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

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Issued by the Department of Transportation
on the 19th day of February, 1999

INTRA-ALASKA BUSH

Docket OST-95-405 - 43

SERVICE MAIL RATES

(Docket 44445)

ORDER TO SHOW CAUSE ESTABLISHING
FINAL BUSH SERVICE MAIL RATES

Summary

By this order the Department proposes to establish new intra-Alaska bush service mail rates for the period April 1, 1999, through March 31, 2000. The rates that are currently in effect were established by Order 98-3-28, served April 1, 1998, for the period April 1, 1998, through March 31, 1999. Those rates will remain in effect as final rates through March 31, 1999, or until a final order is issued with respect to the rates proposed here, whichever is later.

Methodologically, this order makes no changes from the prior order. However it does add two carriers, Grant and Warbelow's, to the pool of carriers because of their size.

Background

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 9/30/98, and have increased their unit costs to the mid-point of the new rate period, based on the long-term (nine-year) average annual changes in unit costs. ¹ We have also added Grant and Warbelow's operations to the cost pool. This is appropriate because both are large carriers in terms of overall bush operations and they generated 4.6 % and 4.1% respectively of total bush mail revenue in Alaska. ² Adding their data to the cost pool makes the update more representative of the system without unnecessarily burdening it with carriers relatively insignificant in terms of the volume of mail they transport or in their overall size. 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.

¹ At this time, we lack only one period from having sufficient data for a full ten-year moving average.

² We have not included Alaska Central Express, one of the biggest operators of bush equipment in Alaska, because their costs are atypical, i.e., their terminal costs are very low per ton enplaned because the bulk of their operations consist of operating high frequency service with bush aircraft over mainline routes.

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

	<u>YE 3/31/99</u>	<u>YE 3/31/00</u>	<u>% Change</u>
Linehaul Charge per Billing Ton-Mile ³	\$8.4514	\$9.1442	8.20%
Terminal Charge per Pound Originated	\$.3805	\$.3487	(8.38%)

The combination of the proposed linehaul and terminal charges produces proposed rates for the YE 3/31/99 that are 0.2 percent lower than those in effect for the current period for an 88-mile average length of haul.

General Matters

With the proposed rate we continue to use the methodology first implemented in Order 98-1-25. ⁴

The regression parameters are shown in Appendix F. They indicate that the regression is highly significant and reasonably reliable. The results indicate that, on average over the last nine years, unit costs have increased annually by 3.28% for the non-fuel linehaul and 2.96 % for the terminal element. These results are consistent with economy-wide inflation trends over the last ten years, thereby corroborating our regression results and cost methodology. The data for the regressions are presented in Appendices C, D, and E.

Although the composite terminal and linehaul rate has not changed for an average 88-mile length of haul, there has been significant change in the individual carrier elements. We believe this may be due to the improved reporting resulting from the efforts of our Alaska Inspector. We have reviewed individual quarters of all the carriers' data, especially those whose unit costs have changed the most, to determine if one-quarter appeared glaringly aberrant, and have not detected any extreme swings. We invite all carriers to review the attached data, with special focus on their own reporting, to determine if any errors have been made.

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

³ The proposed linehaul rates above for the year ending 3/31/00 are the sum of YE 9/30/98 uninflated fuel expense, and the non-fuel linehaul expense with an inflation factor applied.

⁴ We note that as of January 19, 1999, Taquan Air had not submitted its third quarter results although they were due on November 10, and we have thus used its reported data for the YE 6/30/98. We do not anticipate that relying on those data will have a material effect on the overall rate. The carrier has been referred to our enforcement staff for possible action.

of mail by aircraft having a payload of 7,500 pounds or less, the facilities used and useful therefor, 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, 1999, or on the date of issue of a final Department order with respect to the rates proposed here, whichever occurs later, through March 31, 2000, or until further order of the Department, whichever occurs later, are those specified in the attached Appendix A; and

ACCORDINGLY,

1. We direct all interested persons to show cause why the Department should not adopt the foregoing tentative findings and conclusions and fix, determine and publish the proposed final rates specified in Appendix A, for the period beginning either April 1, 1999, or on the date of issue of the final order pertaining to the rates proposed in Appendix A, whichever occurs later, through March 31, 2000, or until further order of the Department, whichever occurs later;
2. We direct all interested persons having objections to the tentative findings and conclusions or to the rates proposed here to file an objection along with all supporting documents within forty five (45) days after the date of service of this order. Vague or unsupported objections that do not include all proposed adjustments and backup data will not be accepted;
3. If no objection is filed within the designated time, or if a timely filed objection raises no material issue of fact, we will deem all further procedural steps waived. We then will enter a final order incorporating the tentative findings and conclusions set forth here and establishing the final rates specified in the attached Appendix A;
4. These dockets shall remain open until further order of the Department; and
5. We will serve this order upon all parties on the Service List for this Docket.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web
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 <u>Rates</u> 1	Adjustment <u>Factors</u> 2	<u>Final Rates</u> 3	Preceding Year-Over-Year	
				<u>Rate</u> 4	<u>Change</u> 5
Effective April 1, 1999, through March 31, 2000					
Linehaul Charge per Billing Ton-Mile	\$5.9525	53.62%	\$9.1442	\$8.4514	8.20%
Terminal Charge per Pound Originated	\$.2217	57.26%	\$.3486	\$.3805	-8.38%

Sources:

Column 1. Appendix E, Order 90-I O-34.

Column 2. Appendix B to this order.

Column 3. Column 1 increased by column 2.

INTRA-ALASKA BUSH SERVICE MAIL RATES COST ADJUSTMENT FACTORS

	Base Year Ended <u>9/30/86</u>	1/	Year Ended <u>9/30/98</u>	2/	R e g r e s s e d Annual Change YE <u>9/30/89</u> to YE <u>9/30/98</u>	3/	Mid-Point to Mid-Point <u>Change</u>	4/	Estimated Unit Cost at <u>10/1/99</u>	5/	Percent Change 1986 Base Year to <u>10/1/99</u>	6/
Fuel Cost/Hour			\$19,368,569 \$68.60		NA		NA		\$68.60			
Non-Fuel Line-Haul Exp. plus G&A 7/ Cost per Hour			\$89,621,895 \$317.44		3.28%		4.97%		\$333.22			
Total Hours	180,100		282,327									
Unit Cost Per Hour, Fuel + Non-Fuel	\$261.57		\$386.04						\$401.82		53.62%	
Departure Expense plus G&A 7/ Wtd. Departures	\$12,486,214 392,147		\$32,437,308 676,835									
Unit Cost per Wtd. Dep.	\$31.84		\$47.92		2.96%		4.48%		\$50.07		57.26%	

1/ Order 90-10-34, updated most recently in Order 96-12-4 1.

