	13.86%	15.43%	14.47%	13.85%	12.17%	11.74%	13.30%	12.54%	10.44%
10 .	Grant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.58%	16.80%	26.50%	23.37%	19.97%
11 .	Hageland	0.00%	0.00%	0.00%	0.00%	12.23%	13.66%	9.04%	11.31%	7.64%	10.54%	9.52%
12 .	Ketchikan	46.84%	27.69%	17.37%	13.08%	15.02%	10.32%	18.94%	8.87%	0.00%	0.00%	0.00%
13 .	Larrys	5.09%	4.06%	5.55%	8.07%	7.03%	8.18%	6.70%	6.05%	7.94%	7.54%	4.88%
14 .	MarkAir	6.89%	6.37%	5.76%	4.40%	3.36%	2.76%	3.20%	0.00%	0.00%	0.00%	0.00%
15 .	Peninsula	11.52%	13.22%	17.11%	14.34%	15.26%	13.81%	14.96%	12.96%	11.82%	12.70%	11.70%
16 .	Tanana	24.80%	19.03%	17.15%	17.26%	16.61%	14.54%	17.43%	15.42%	19.34%	20.64%	26.19%
17 .	Taquan	0.00%	0.00%	14.56%	21.35%	20.42%	30.92%	33.85%	17.42%	25.39%	23.41%	21.23%
18 .	Temsco	19.18%	21.07%	18.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19 .	Warbelows	0.00%	0.00%	31.09%	23.90%	22.22%	26.88%	24.80%	16.38%	20.08%	18.11%	13.99%
20 .	Wings	30.18%	21.05%	19.12%	21.11%	20.77%	15.95%	13.17%	11.30%	11.50%	9.93%	7.99%
21 .	Wright	25.17%	20.95%	25.52%	18.74%	15.74%	15.79%	22.85%	15.96%	20.80%	23.88%	14.67%
22 .	Yute	0.00%	0.00%	32.14%	31.07%	37.00%	21.74%	15.79%	12.39%	14.95%	14.20%	14.20%

1/ G&A is used interchangeably, here and elsewhere, with Capacity Related Expense, which is reported on the carriers' F-2.

INTRA-ALASKA BUSH SERVICE MAIL RATES
Total Departure Related Expense, Including G&A 1/

		YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 .	Alaska Island	$24,612	$23,082	$9,009	$40,087	$238,118	$492,665	0	0	0	0	0
2 .	Arctic Circle	$111,390	$355,697	$571,420	$688,995	$734,765	$733,398	$862,034	$938,836	$1,016,150	$963,987	$1,101,141
3 .	Arctic Tpt.	$1,599,347	$1,884,685	$1,842,814	$2,170,251	$2,186,416	$2,370,495	$2,335,889	$2,438,800	$2,867,494	$2,700,492	$2,426,623
4 .	Baker	$423,393	$693,712	$383,443	$608,337	$497,964	$528,104	$572,659	$421,960	$608,621	$667,717	$728,727
5 .	Bering	$769,157	$544,143	$636,429	$742,633	$623,151	$1,519,139	$1,505,178	$1,644,464	$1,740,924	$1,738,580	$947,301
6 .	Camai	0	$336,667	$332,648	$402,551	$497,025	$417,818	$279,397	$552,267	$346,004	$504,508	$680,697
7 .	Cape Smythe	$1,592,242	$1,851,212	$2,066,505	$2,297,978	$2,386,740	$2,350,631	$2,195,772	$2,022,693	$2,563,209	$2,770,794	$2,193,470
8 .	ERA (System)	$2,708,087	$3,377,576	$3,801,634	$3,865,000	$4,295,938	$4,841,343	$5,428,416	$5,679,026	$5,973,444	$3,094,948	$3,391,759
9 .	Frontier	$494,630	$764,262	$1,078,784	$1,109,106	$1,256,780	$1,360,038	$1,791,967	$1,618,195	$2,065,709	$2,330,109	$2,789,662
10 .	Grant	0	0	0	0	0	0	$223,276	$590,992	$599,092	$747,305	$1,031,304
11 .	Hageland	0	0	0	0	$533,878	$885,652	$1,241,059	$1,733,688	$2,157,610	$2,848,695	$2,798,032
12 .	Ketchikan	$95,829	$453,291	$766,771	$1,494,828	$1,174,227	$1,215,395	$1,239,356	$1,799,593	0	0	0
13 .	Larrys	$277,364	$634,296	$774,878	$762,544	$894,681	$946,614	$1,016,697	$954,701	$1,083,558	$1,197,216	$1,007,534
14 .	MarkAir	$2,993,390	$3,988,873	$4,976,482	$6,206,500	$5,845,424	$5,508,924	$7,376,658	0	0	0	0
15 .	Peninsula	$2,751,433	$3,245,636	$2,819,846	$3,001,699	$3,026,422	$3,562,242	$3,841,664	$4,867,713	$5,622,716	$5,554,365	$5,942,956
16 .	Tanana	$95,561	$188,499	$304,530	$184,965	$295,452	$293,369	$261,504	$352,277	$411,563	$446,918	$448,945
17 .	Taquan	0	0	$737,535	$1,333,077	$1,859,334	$1,784,061	$1,350,116	$1,453,634	$2,008,313	$2,686,584	$2,504,760
18 .	Temsco	$1,535,806	$2,101,073	$2,041,596	0	0	0	0	0	0	0	0
19 .	Warbelows	0	0	$138,286	$189,429	$206,750	$392,739	$582,027	$700,071	$874,639	$902,347	$535,931
20 .	Wings	$665,113	$813,162	$1,046,778	$987,117	$935,501	$689,169	$786,597	$766,060	$844,330	$876,994	$875,038
21 .	Wright	$127,318	$185,508	$285,222	$252,095	$256,638	$233,722	$260,491	$329,273	$365,519	$364,592	$319,690
22 .	Yute	0	0	$515,842	$1,173,977	$1,741,696	$1,502,595	$1,910,980	$2,046,624	$1,760,998	$2,041,157	$1,937,232
	Total	$16,264,672	$21,441,374	$25,130,452	$27,511,169	$29,486,900	$31,628,113	$35,061,737	$30,910,877	$32,909,893	$32,437,308	$31,660,802
	ERA--Bush 2/	$1,538,464	$1,681,695	$1,425,233	$1,855,200	$2,327,110	$2,314,162	$2,048,141	$2,009,807	$2,367,873	$1,231,789	$1,610,407
	Total, Bush Only	$15,095,049	$19,745,493	$22,754,051	$25,501,369	$27,518,072	$29,100,932	$31,681,462	$27,241,658	$29,304,322	$30,574,149	$29,879,450