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.

1.0328 x 1.0164; where 1.0164 is the average annual unit cost increase projected for a 6-month period.

1.0296 x 1.0148 where 1.0148 is the average annual unit cost increase projected for a 6-month period.

5/ Fuel -- most recent cost of \$68.60/hr., nonfuel: \$317.44 x 1.0497 = \$333.22/hr; Departure-Related, \$47.92 x 1.0448 = \$50.07 /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.

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

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
1. A. Island Air	\$35,186	\$23,456	\$15,945	\$31,385	\$270,832	\$463,281	1/	\$	\$	\$
2. Arctic Circle	\$44,750	\$235,884	\$421,431	\$433,263	\$431,909	\$443,792	\$490,760	\$533,056	\$502,772	\$528,182
3. Arctic Tpt.	\$555,128	\$707,700	\$706,900	\$787,709	\$827,430	\$945,777	\$615,419	\$581,572	\$590,640	\$647,736
4. Baker	\$485,991	\$519,232	\$530,486	\$612,694	\$732,302	\$696,739	\$584,135	\$607,266	\$817,099	\$652,904
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
6. Camai		\$150,022	\$169,033	\$244,869	\$316,631	\$290,997	\$215,492	\$333,499	\$258,967	\$246,122
7. C. Smytbe	\$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
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
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
10. Grant	\$	\$	\$	\$	\$	\$	\$314,886	\$618,912	\$708,284	\$823,405
11. Hageland	\$	\$	\$	\$	\$394,178	\$491,142	\$668,617	\$983,661	\$1,511,469	\$1,668,781
12. Ketchikan	\$162,320	\$217,375	\$243,822	\$332,315	\$439,774	\$429,014	\$451,931	\$631,989	\$	\$
13. Larrys	\$454,616	\$561,145	\$649,570	\$650,150	\$624,930	\$597,413	\$581,069	\$630,989	\$637,420	\$724,572
14. MarkAir	\$1,260,706	\$1,532,451	\$3,174,889	\$3,580,404	\$3,273,431	\$3,259,227	\$3,852,509	\$	\$	\$
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
16. Tanana	\$74,022	\$138,632	\$174,715	\$191,937	\$268,508	\$221,539	\$213,094	\$305,315	\$360,315	\$359,249
17. Taquan	\$	\$	\$426,967	\$656,227	\$716,421	\$556,761	\$679,149	\$812,049	\$1,095,632	\$1,145,396
18. Temsco	\$720,023	\$839,519	\$699,666	\$	\$	\$	\$	\$	\$	\$
19. Warbelows	\$	\$	\$164,979	\$273,323	\$388,802	\$559,104	\$691,558	\$986,751	\$1,162,981	\$1,032,794
20. Wings	\$421,364	\$475,994	\$391,385	\$418,465	\$542,740	\$549,073	\$503,392	\$537,034	\$493,137	\$444,914
21. Wright	\$321,149	\$325,299	\$362,323	\$366,769	\$357,818	\$392,308	\$388,849	\$438,891	\$478,569	\$440,259
22. Yute	\$	\$	\$747,919	\$911,467	\$998,077	\$1,019,879	\$897,886	\$1,131,193	\$1,117,553	\$1,014,370
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
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
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

1/ Includes Twin Otters, DC-3, and King Air Aircraft

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

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
1 . A. Island Air	\$160,310	\$111,455	\$55,301	\$127,558	\$651,607	\$1,039,624	\$	\$	\$	\$
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
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
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
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
6 . Camai		\$637,824	\$879,830	\$1,115,325	\$1,205,524	\$1,187,038	\$696,602	\$984,870	\$952,933	\$1,142,758
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
8 . ERA	\$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
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
10 . Grant	\$	\$	\$	\$	\$	\$	\$989,281	\$1,552,176	\$1,634,068	\$2,067,353
11 . Hageland	\$	\$	\$	\$	\$1,615,947	\$2,103,566	\$2,891,130	\$4,172,072	\$5,276,921	\$5,640,262
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	\$	\$
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
14 . MarkAir	\$6,687,535	\$8,162,304	\$13,527,315	\$16,034,911	\$14,270,150	\$15,340,457	\$16,979,907	\$	\$	\$
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
16 . Tanana	\$198,723	\$374,812	\$544,831	\$579,418	\$729,792	\$707,757	\$614,431	\$823,773	\$844,928	\$972,203
17 . Taquan		\$	\$1,336,077	\$2,579,295	\$2,824,827	\$2,563,742	\$3,125,506	\$3,565,626	\$4,315,825	\$5,172,303
18 . Temsco	\$2,220,720	\$3,171,681	\$2,780,131	\$	\$	\$	\$	\$	\$	\$
19 . Warbelows	\$	\$	\$319,414	\$713,905	\$929,483	\$1,499,133	\$1,777,365	\$2,124,111	\$2,724,393	\$2,899,505
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
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
22 . Yute	\$	\$	\$1,671,102	\$2,578,751	\$3,082,968	\$3,483,807	\$3,195,345	\$4,142,897	\$4,169,678	\$3,297,011
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
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
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

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

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/ 6</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
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. 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
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
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
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
7. C. Smythe	\$3,980,426	\$4,891,175	\$5,108,780	\$5,266,439	\$5,474,619	\$6,131,649	\$5,737,112	\$6,618,266	\$6,715,584	\$7,510,165
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
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
10. Grant	\$	\$	\$	\$	\$	\$	\$1,304,167	\$2,171,088	\$2,342,352	\$2,890,758
11. Hageland	\$	\$	\$	\$	\$2,010,125	\$2,594,708	\$3,559,747	\$5,155,733	\$6,788,390	\$7,309,043
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
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
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
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
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
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
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
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
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

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

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
1 . A. Island Air	1,209	764	293	791	4,329	4,706	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
3 . Arctic Tpt.	13,499	15,209	14,342	15,403	16,008	19,233	12,002	10,099	9,723	9,171
4 . Baker	10,462	9,266	7,821	9,483	9,173	9,675	8,803	8,010	9,334	6,153
5 . Bering	15,378	15,249	14,332	14,354	12,503	13,108	13,331	14,382	14,020	13,633
6 . Camai	0	4,887	4,982	6,601	7,420	6,058	5,616	9,034	7,964	6,169
7 . C.Smythe	16,075	17,693	19,026	17,827	17,320	18,279	16,792	17,600	17,223	17,837
8 . ERA	15,214	14,840	12,001	15,028	16,427	16,022	13,547	12,281	13,334	13,157
9 . Frontier	8,460	11,865	11,863	12,028	14,572	17,843	18,609	18,734	19,217	20,579
10 . Grant	0	0	0	0	0	0	5,717	8,855	8,679	10,913
11 . Hageland	0	0	0	0	10,374	12,539	17,293	22,891	25,485	23,488
12 . Ketchikan	5,287	6,626	7,125	9,563	11,088	11,692	12,714	15,798	0	0
13 . Larrys	10,707	11,590	11,739	11,545	10,897	10,874	9,985	10,746	10,420	11,945
14 . MarkAir	33,715	39,591	53,914	62,620	60,322	62,544	72,883	0	0	0
15 . Peninsula	29,880	3 1,450	29,793	28,216	29,312	31,827	31,055	35,404	39,811	44,302
16 . Tanana	2,659	4,735	5,406	5,333	6,424	5,897	6,067	7,403	7,419	8,331
17 . Taquan	0	0	10,052	16,140	16,916	16,190	16,494	18,765	21,566	21,965
18 . Temsco	13,975	15,845	11,657	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
20 . wings	12,802	13,303	11,582	11,177	12,949	12,714	11,547	11,700	11,289	11,371
21 . Wright	5,358	7,600	7,828	7,431	6,876	7,577	7,353	7,676	8,434	9,276
22 . Yute	0	0	11,832	18,673	22,209	25,415	26,760	30,183	30,498	28,475
Total Bush Hours	196,246	225,268	255,315	274,885	299,826	321,355	326,973	282,711	278,077	282,327

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

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE 9130198
1 . A. Island Air	13.67%	12.05%	8.67%	16.32%	15.03%	9.63%	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%
3 . Arctic Tpt.	23.34%	22.97%	21.91%	23.14%	17.83%	14.30%	15.70%	16.67 %	17.26%	19.12%
4 . Baker	20.53 %	16.88%	21.57%	19.49%	16.13%	19.14%	21.67%	15.21%	14.86%	35.17%
5 . Bering	11.51%	5.33%	6.52%	9.93%	14.40%	14.10%	13.14%	11.75%	11.77%	13.31%
6 . Camai	0.00%	15.82%	21.82%	29.00%	15.83%	16.02%	31.64%	15.46%	28.87%	31.09%
7 . C. Smythe	14.05%	10.30%	14.23%	12.58%	12.70%	13.27%	12.56%	11.47%	14.65 %	12.13%
8 . ERA	15.54%	16.68%	18.23%	18.95%	16.90%	16.38 %	15.56%	15.50%	10.95 %	20.81%
9 . Frontier	18.86%	15.86%	13.86%	15.43%	14.47%	13.85%	12.17%	11.74%	13.30%	12.54%
10 . Grant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.58 %	16.80%	26.59 %	23.37%
11 . Hageland	0.00%	0.00%	0.00%	0.00%	12.23 %	13.66%	9.04%	11.31%	7.64%	10.54%
12 . Ketchikan	46.84%	27.69%	17.37%	13.08%	15.02%	10.32%	18.94%	8.87%	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%
14 . MarkAir	6.89%	6.37%	5.76%	4.40%	3.36%	2.76%	3.20%	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%
16 . Tanana	24.80%	19.03%	17.15%	17.26%	16.61%	14.54%	17.43 %	15.42 %	19.34%	20.64%
17 . Taquan	0.00%	0.00%	14.56%	21.35%	20.43 %	30.92%	33.85 %	17.42 %	25.39%	23.41%
18 . Temsco	19.18%	21.07%	18.10%	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%
20 . wings	30.18%	21.05%	19.12%	21.11%	20.77%	15.95%	13.17%	11.30%	11.50%	9.93 %
21 . Wright	25.17%	20.95%	25.52%	18.74%	15.74%	15.79%	22.85%	15.96%	20.80%	23.88 %
22 . Yute	0.00%	0.00%	32.14%	31.07%	37.00%	21.74%	15.79%	12.39%	14.95 %	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 <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
1. A. Island Air	\$26,724	\$16,257	\$6,177	\$25,939	\$138,643	\$144,730	\$	\$	\$	\$
2. Arctic Circle	\$52,981	\$199,282	\$254,587	\$289,494	\$262,255	\$223,921	\$250,538	\$309,575	\$355,312	\$370,635
3. Arctic Tpt.	\$446,601	\$581,008	\$582,933	\$709,207	\$537,358	\$500,888	\$412,648	\$433,041	\$474,487	\$566,321
4. Baker	\$318,871	\$324,380	\$377,277	\$381,968	\$336,057	\$401,282	\$425,449	\$407,184	\$457,464	\$1,086,151
5. Bering	\$387,959	\$207,286	\$298,269	\$498,887	\$583,749	\$675,600	\$586,094	\$615,269	\$607,840	\$697,818
6. Camai	\$	\$124,637	\$228,862	\$394,456	\$240,957	\$236,781	\$288,587	\$203,820	\$349,876	\$431,803
7. C. Smythe	\$559,250	\$503,791	\$726,979	\$662,518	\$695,277	\$813,670	\$720,581	\$759,115	\$983,833	\$910,983
8. ERA	\$639,209	\$833,813	\$789,854	\$945,717	\$837,810	\$895,790	\$897,346	\$1,019,897	\$804,041	\$1,655,472
9. Frontier	\$423,838	\$634,994	\$614,907	\$571,691	\$586,286	\$691,632	\$619,933	\$584,834	\$805,234	\$788,189
10. Grant	\$	\$	\$	\$	\$	\$	\$203,189	\$364,743	\$622,831	\$675,570
11. Hageland	\$	\$	\$	\$	\$245,838	\$354,437	\$321,801	\$583,113	\$518,633	\$770,373
12. Ketchikan	\$353,613	\$355,580	\$270,060	\$300,968	\$399,034	\$297,754	\$479,200	\$326,811	\$	\$
13. Larrys	\$96,794	\$88,284	\$131,703	\$208,527	\$182,567	\$207,484	\$170,584	\$167,666	\$231,145	\$230,491
14. MarkAir	\$547,634	\$617,556	\$962,047	\$863,074	\$589,464	\$513,351	\$666,637	\$	\$	\$
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
16. Tanana	\$67,641	\$97,708	\$123,402	\$133,136	\$165,818	\$135,120	\$144,238	\$174,105	\$233,094	\$274,812
17. Taquan	\$	\$	\$256,699	\$690,784	\$723,477	\$964,860	\$1,287,876	\$762,591	\$1,373,969	\$1,478,973
18. Temsco	\$564,035	\$845,160	\$629,843	\$	\$	\$	\$	\$	\$	\$
19. Warbelows	\$	\$	\$150,598	\$235,947	\$292,923	\$553,254	\$612,293	\$509,559	\$780,585	\$712,139
20. Wings	\$519,994	\$422,186	\$418,579	\$399,441	\$497,379	\$438,927	\$316,454	\$261,962	\$296,710	\$291,945
21. Wright	\$340,854	\$316,589	\$434,069	\$345,764	\$284,742	\$305,110	\$417,982	\$297,255	\$408,751	\$541,547
22. Yute	\$	\$	\$777,473	\$1,084,411	\$1,509,987	\$979,101	\$646,321	\$653,460	\$790,441	\$612,216
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
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
Unit Cost per Hour, G&A Only	\$33.74	\$33.84	\$38.33	\$37.02	\$35.83	\$34.13	\$34.47	\$36.89	\$44.38	\$52.82