1/ Page 1 increased by the G&A percentage on page 2.

2/ Bush Wtd. Departure percentage on page four times ERA System Departure Expense

INTRA-ALASKA BUSH SERVICE MAIL RATES
Total Weighted Departures by Carrier

		YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 .	Alaska Island	1,102	837	364	1,177	5,362	9,915	0	0	0	0	0
2 .	Arctic Circle	1,211	9,296	12,870	13,976	13,354	14,861	15,398	17,277	16,250	18,705	18,573
3 .	Arctic Tpt.	24,747	27,771	26,278	29,400	30,397	37,211	23,471	21,236	20,828	18,863	19,595
4 .	Baker	17,279	15,929	11,431	12,579	14,778	17,363	14,121	16,454	23,457	20,385	11,144
5 .	Bering	22,539	24,237	24,521	27,377	24,124	25,608	27,531	30,229	29,818	31,435	34,980
6 .	Cantai	0	13,356	12,858	18,602	19,068	15,237	14,805	21,638	16,329	11,156	13,432
7 .	Cape Smythe	25,157	27,385	30,196	33,886	35,763	38,204	33,745	38,068	40,294	41,574	41,246
8 .	ERA (System)	82,643	90,169	86,467	90,993	89,572	102,259	103,548	99,595	102,733	104,257	99,788
	ERA (Bush)	46,946	44,894	32,414	43,680	48,520	48,882	39,070	35,242	40,722	41,499	47,381
	% Bush	56.81%	49.79%	37.49%	48.00%	54.17%	47.80%	37.73%	35.39%	39.64%	39.80%	47.48%
9 .	Frontier	10,982	19,374	19,060	17,963	22,549	25,187	26,457	23,078	22,729	31,059	39,358
10 .	Grant	0	0	0	0	0	0	10,591	18,036	16,623	21,916	32,521
11 .	Hageland	0	0	0	0	17,690	29,375	40,647	55,516	66,350	60,014	64,707
12 .	Ketchikan	10,254	13,731	19,918	21,069	21,689	23,540	27,341	19,684 1/		0	0
13 .	Larrys	12,250	13,676	13,220	15,089	16,551	16,096	15,107	15,559	14,181	17,241	17,404
14 .	MarkAir	92,930	110,063	175,196	206,085	181,158	167,260	181,871	0	0	0	0
15 .	Peninsula	69,383	76,146	65,838	70,785	76,467	83,061	80,899	95,397	105,705	107,063	104,335
16 .	Tanana	3,456	5,965	6,294	7,234	10,573	9,595	9,109	11,310	11,352	13,576	15,193
17 .	Taquan	0	0	27,854	18,320	20,765	23,616	30,199	38,194	46,674	62,559	35,013
18 .	Temsco	40,321	33,547	26,998	0	0	0	0	0	0	0	0
19 .	Warbelows	0	0	3,716	6,382	8,846	12,807	14,195	16,881	18,777	20,384	17,937
20 .	Wings	20,711	20,618	18,083	19,783	25,047	24,285	22,883	22,904	23,759	24,624	26,689
21 .	Wright	3,242	5,698	6,275	9,315	10,843	11,587	11,493	12,435	13,794	15,124	17,467
22 .	Yute	0	0	29,218	45,874	47,037	54,258	52,712	59,945	60,279	56,900	52,450
	Total Wtd. Deps.	438,207	507,798	616,655	665,889	691,633	741,325	756,121	633,436	649,932	676,835	661,832
	Wtd. Deps.--Bush Only	402,510	462,523	562,602	618,576	650,581	687,948	691,643	569,083	587,921	614,077	609,425
	$/ Wtd. Dep. 1/	$37.12	$42.22	$40.75	$41.31	$42.63	$42.66	$46.37	$48.80	$50.64	$47.92	$47.84
	Adj. $/ Wtd. Dep. 2/	$37.50	$42.69	$40.44	$41.23	$42.30	$42.30	$45.81	$47.87	$49.84	$49.79	$49.03

1/ Total departure related expense, including capacity related expense, on page 3, divided by total weighted departures above.