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 <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE 9130197	YE <u>9/30/98</u>
A. Island Air	\$187,034	\$127,712	\$61,478	\$153,497	\$790,250	\$1,184,354	\$	\$	\$	\$
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. 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
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	\$3.52 1,536
5. Bering	\$2,869,140	\$3,019,852	\$3,685,206	\$4,253,824	\$3,442,851	\$4,143,195	\$3,697,165	\$4355,573	\$4,247,976	\$4,509,708
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
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
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
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
10. Grant	\$	\$	\$	\$	\$	\$	\$1,192,470	\$1,916,919	\$2,256,899	\$2,742,923
11. Hageland	\$	\$	\$	\$	\$1,861,785	\$2,458,003	\$3,212,931	\$4,755,185	\$5,795,554	\$6,410,635
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	\$	\$
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
14. MarkAir	\$7,235,169	\$8,779,860	\$14,489,362	\$16,897,985	\$14,859,614	\$15,853,808	\$17,646,544	\$	\$	\$
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
16. Tanana	\$266,364	\$472,520	\$668,233	\$712,554	\$895,610	\$842,877	\$758,669	\$997,878	\$1,078,022	\$1,247,015
17. Taquan	\$	\$	\$1,592,776	\$3,270,079	\$3,548,304	\$3,528,602	\$4,413,382	\$4,328,217	\$5,689,794	\$6,651,276
18. Temsco	\$2,784,755	\$4,016,841	\$3,409,974	\$	\$	\$	\$	\$	\$	\$
19. Warbelows	\$	\$	\$470,012	\$949,852	\$1,222,406	\$2,052,387	\$2,389,658	\$2,633,670	\$3,504,978	\$3,611,644
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
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
22. Yute	\$	\$	\$2,448,575	\$3,663,162	\$4,592,955	\$4,462,908	\$3,841,666	\$4,796,357	\$4,960,119	\$3,909,227
	\$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
Total Bush Hours	196,246	225,268	255,315	274,885	299,826	321,355	326,973	282,711	278,077	282,327
Unit Cost per Hour, Non-Fuel Lmehaul	\$212.01	\$226.98	\$248.35	\$249.56	\$236.60	\$243.07	\$242.74	\$256.40	\$284.62	\$317.44

INTRA-ALASKA BUSH SERVICE MAIL RATES
Total Departure Related **Expense**

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
1. Alaska Island	\$2 1,652	\$20,600	\$8,290	\$34,463	\$207,005	\$449,389	\$	\$	\$	\$
2. Arctic Circle	\$93,897	\$297,505	\$505,190	\$613,859	\$658,392	\$669,037	\$780,404	\$842,988	\$899,168	\$861,087
3. Arctic Tpt. (Ryan)	\$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
4. Baker	\$35 1,276	\$593,525	\$315,409	\$509,111	\$428,799	\$443,263	\$470,666	\$366,253	\$529,881	\$493,983
5. Bering	\$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
6. Camai	\$	\$290,681	\$273,065	\$312,055	\$429,099	\$360,126	\$2 12,243	\$478,319	\$268,491	\$384,856
7. Cape Smythe	\$1,396,091	\$1,678,343	\$1,809,074	\$2,041,196	\$2,117,782	\$2,075,246	\$1,950,757	\$1,8 14,563	\$2,235,682	\$2,471,055
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
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
10. Grant	\$	\$	\$	\$	\$	\$	\$193,179	\$505,986	\$473,254	\$605,743
11. Hageland	\$	\$	\$	\$	\$475,700	\$779,212	\$1,138,169	\$1,557,531	\$2,004,469	\$2,577,072
12. Ketchikan	\$65,261	\$354,993	\$653,294	\$1,321,921	\$1,020,889	\$1,101,700	\$1,042,001	\$1,652,974	\$	\$
13. Larrys	\$263,930	\$609,548	\$734,134	\$705,602	\$835,916	\$875,036	\$952,856	\$900,237	\$1,003,852	\$1,113,275
14. MarkAir Express	\$2,800,440	\$3,749,998	\$4,705,448	\$5,944,923	\$5,655,402	\$5,360,961	\$7,147,924	\$	\$	\$
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
16. Tanana	\$76,571	\$158,363	\$259,949	\$157,739	\$253,368	\$256,128	\$222,689	\$305,213	\$344,866	\$370,456
17. Taquan	\$	\$	\$643,798	\$1,098,539	\$1,543,913	\$1,362,711	\$1,008,678	\$1,237,978	\$1601,653	\$2,176,958
18. Temsco	\$1,288,644	\$1,735,420	\$1,728,701	\$	\$	\$	\$	\$	\$	\$
19. Warbelows	\$	\$	\$105,489	\$152,889	\$169,162	\$309,536	\$466,368	\$601,539	\$728,380	\$763,989
20. wings	\$510,918	\$671,757	\$878,759	\$8 15,058	\$774,614	\$594,367	\$695,058	\$688,284	\$757,247	\$797,775
21. Wright	\$101,716	\$153,376	\$227,232	\$2 12,308	\$22 1,737	\$201,850	\$212,040	\$283,954	\$302,582	\$294,311
22. Yute	\$	\$	\$390,375	\$895,687	\$1,271,311	\$1,234,266	\$1,650,384	\$1,821,011	\$1,531,969	\$1,787,353
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
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
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

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

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
Alaska Island Air	13.67%	12.05%	8.67%	16.32%	15.03 %	9.63 %	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%
3 . Arctic Tpt. (Ryan)	23.34%	22.97 %	21.91%	23.14%	17.83%	14.30%	15.70%	16.67%	17.26%	19.12%
4 . Baker	20.53 %	16.88%	21.57%	19.49%	16.13%	19.14%	21.67%	15.21%	14.86%	35.17%
5 . Bering	11.51%	5.33 %	6.52 %	9.93 %	14.40%	14.10%	13.14%	11.75%	11.77%	13.31%
6 . Camai	0.00%	15.82%	21.82%	29.00 %	15.83 %	16.02%	31.64%	15.46%	28.87%	31.09%
7 . Cape Smythe	14.05 %	10.30%	14.23%	12.58%	12.70%	13.27%	12.56%	11.47%	14.65 %	12.13%
8 . ERA (System)	15.54%	16.68%	18.23%	18.95%	16.90%	16.38%	15.56%	15.50%	10.95%	20.81%
9 . Frontier	18.86%	15.86%	13.86%	15.43%	14.47%	13.85%	12.17%	11.74%	13.30%	12.54%
10 . Grant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.58%	16.80%	26.59%	23.37%
11 . Hageland	0.00%	0.00%	0.00%	0.00%	12.23%	13.66%	9.04%	11.31%	7.64%	10.54%
12 . Ketchikan	46.84%	27.69%	17.37%	13.08%	15.02%	10.32%	18.94%	8.87%	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%
14 . MarkAir Express	6.89%	6.37%	5.76%	4.40%	3.36%	2.76%	3.20%	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%
16 . Tanana	24.80%	19.03 %	17.15%	17.26%	16.61%	14.54%	17.43%	15.42%	19.34%	20.64%
17 . Taquan	0.00%	0.00%	14.56%	21.35%	20.43 %	30.92 %	33.85%	17.42%	25.39%	23.41%
18 . Temsco	19.18%	21.07%	18.10%	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%
20 . wings	30.18%	21.05%	19.12%	21.11%	20.77%	15.95%	13.17%	11.30%	11.50%	9.93 %
21 . Wright	25.17%	20.95 %	25.52 %	18.74%	15.74%	15.79%	22.85%	15.96%	20.80%	23.88 %
22 . Yute	0.00%	0.00%	32.14%	31.07%	37.00%	21.74%	15.79%	12.39%	14.95%	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

	YE <i>9/30/89</i>	YE <i>9/30/90</i>	YE <i>9/30/91</i>	YE <i>9/30/92</i>	YE <i>9/30/93</i>	YE <i>9/30/94</i>	YE <i>9/30/95</i>	YE <i>9/30/96</i>	YE <i>9/30/97</i>	YE <i>9/30/98</i>
1. Alaska Island	\$24,612	\$23,082	\$9,009	\$40,087	\$238,118	\$492,665	\$	\$	\$	\$
2. Arctic Circle	\$111,390	\$355,697	\$571,420	\$688,995	\$734,765	\$733,398	\$862,034	\$938,836	\$1,016,150	\$963,987
3. Arctic Tpt. (Ryan)	\$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
4. Baker	\$423,393	\$693,712	\$383,443	\$608,337	\$497,964	\$528,104	\$572,659	\$421,960	\$608,621	\$667,717
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
6. Camai	\$	\$336,667	\$332,648	\$402,551	\$497,025	\$417,818	\$279,397	\$552,267	\$346,004	\$504,508
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
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
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
10. Grant	\$	\$	\$	\$	\$	\$	\$223,276	\$590,992	\$599,092	\$747,305
11. Hageland	\$	\$	\$	\$	\$533,878	\$885,652	\$1,241,059	\$1,733,688	\$2,157,610	\$2,848,695
12. Ketchikan	\$95,829	\$453,291	\$766,771	\$1,494,828	\$1,174,227	\$1,215,395	\$1,239,356	\$1,799,593	\$	\$
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
14. MarkAir Express	\$2,993,390	\$3,988,873	\$4,976,482	\$6,206,500	\$5,845,424	\$5,508,924	\$7,376,658	\$	\$	\$
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
16. Tanana	\$95,561	\$188,499	\$304,530	\$184,965	\$295,452	\$293,369	\$261,504	\$352,277	\$411,563	\$446,918
17. Taquan	\$	\$	\$737,535	\$1,333,077	\$1,859,334	\$1,784,061	\$1,350,116	\$1,453,634	\$2,008,313	\$2,686,584
18. Temsco	\$1,535,806	\$2,101,073	\$2,041,596	\$	\$	\$	\$	\$	\$	\$
19. Warbelows	\$	\$	\$138,286	\$189,429	\$206,750	\$392,739	\$582,027	\$700,071	\$874,639	\$902,347
20. wings	\$665,113	\$813,162	\$1,046,778	\$987,117	\$935,501	\$689,169	\$786,597	\$766,060	\$844,330	\$876,994
21. Wright	\$127,318	\$185,508	\$285,222	\$252,095	\$256,638	\$233,722	\$260,491	\$329,273	\$365,519	\$364,592
22. Yute	\$	\$	\$515,842	\$1,173,977	\$1,741,696	\$1,502,595	\$1,910,980	\$2,046,634	\$1,760,998	\$2,041,157
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

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

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

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
1 . Alaska Island	1,102	837	364	1,177	5,362	9,915	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
3 . Arctic Tpt. (Ryan)	24,747	27,771	26,278	29,400	30,397	37,211	23,471	21,236	20,828	18,863
4 . Baker	17,279	15,929	11,431	12,579	14,778	17,363	14,121	16,454	23,457	20,385
5 . Bering	22,539	24,237	24,521	27,377	24,124	25,608	27,531	30,229	29,818	31,435
6 . Camai	0	13,356	12,858	18,602	19,068	15,237	14,803	21,638	16,329	11,156
7 . Cape Smythe	25,157	27,385	30,196	33,886	35,763	38,204	33,745	38,068	40,294	41,574
8 . ERA (System)	82,643	90,169	86,467	90,993	89,572	102,259	103,548	99,595	102,733	104,257
9 . Frontier	10,982	19,374	19,060	17,963	22,549	25,187	26,457	23,078	22,729	31,059
10 . Grant	0	0	0	0	0	0	10,591	18,036	16,623	21,916
11 . Hageland	0	0	0	0	17,690	29,375	40,647	55,516	66,350	60,014
12 . Ketchikan	10,254	13,731	19,918	21,069	21,689	23,540	27,341	19,684 ^{1/}		0
13 . Larrys	12,250	13,676	13,220	15,089	16,551	16,096	15,107	15,559	14,181	17,241
14 . MarkAir Express	92,930	110,063	175,196	206,085	181,158	167,260	181,871	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
16 . Tanana	3,456	5,965	6,294	7,234	10,573	9,595	9,109	11,310	11,352	13,576
17 . Taquan			27,854	18,320	20,765	23,616	30,199	38,194	46,674	62,559
18 . Temsco	40,321	33,547	26,998	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
20 . wings	20,711	20,618	18,083	19,783	25,047	24,285	22,883	22,904	23,759	24,624
21 . Wright	3,242	5,698	6,275	9,315	10,843	11,587	11,493	12,435	13,794	15,124
22 . Yute			29,218	45,874	47,037	54,258	52,712	59,945	60,279	56,900
Total Wtd. Deps.	438,207	507,798	616,655	665,889	691,633	741,325	756,121	633,436	649,932	676,835
Unit Cost per Wtd. Dep. ^{2/}	\$37.12	\$42.22	\$40.75	\$41.31	\$42.63	\$42.66	\$46.37	\$48.80	\$50.64	\$47.92

^{2/} Total departure related expense, including capacity related expense, on page 3, divided by total weighted departures above.