2/ Total, bush only departure related expense, including capacity related expense, on page 3, divided by bush only weighted departures above.

Note: Weights assigned by aircraft type may be found in Order 95-4-22, Appendix E.

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS
General and Administrative (G&A) Expense 1/

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	$33,351	$25,000	$8,400	$31,670	$170,156	$195,159	0	0	0	0	0
2 . A. Circle	$80,306	$259,358	$322,371	$367,708	$343,968	$296,359	$341,492	$415,561	$482,401	$487,653	$488,635
3 . Arctic Tpt.	$804,879	$970,657	$952,005	$1,155,987	$895,047	$816,701	$742,799	$782,587	$898,374	$1,004,752	$796,802
4 . Baker	$409,539	$441,680	$476,987	$507,643	$446,448	$570,742	$611,710	$498,837	$594,104	$1,269,968	$869,195
5 . Bering	$564,382	$279,307	$389,443	$632,143	$758,256	$893,828	$804,628	$828,974	$837,306	$952,519	$766,925
6 . Camai	$	$175,354	$298,667	$492,516	$315,185	$305,090	$389,556	$291,063	$477,978	$559,038	$600,935
7 . C. Smythe	$766,387	$690,375	$1,003,006	$942,710	$991,950	$1,116,317	$1,011,243	$1,050,780	$1,407,418	$1,300,396	$1,086,488
8 . ERA System	$2,014,302	$2,877,919	$3,698,786	$3,792,704	$3,567,974	$3,878,536	$4,183,007	$4,355,043	$3,667,681	$6,541,350	$7,116,494
9 . Frontier	$528,471	$764,127	$785,235	$775,260	$805,899	$934,218	$872,002	$805,700	$1,114,878	$1,153,093	$1,244,564
10 . Grant	$	0	0	0	0	0	$257,975	$497,967	$826,000	$909,235	$1,258,448
11 . Hageland	$	0	0	0	$316,562	$477,000	$437,294	$782,738	$692,071	$1,087,797	$1,015,684
12 . Ketchikan	$387,336	$457,487	$387,148	$476,479	$560,316	$421,625	$701,629	$481,015	0	0	0
13 . Larrys	$131,893	$124,311	$181,013	$275,624	$251,980	$295,103	$246,164	$232,439	$327,032	$330,551	$224,157
14 . MarkAir	$801,615	$908,328	$1,312,554	$1,506,978	$1,005,155	$711,448	$950,354	0	0	0	0
15 . Peninsula	$1,631,940	$1,915,239	$2,544,797	$2,414,816	$2,389,662	$2,466,695	$2,784,670	$3,125,904	$3,473,307	$4,052,185	$3,833,654
16 . Tanana	$92,639	$133,714	$172,502	$167,783	$217,915	$178,259	$193,012	$232,039	$315,027	$373,143	$557,825
17 . Taquan		0	$365,993	$946,181	$1,086,660	$1,414,387	$1,767,922	$1,105,908	$2,123,846	$2,308,249	$1,993,636
18 . Temsco	$824,431	$1,219,973	$978,655	0	0	0	0	0	0	0	0
19 . Warbelows	$	0	$193,456	$285,923	$349,198	$661,776	$754,099	$631,261	$968,549	$895,866	$659,611
20 . Wings	$735,487	$608,508	$619,553	$605,494	$695,635	$570,530	$438,967	$371,004	$421,767	$417,934	$357,852
21 . Wright	$396,602	$371,563	$514,260	$404,414	$339,344	$360,387	$505,532	$368,891	$505,457	$662,455	$492,560
22 . Yute	$	0	$948,279	$1,387,699	$2,018,067	$1,284,314	$947,421	$1,047,361	$1,091,619	$956,399	$881,609
Total G &A (CR) Expense	$10,203,560	$12,222,900	$16,153,110	$17,169,732	$17,525,377	$17,848,474	$18,941,476	$17,905,072	$20,224,815	$25,262,583	$24,245,074

1/ G&A is used interchangeably, here and elsewhere, with Capacity Related Expense, which is reported on the carriers' F-2.

2/ Yute's FY 1997 costs are reduced from those reported by the carrier based on Alaska Aviation Field Office report.

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS
Total Operating Expense, Including G&A

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	$277,319	$232,511	$105,336	$225,712	$1,301,997	$2,221,922	0	0	0	0	0
2 . A. Circle	$511,403	$1,585,544	$2,781,108	$3,372,070	$3,308,099	$3,375,973	$3,605,446	$4,071,904	$4,191,442	$4,568,524	$5,107,387
3 . Arctic Tpt.	$4,252,668	$5,197,311	$5,297,231	$6,151,644	$5,914,815	$6,527,297	$5,474,225	$5,477,872	$6,104,280	$6,259,951	$5,897,553
4 . Baker	$2,404,540	$3,057,775	$2,688,307	$3,111,942	$3,213,722	$3,552,448	$3,433,991	$3,779,313	$4,592,259	$4,880,969	$2,656,989
5 . Bering	$5,465,718	$5,522,762	$6,364,230	$6,998,037	$6,022,102	$7,234,115	$6,928,196	$7,881,955	$7,949,008	$8,109,628	$8,526,281
6 . Carmai	0	$1,284,051	$1,667,672	$2,190,876	$2,306,169	$2,209,100	$1,620,808	$2,173,920	$2,133,459	$2,357,359	$2,588,326
7 . C. Smythe	$6,219,275	$7,396,218	$8,052,207	$8,436,093	$8,804,846	$9,531,296	$9,060,081	$10,213,280	$11,012,280	$12,020,551	$11,181,771
8 . ERA System	$14,980,011	$20,126,753	$23,984,119	$23,805,507	$24,680,850	$27,553,509	$31,066,810	$32,454,129	$37,177,364	$37,981,227	$38,108,210
9 . Frontier	$3,331,112	$5,582,661	$6,448,848	$5,798,585	$6,374,463	$7,677,938	$8,039,453	$7,671,392	$9,498,323	10,349,156	$13,167,671
10 . Grant	0	0	0	0	0	0	$1,913,569	$3,462,226	$3,931,955	$4,799,136	$7,561,146
11 . Hageland	0	0	0	0	$2,904,725	$3,968,932	$5,275,040	$7,700,806	$9,753,020	$11,404,531	$11,686,099
12 . Ketchikan	$1,214,304	$2,109,511	$2,616,138	$4,119,217	$4,289,744	$4,505,587	$4,405,999	$5,905,574	0	0	0
13 . Larrys	$2,724,876	$3,186,214	$3,444,275	$3,689,679	$3,838,722	$3,903,192	$3,920,245	$4,075,279	$4,448,353	$4,713,515	$4,821,860
14 . MarkAir	$12,431,859	$15,176,938	$24,082,894	$35,727,132	$30,898,884	$26,503,165	$30,667,171	0	0	0	0
15 . Peninsula	$15,795,526	$16,401,100	$17,417,202	$19,256,842	$18,049,888	$20,323,067	$21,404,785	$27,245,366	$32,859,241	$35,956,178	$36,612,323
16 . Tanana	$466,194	$836,264	$1,178,106	$1,139,836	$1,529,600	$1,403,950	$1,300,199	$1,736,839	$1,943,561	$2,180,603	$2,687,887
17 . Taquan	0	0	$2,879,100	$5,377,673	$6,405,800	$5,988,043	$6,991,018	$7,454,554	$10,488,387	$12,170,089	$11,386,164
18 . Temsco	$5,122,169	$7,011,368	$6,384,987	0	0	0	0	0	0	0	0
19 . Warbelows	0	0	$815,729	$1,482,381	$1,920,834	$3,123,796	$3,794,292	$4,484,416	$5,793,041	$5,842,741	$5,373,123
20 . Wings	$3,172,454	$3,499,361	$3,860,667	$3,474,058	$4,045,417	$4,147,258	$3,771,378	$3,655,364	$4,088,282	$4,625,738	$4,839,377
21 . Wright	$1,972,501	$2,145,441	$2,529,400	$2,562,498	$2,494,735	$2,643,403	$2,717,824	$2,680,469	$2,934,964	$3,436,720	$3,849,130
22 . Yute	0	0	$3,898,843	$5,853,731	$7,471,761	$7,192,441	$6,947,516	$9,502,879	$8,392,421	$7,689,476	$7,088,159
Total Oper. Exp.	$80,341,929	$100,351,783	$126,496,399	$142,773,513	$145,777,173	$153,586,432	$162,338,046	$151,627,537	$167,291,635	$179,346,092	$183,139,456