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

	YE <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
1. A. Island Air	\$33,351	\$25,000	\$8,400	\$31,670	\$170,156	\$195,159	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
3. Arctic Tpt.	\$804,879	\$970,657	\$952,005	\$1,155,987	\$895,047	\$8 16,701	\$742,799	\$782,587	\$898,374	\$1,004,752
4. Baker	\$409,539	\$441,680	\$476,987	\$507,643	\$446,448	\$570,742	\$611,710	\$498,837	\$594,104	\$1,269,968
5. Bering	\$564,382	\$279,307	\$389,443	\$632,143	\$758,256	\$893,828	\$804,628	\$828,974	\$837,306	\$952,519
6. Camai	\$	\$175,354	\$298,667	\$492,516	\$315,185	\$305,090	\$389,556	\$291,063	\$477,978	\$559,038
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
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
9. Frontier	\$528,471	\$764,127	\$785,235	\$775,260	\$805,899	\$934,218	\$872,002	\$805,700	\$1,114,878	\$1,153,093
10. Grant	\$	\$	\$	\$	\$	\$	\$257,975	\$497,967	\$826,000	\$909,235
11. Hageland	\$	\$	\$	\$	\$3 16,562	\$477,000	\$437,294	\$782,738	\$692,071	\$1,087,797
12. Ketchikan	\$387,336	\$457,487	\$387,148	\$476,479	\$560,316	\$421,625	\$701,629	\$481,015	\$	\$
13. Larrys	\$131,893	\$124,311	\$181,013	\$275,624	\$25 1,980	\$295,103	\$246,164	\$232,439	\$327,032	\$330.55 1
14. MarkAir	\$801,615	\$908,328	\$1,312,554	\$1,506,978	\$1,005,155	\$711,448	\$950,354	\$	\$	\$
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
16. Tanana	\$92,639	\$133,714	\$172,502	\$167,783	\$217,915	\$178,259	\$193,012	\$232,039	\$315,027	\$373,143
17. Taquan			\$365,993	\$946,181	\$1,086,660	\$1,414,387	\$1,767,922	\$1,105,908	\$2,123,846	\$2,308,249 YE 6/30/98
18. Temsco	\$824,431	\$1,219,973	\$978,655	\$	\$	\$	\$	\$	\$	\$
19. Warbelows	\$	\$	\$193,456	\$285,923	\$349,198	\$661,776	\$754,099	\$631,261	\$968,549	\$895,866
20. Wings	\$735,487	\$608,508	\$619,553	\$605,494	\$695,635	\$570,530	\$438,967	\$371,004	\$421,767	\$417,934
21. Wright	\$396,602	\$371,563	\$514,260	\$404,414	\$339,344	\$360,387	\$505,532	\$368,891	\$505,457	\$662,455
22. Yute	\$	\$	\$948,279	\$1,387,699	\$2,018,067	\$1,284,314	\$947,421	\$1,047,361	\$1,091,619	\$956,399
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

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 <u>9/30/89</u>	YE <u>9/30/90</u>	YE <u>9/30/91</u>	YE <u>9/30/92</u>	YE <u>9/30/93</u>	YE <u>9/30/94</u>	YE <u>9/30/95</u>	YE <u>9/30/96</u>	YE <u>9/30/97</u>	YE <u>9/30/98</u>
1. A. Island Air	\$277,319	\$232,511	\$105,336	\$225,712	\$1,301,997	\$2,221,922	\$	\$	\$	\$
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
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
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
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	\$7,949,003	\$8,109,628
6. Camai		\$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
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
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
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
10. Grant	\$	\$	\$	\$	\$	\$	\$1,913,569	\$3,462,226	\$3,931,955	\$4,799,136
11. Hageland	\$	\$	\$	\$	\$2,904,725	\$3,968,932	\$5,275,040	\$7,700,806	\$9,753,020	\$11,404,531
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	\$	\$
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
14. MarkAir	\$12,431,859	\$15,176,938	\$24,082,894	\$35,727,132	\$30,898,884	\$26,503,165	\$30,667,171	\$	\$	\$
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
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
17. Taquan	\$	\$	\$2,879,100	\$5,377,673	\$6,405,800	\$5,988,043	\$6,991,018	\$7,454,554	\$10,488,387	\$12,170,089
18. Temsco	\$5,122,169	\$7,011,368	\$6,384,987	\$	\$	\$	\$	\$	\$	\$
19. Warbelows	\$	\$	\$815,729	\$1,482,381	\$1,920,834	\$3,123,796	\$3,794,292	\$4,484,416	\$5,793,041	\$5,842,741
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
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
22. Yute	\$	\$	\$3,898,843	\$5,853,731	\$7,471,761	\$7,192,441	\$6,947,516	\$9,502,879	\$8,392,421	\$7,689,476
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

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

	YE 9/30/89	YE 9/30/90	YE 9/30/91	YE 9/30/92	YE 9/30/93	YE 9/30/94	YE 9/30/95	YE 9/30/96	YE 9/30/97	YE 9/30/98
1. A. Island Air	13.67%	12.05%	8.67%	16.32%	15.03%	9.63 %	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%
3. Arctic Tpt.	23.34%	22.97%	21.91%	23.14%	17.83 %	14.30%	15.70%	16.67 %	17.26%	19.12%
4. Baker	20.53%	16.88%	21.57%	19.49%	16.13%	19.14%	21.67%	15.21%	14.86%	35.17%
5. Bering	11.51%	5.33%	6.52%	9.93%	14.40%	14.10%	13.14%	11.75%	11.77%	13.31%
6. Camai	0.00%	15.82%	21.82%	29.00%	15.83 %	16.02%	31.44%	15.46 %	28.87%	31.09%
7. C. Smytbe	14.05%	10.30%	14.23 %	12.58%	12.70%	13.27%	12.56%	11.47%	14.65 %	12.13%
8. ERA System	15.54%	16.68%	18.23%	18.95 %	16.90%	16.38 %	15.56%	15.50%	10.95%	20.81%
9. Frontier	18.86%	15.86%	13.86%	15.43 %	14.47 %	13.85 %	12.17%	11.74%	13.30%	12.54%
10. Grant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.58 %	16.80%	26.59%	23.37%
11. Hageland	0.00%	0.00%	0.00%	0.00%	12.23 %	13.66%	9.04 %	11.31%	7.64%	10.54%
12. Ketchikan	46.84%	27.69%	17.37%	13.08%	15.02 %	10.32 %	18.94%	8.87%	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%
14. MarkAir	6.89%	6.37%	5.76%	4.40%	3.36%	2.76%	3.20%	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%
16. Tanana	24.80%	19.03 %	17.15%	17.26%	16.61%	14.54%	17.43%	15.42%	19.34%	20.64%
17. Taquan			14.56%	21.35%	20.43 %	30.92 %	33.85 %	17.42%	25.39%	23.41%
18. Temsco	19.18%	21.07%	18.10%	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%
20. wings	30.18%	21.05%	19.12%	21.11%	20.77 %	15.95%	13.17%	11.30%	11.50%	9.93%
21. Wright	25.17%	20.95 %	25.52%	18.74%	15.74 %	15.79%	22.85 %	15.96%	20.80%	23.88 %
22. Yute			32.14%	31.07%	37.00%	21.74%	15.79%	12.39%	14.95 %	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%

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 9/30/98

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

ANOVA						
	<u>df</u>	<u>ss</u>	<u>MS</u>	<u>F</u>	<u>Significance F</u>	
Regression	1	0.085774565	0.085774565	22.910667	0.00137913	
Residual	8	0.029950962	0.00374387			
Total	9	0.115725526				

	<u>Coefficients</u>	<u>Standard Error</u>	<u>t-Value</u>	<u>P-value</u>	<u>Lower 95%</u>	<u>Upper 95%</u>
I n t e r c e p t	-58.7563207	13.42919895	-4.37526623	0.0023637	-89.72412902	-27.78851
X Variable 1	0.03224425	0.006736486	4.786508893	0.0013791	0.016709876	0.0477786

RESIDUAL OUTPUT			
<u>Observation</u>	<u>Predicted Y</u>	<u>Residuals</u>	<u>Predicted (EXP)</u>
1	5.377493632	-0.020860189	\$216.4790
2	5.409737883	0.015124025	\$223.5730
3	5.441982133	0.072856908	\$230.8994
4	5.474226384	0.045472983	\$238.4659
5	5.506470634	-0.040099683	\$246.2804
6	5.538714885	-0.045365417	\$254.3509
7	5.570959136	-0.078968224	\$262.6859
8	5.603203386	-0.056464661	\$271.2941
9	5.635447637	0.015707321	\$280.1843
10	5.667691887	0.092596937	\$289.3659

SUMMARY OUTPUT	
<u>Regression Statistics</u>	
Multiple R	0.8609237
R Square	0.7411897
Adjusted R Square	0.7088384
Standard Error	0.0611872
Observations	10

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 Predicted Y (EXP) which produces a constant 3.28% annual increase.

REGRESSION RESULTS OF DEPARTURE RELATED UNIT COSTS, YE 9/30/89 THROUGH 9/30/98

<u>X</u>	<u>Y 1/</u>	<u>LN(Y)</u>
1989	\$37.12	3.6141559
1990	\$42.22	3.742894
1991	\$40.75	3.7074558
1992	\$41.31	3.7211046
1993	\$42.63	3.7525582
1994	\$42.66	3.7532611
1995	\$46.37	3.8366521
1996	\$48.80	3.8877303
1997	\$50.64	3.9247418
1998	\$47.92	3.869533

ANOVA						
	<u>df</u>	<u>ss</u>	<u>MS</u>	<u>F</u>	<u>Significance F</u>	
Regression	1	0.070402606	0.0704026	45.241082	0.00014865	
Residual	8	0.012449323	0.0015562			
Total	9	0.082851929				

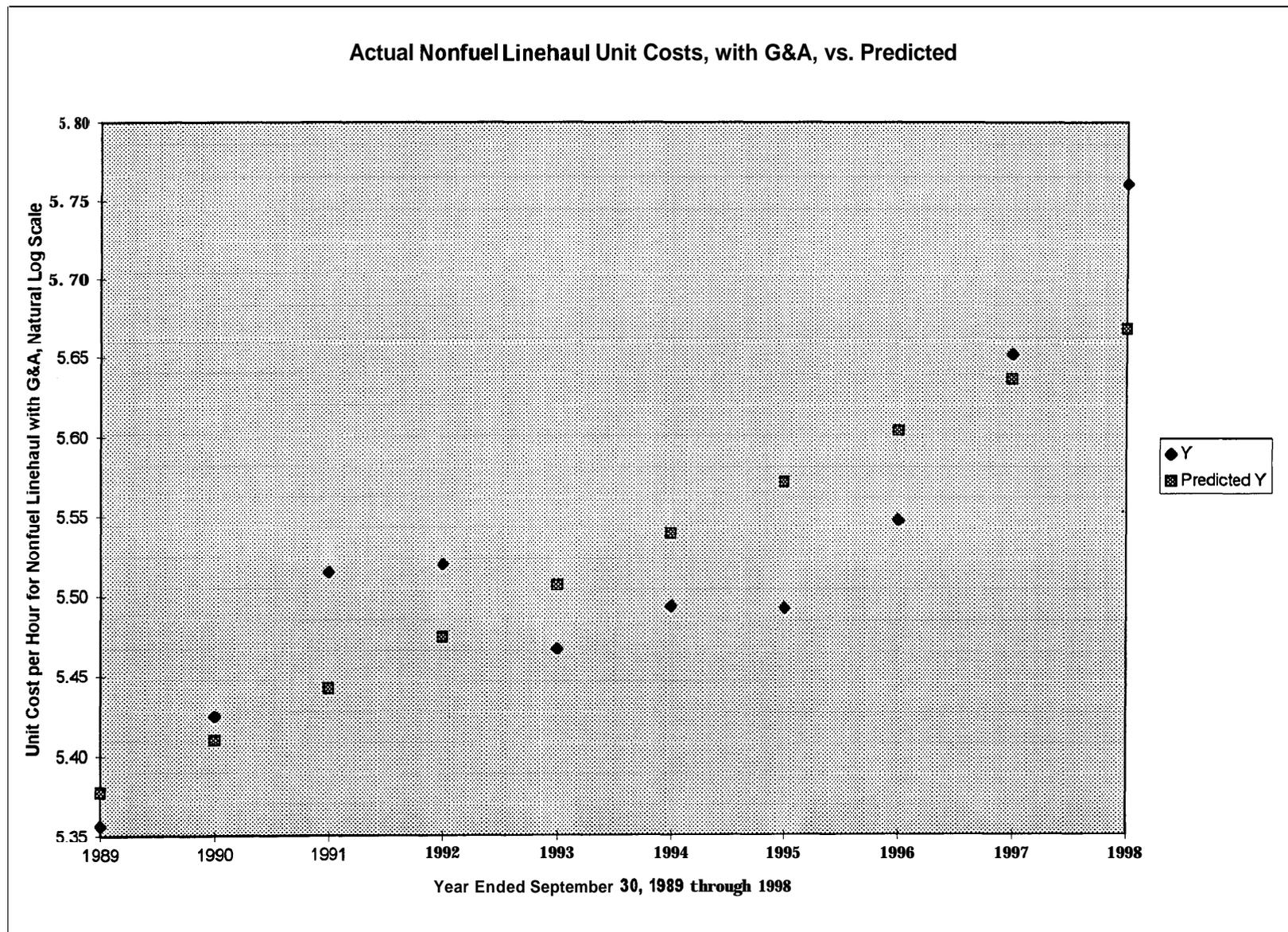
	<u>Coefficients</u>	<u>Standard Error</u>	<u>t Stat</u>	<u>P-value</u>	<u>Lower 95 %</u>	<u>Upper 95 %</u>
Intercept	-54.45393	8.658000166	-6.289435	0.0002355	-74.41932823	-34.48853404
X Variable	0.0292124	0.004343111	6.7261491	0.0001486	0.019197173	0.039227648