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS

G&A as a Percentage of Operating Expense less G&A 1/

	YE 09/30/1989	YE 09/30/1990	YE 09/30/1991	YE 09/30/1992	YE 09/30/1993	YE 09/30/1994	YE 09/30/1995	YE 09/30/1996	YE 09/30/1997	YE 09/30/1998	YE 09/30/1999
1 . A. Island Air	13.67%	12.05%	8.67%	16.32%	15.03%	9.63%	0.00%	0.00%	0.00%	0.00%	0.00%
2 . A. Circle	18.63%	19.56%	13.11%	12.24%	11.60%	9.62%	10.46%	11.37%	13.01%	11.95%	10.58%
3 . Arctic Tpt.	23.34%	22.97%	21.91%	23.14%	17.83%	14.30%	15.70%	16.67%	17.26%	19.12%	15.62%
4 . Baker	20.53%	16.88%	21.57%	19.49%	16.13%	19.14%	21.67%	15.21%	14.86%	35.17%	48.62%
5 . Bering	11.51%	5.33%	6.52%	9.93%	14.40%	14.10%	13.14%	11.75%	11.77%	13.31%	9.88%
6 . Camai	0.00%	15.82%	21.82%	29.00%	15.83%	16.02%	31.64%	15.46%	28.87%	31.09%	30.24%
7 . C. Smythe	14.05%	10.30%	14.23%	12.58%	12.70%	13.27%	12.56%	11.47%	14.65%	12.13%	10.76%
8 . ERA System	15.54%	16.68%	18.23%	18.95%	16.90%	16.38%	15.56%	15.50%	10.95%	20.81%	22.96%
9 . Frontier	18.86%	15.86%	13.86%	15.43%	14.47%	12.85%	12.17%	11.74%	13.30%	12.54%	10.44%
10 . Grant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.58%	16.80%	26.59%	23.37%	19.91%
11 . Hageland	0.00%	0.00%	0.00%	0.00%	12.23%	13.66%	9.04%	11.31%	7.64%	10.54%	9.52%
12 . Ketchikan	46.84%	27.69%	17.37%	13.08%	15.02%	10.32%	18.94%	8.87%	0.00%	0.00%	0.00%
13 . Larrys	5.09%	4.06%	5.55%	8.07%	7.03%	8.18%	6.70%	6.05%	7.94%	7.54%	4.88%
14 . MarkAir	6.89%	6.37%	5.76%	4.40%	3.36%	2.76%	3.20%	0.00%	0.00%	0.00%	0.00%
15 . Peninsula	11.52%	13.22%	17.11%	14.34%	15.26%	13.81%	14.96%	12.96%	11.82%	12.70%	11.70%
16 . Tanana	24.80%	19.03%	17.15%	17.26%	16.61%	14.54%	17.43%	15.42%	19.34%	20.64%	26.19%
17 . Taquan			14.56%	21.35%	20.43%	30.92%	33.85%	17.42%	25.39%	23.41%	21.23%
18 . Temsco	19.18%	21.07%	18.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19 . Warbelows	0.00%	0.00%	31.09%	23.90%	22.22%	26.88%	24.80%	16.38%	20.08%	18.11%	13.99%
20 . Wings	30.18%	21.05%	19.12%	21.11%	20.77%	15.95%	13.17%	11.30%	11.50%	9.93%	7.99%
21 . Wright	25.17%	20.95%	25.52%	18.74%	15.74%	15.79%	22.85%	15.96%	20.80%	23.88%	14.67%
22 . Yute			32.14%	31.07%	37.00%	21.74%	15.79%	12.39%	14.95%	14.20%	14.20%
G&A as % of Other Oper. Expense	14.55%	13.87%	14.64%	13.67%	13.66%	13.15%	13.21%	13.39%	13.75%	16.40%	15.26%

1/ G & A expense on page 1 divided by (total operating expense on page 2 less G & A).

REGRESSION RESULTS OF NONFUEL LINEHAUL UNIT COSTS, YE 9/30/89 THROUGH 9/30/99

Data Regressed

X	Y 1/	LN(Y)
1989	$212.01	5.3566334
1990	$226.98	5.4248619
1991	$248.35	5.514839
1992	$249.56	5.5196994
1993	$236.60	5.466371
1994	$243.07	5.4933495
1995	$242.74	5.4919909
1996	$256.40	5.5467387
1997	$284.62	5.651155
1998	$317.44	5.7602888
1999	$328.38	5.7941715

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.14677	0.14677	36.68663	0.000188879
Residual	9	0.036006	0.004001		
Total	10	0.182776			

	Coefficients	Std.Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95%	Upper 95%
Intercept	-67.288902	12.02524	-5.595638	0.000336	-94.49190834	-40.0859	-94.49191	-40.0859
X Variable	0.0365277	0.006031	6.056949	0.000189	0.022885262	0.05017	0.022885	0.05017

RESIDUAL OUTPUT

Observation	Predicted Y	Residuals	Predicted Y (EXP)
1	5.3646434	-0.00801	213.715
2	5.401171	0.023691	221.6658
3	5.4376987	0.07714	229.9125
4	5.4742264	0.045473	238.4659
5	5.5107541	-0.044383	247.3376
6	5.5472817	-0.053932	256.5393
7	5.5838094	-0.091818	266.0833
8	5.6203371	-0.073598	275.9824
9	5.6568648	-0.00571	286.2498
10	5.6933924	0.066896	296.8991
11	5.7299201	0.064251	307.9447

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.896106
R Square	0.803006
Adj. R Square	0.781118
Standard Error	0.063251
Observations	11

1/ Values are from Appendix C, Page 7 of 7.

Note: The annual increase in unit cost is derived from the Residual Output above under Predicte Y (EXP) which produces a constant 3.72% annual increase.