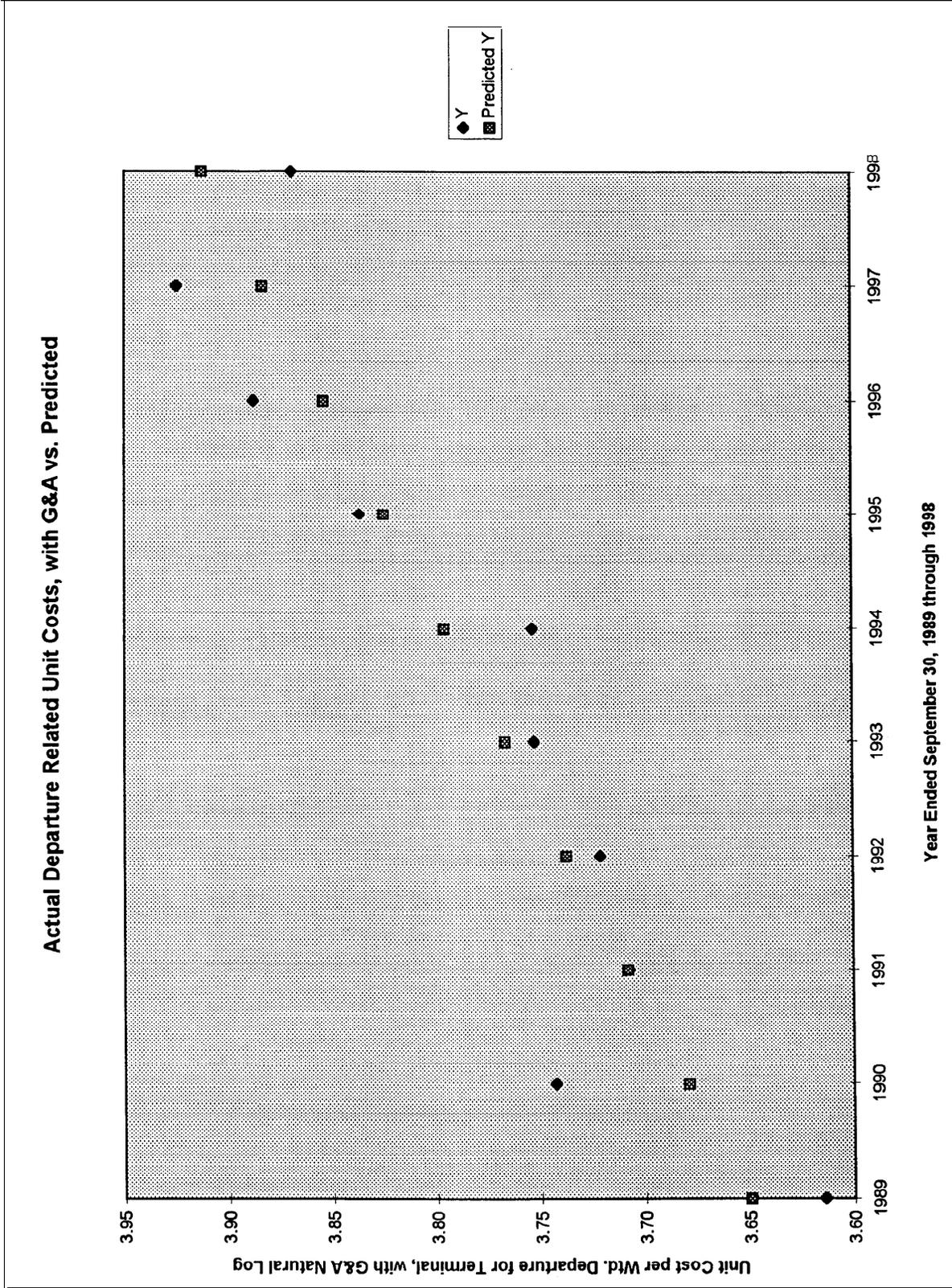
RESIDUAL OUTPUT			
<u>Observation</u>	<u>Predicted Y</u>	<u>Residuals</u>	<u>Predicted (EXP)</u>
1	3.649553	-0.035397054	38.45747
2	3.6781654	0.064128671	39.597476
3	3.7079778	-0.000521942	40.771275
4	3.7371902	-0.016085591	41.979869
5	3.7664026	-0.013844372	43.22429
6	3.795615	-0.0423533	44.5056
7	3.8248274	0.011825275	45.824891
8	3.8540398	0.033690479	47.183291
9	3.8832522	0.041489534	48.581959
10	3.9124647	-0.0429317	50.022087

SUMMARY OUTPUT	
<u>Regression Statistics</u>	
Multiple R	0.921813481
R Square	0.849740094
Adjusted R Square	0.830957606
Standard Error	0.039448262
Observations	10

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 Predicted Y (EXP) which produces a 2.96% annual increase.





Note: In 1991, predicted is so close to actual that they are superimposed on each other, and only one is visible on this page.