REGRESSION RESULTS OF DEPARTURE RELATED UNIT COSTS, YE 9/30/89 THROUGH 9/30/99

X	Y 1/	LN(Y)
1989	$37.50	3.6243409
1990	$42.69	3.7539647
1991	40.44	3.6998194
1992	$41.23	3.7191661
1993	$42.30	3.7447871
1994	$42.30	3.7447871
1995	$45.81	3.8245024
1996	$47.87	3.868489
1997	$49.84	3.9088179
1998	$49.79	3.9078142
1999	$49.03	3.8924324

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.079716	0.079716	59.26934	3.00413E-05
Residual	9	0.012105	0.001345		
Total	10	0.091821			

	Coefficients	Std. Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95%	Upper 95%
Intercept	-49.88879	6.972482	-7.155097	5.34E-05	-65.66164703	-34.11592	-65.66165	-34.11592
X Variable 1	0.0269201	0.003497	7.698658	3E-05	0.019009952	0.03483	0.01901	0.03483

RESIDUAL OUTPUT

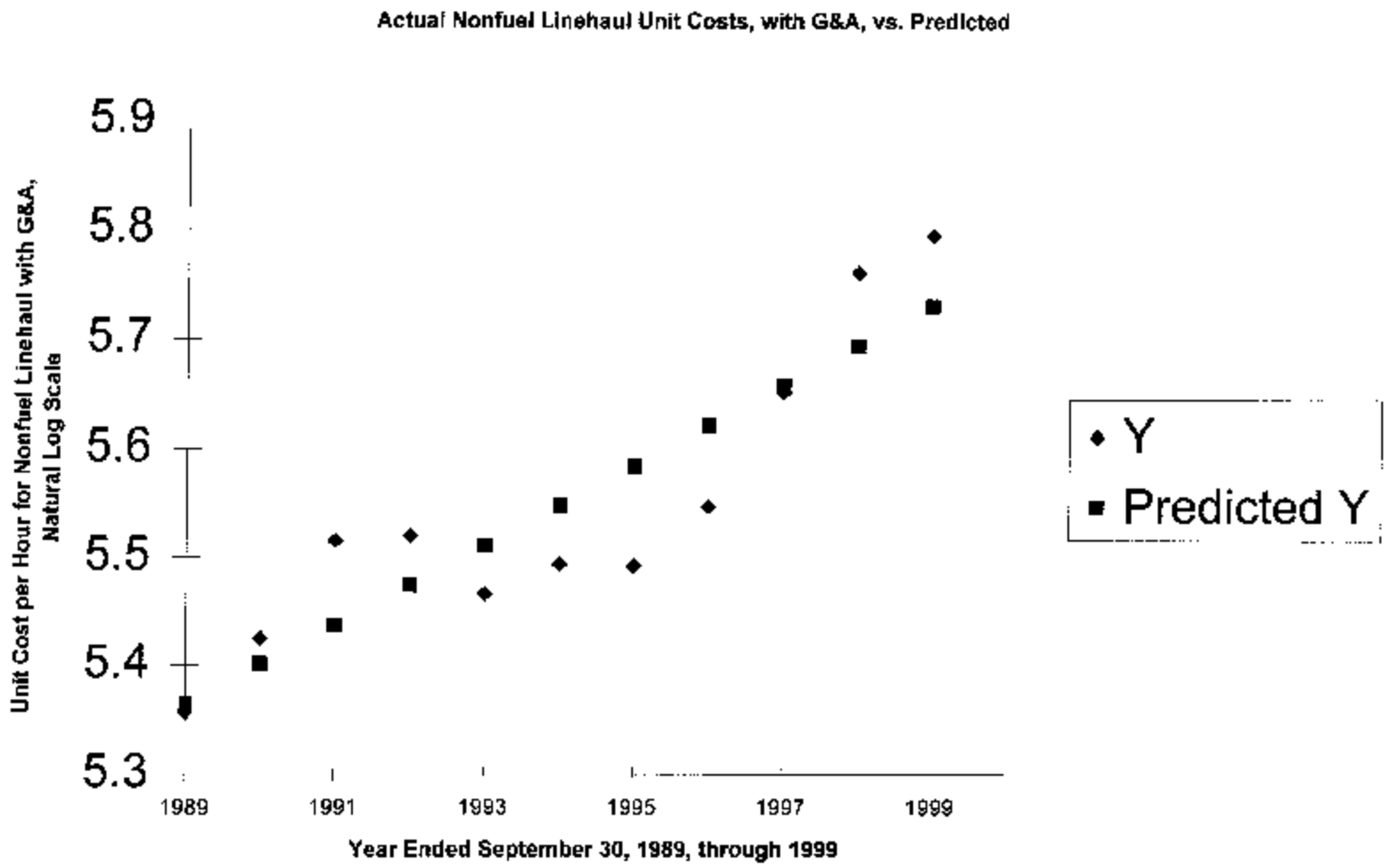
Observation	Predicted Y	Residuals	Predicted Y (EXP)
1	3.6553014	-0.03096	38.67918
2	3.6822215	0.071743	39.73457
3	3.7091416	-0.009322	40.81675
4	3.7360617	-0.016896	41.93252
5	3.7629818	-0.018195	43.07668
6	3.7899019	-0.045115	44.25206
7	3.816822	0.00768	45.45951
8	3.8437421	0.024747	46.69991
9	3.8706622	0.038156	47.97415
10	3.8975823	0.010232	49.28315
11	3.9245024	-0.03207	50.62768

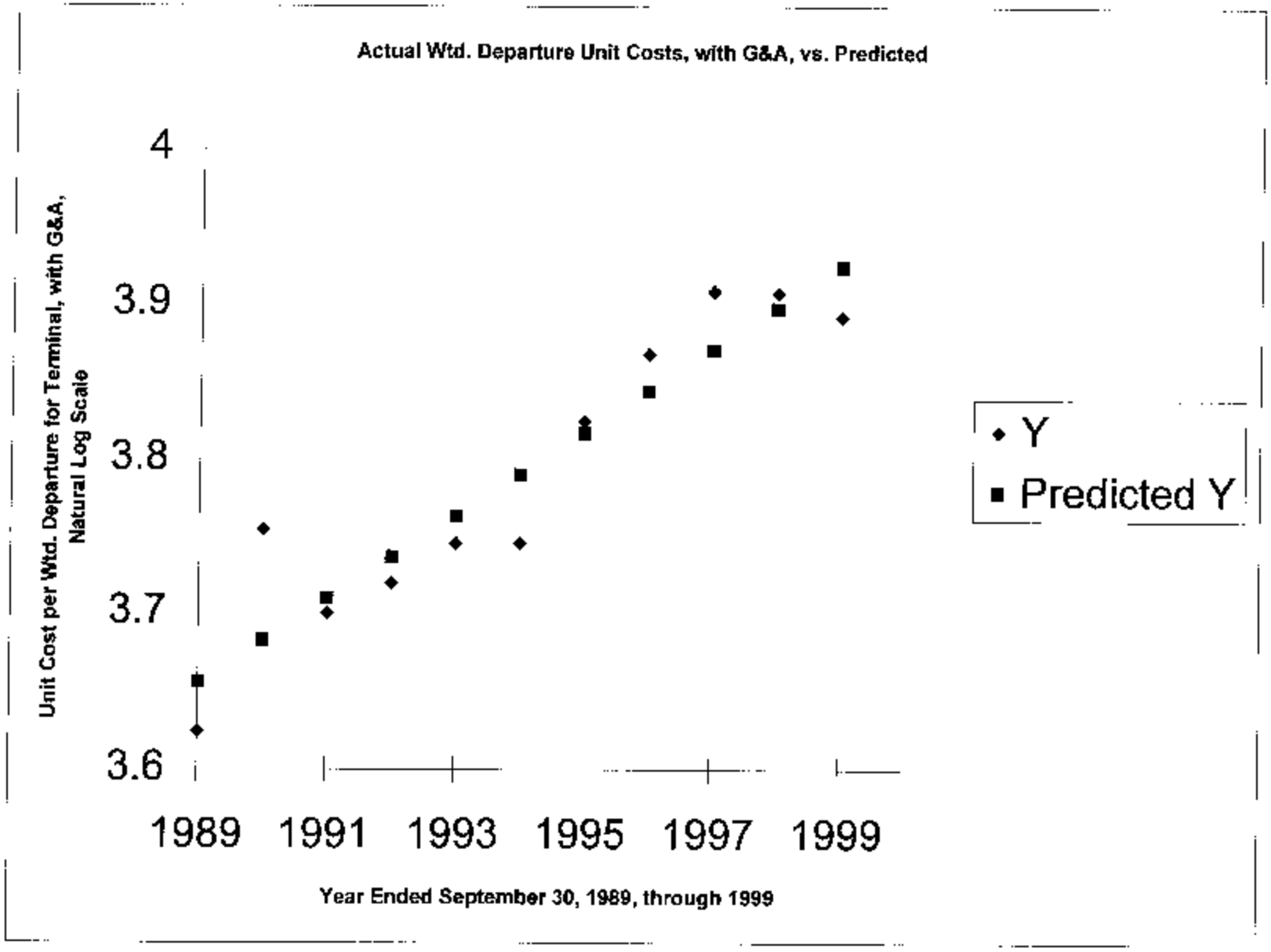
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.931756
R Square	0.868169
Adj. R Square	0.853521
Standard Error	0.036674
Observations	11

1/ Values are from Appendix D, Page 4 of 4.

Note: The annual increase in unit cost is derived from the Residual Output above under Predicte Y (EXP) which produces a constant 2.73% annual increase.


Actual Nonfuel Linehaul Unit Costs, with G&A, vs. Predicted
Unit Cost per Hour for Nonfuel Linehaul with G&A, Natural Log Scale
5.9
5.8
5.7
5.6
5.5
5.4
5.3
1989
1991
1993
1995
1997
1999
Year Ended September 30, 1989, through 1999
Y
Predicted Y


Actual Wtd. Departure Unit Costs, with G&A, vs. Predicted
Unit Cost per Wtd. Departure for Terminal, with G&A, Natural Log Scale
4
3.9
3.8
3.7
3.6
1989
1991
1993
1995
1997
1999
Year Ended September 30, 1989, through 1999
Y
Predicted Y

COMPARISON OF UNIT COSTS FOR THE POOL CARRIERS

	Non-Fuel Linehaul Expense plus All G&A Allocable to Linehaul							Total Departure Related Expense, Including G&A						
	Expense YE 09/30/1999	Hours YE 09/30/1999	Unit Cost G&A + N-Fuel Linehaul YE 09/30/1999	Expense YE 09/30/1998	Hours YE 09/30/1998	Unit Cost G&A + N-Fuel Linehaul YE 09/30/1998	Unit Cost Percentage Change	YE 09/30/1999	Wtd. Dep. 09/30/1999	DR + G&A Unit Cost YE 09/30/1999	YE 09/30/1998	Wtd. Dep YE 9/30/98	DR ÷ G&A Unit Cost YE 09/30/1998	Unit Cost Percentage Change
1 . A. Island Air	0	0	0	0	0	0	0	0	0		0	0	0	0
2 Arctic Circle	$3,281,772	8,581	$382.45	$2,944,004	8,390	$350.89	8.99%	$1,101,141	18,573	$59.29	$963,987	18,705	$51.54	15.04%
3 . Arctic Tpt.	$2,825,236	8,307	$340.10	$2,880,515	9,171	$314.09	8.28%	$2,426,623	19,595	$123.84	$2,700,492	18,863	$143.16	-13.50%
4 . Baker	$1,669,267	4,043	$412.88	$3,521,536	6,153	$572.33	-27.86%	$728,727	11,144	$65.39	$667,717	20,385	$32.76	99.60%
5 . Bering	$5,038,871	13,722	$367.21	$4,509,708	13,633	$330.79	11.01%	$947,301	34,980	$27.08	$1,738,580	31,435	$55.31	-51.04%
6 . Camai	$1,622,518	6,608	$245.54	$1,574,561	6,169	$255.24	-3.80%	$680,697	13,432	$50.68	$504,508	11,156	$45.22	12.07%
7 . C. Smythe	$5,901,881	17,237	$342.40	$6,537,628	17,837	$366.52	6.58%	$2,193,470	41,246	$53.18	$2,770,794	41,574	$66.65	-20.21%
8 . ERA Bush	$8,955,186	16,104	$556.08	$8,351,387	13,157	$634.75	-12.39%	$3,391,759	99,788	$33.99	$3,094,948	104,257	$29.69	14.48%
9 . Frontier	$7,442,164	20,975	$354.81	$5,466,079	20,579	$265.61	33.58%	$2,789,662	39,358	$70.88	$2,330,109	31,059	$75.02	-5.52%
10 . Grant	$4,642,250	17,940	$258.77	$2,742,923	10,913	$251.34	2.96%	$1,031,304	32,521	$31.71	$747,305	21,916	$34.10	-7.01%
11 . Hagelland	$6,660,505	22,860	$291.36	$6,410,635	23,488	$272.93	6.75%	$2,798,032	64,707	$43.24	$2,848,695	60,014	$47.47	-8.91%
12 . Ketchikan	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 . Larrys	$2,869,731	12,008	$238.98	$2,562,832	11,945	$214.55	11.39%	$1,007,534	17,404	$57.89	$1,197,216	17,241	$69.44	-16.63%
14 . MarkAir	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 . Peninsula	$21,808,359	46,130	$472.76	$21,544,786	44,302	$486.32	-2.79%	$5,942,956	104,335	$56.96	$5,554,365	107,063	$51.88	9.79%
16 . Tanana	$1,596,313	9,040	$176.58	$1,247,015	8,331	$149.68	17.97%	$448,945	15,193	$29.55	$446,918	13,576	$32.92	-10.24%
17 . Taquan	$6,932,820	18,684	$371.06	$6,651,276	21,965	$302.81	22.54%	$2,504,760	335,013	$7.48	$2,686,584	62,559	$42.94	-82.58%
18 . Temsco	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 . Warbelows	$3,281,365	15,018	$218.50	$3,611,644	17,172	$210.32	3.89%	$535,931	17,937	$29.88	$902,347	20,384	$44.27	-32.51%
20 . Wings	$2,849,098	12,542	$227.16	$2,787,065	11,371	$245.10	-7.32%	$875,038	26,689	$32.79	$876,994	24,624	$35.62	-7.94%
21 . Wright	$2,753,369	9,895	$278.26	$2,369,074	9,276	$255.40	8.95%	$319,690	17,467	$18.30	$364,592	15,124	$24.11	-24.10%
22 . Yute	$3,721,721	26,248	$141.79	$3,909,227	28,475	$137.29	3.28%	1,937,232	52,450	$36.93	$2,041,157	56,900	$35.87	2.96%

1/

1/ Appendix C, page 7 of 7.