

5964  
OA

RECEIVED  
DOCKET SECTION

DEC 12 10 30 PM '84 BEFORE THE  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D.C.  
BOARD

RECEIVED

DEC 10 1984

Proposal of )  
 )  
TRAIL LAKE FLYING SERVICE, INC., D/B/A )  
HARBOR AIR SERVICE )  
 )  
to provide essential air service to )  
Seward, Alaska, under Section 419 of )  
the Federal Aviation Act of 1958, as )  
amended. )  
\_\_\_\_\_ )

ESSENTIAL AIR  
SERVICES DIVISION

Docket 42501

OST-95-836-4

PROPOSAL OF HARBOR AIR SERVICE

Communications with respect to this proposal should be directed to:

James W. Foster  
White, Foster, Eastep & Associates  
Suite 454  
3605 Arctic Boulevard  
Anchorage, Alaska 99503

Linda K. Pfleger  
President  
Trail Lake Flying Service, Inc.  
D/B/A Harbor Air Service  
P.O. Box 959  
Seward, Airport  
Seward, Alaska 99664

December 5, 1984

BEFORE THE  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D.C.

Proposal of )  
 )  
TRAIL LAKE FLYING SERVICE, INC., D/B/A )  
HARBOR AIR SERVICE )  
 )  
to provide essential air service to ) Docket 42501  
Seward, Alaska, under Section 419 of )  
the Federal Aviation Act of 1958, as )  
amended. )  
\_\_\_\_\_ )

PROPOSAL OF HARBOR AIR SERVICE

Trail Lake Flying Service, Inc., D/B/A Harbor Air Service (Harbor Air) hereby submits its proposal to provide essential air service with subsidy need statement for Seward, Alaska pursuant to the Board's Order 84-10-131 requesting "Proposals to Provide Essential Air Service to Seward, Alaska, Docket 42501."

Trail Lake Flying Service, Inc.  
D/B/A Harbor Air Service History

In 1978 Ludwig H. Pflieger and Linda K. Pflieger purchased the Trail Lake Flying Service at Moose Pass, Alaska, 24 miles from Seward. At that time Trail Lake Flying Service was not an established concern - having no real property, office, aircraft, equipment or docking/gas facilities. In fact, in 1977 the year prior to purchase, Trail Lake flew but 70 hours. Subsequent to the purchase, Mr. and Mrs. Pflieger built an office, garage/repair

building and erected dock and gas facilities themselves, at Lower Trail Lake, near Moose Pass. They purchased three aircraft: a Cessna 206 on floats, a Piper Super Cub, and a Cessna 185 - both on wheels. The Pflegers have built the business, of which they were the only employees, to over 400 flying hours at the end by 1983.

In 1983 Trail Lake Flying Service, Inc. purchased Harbor Air Service in Seward, Alaska, a firm which generated \$92,000 in operating revenue in 1982. The Pflegers doubled Harbor Air's revenues in the first year of ownership to \$180,000 and added a fourth aircraft - a DHC-2 Beaver to their fleet. Combined revenues for Trail Lake and Harbor Air approximated \$245,000 in 1983. In 1984 projected revenues operating five aircraft (an additional Cessna 206 was purchased in the third quarter of 1984) are \$300,000. In the second quarter of 1984 a new \$180,000, 6,000 square foot hangar/maintenance facility was completed adjacent to Harbor Air's administrative offices at the Seward Airport. Harbor Air is the fueler at Seward Airport and has a 24-hour per day maintenance capability in addition to being the largest operator at Seward Airport.

Trail Lake Flying Service, Inc. D/B/A Trail Lake Flying Service and Harbor Air operate as a Part 298 Air Taxi having registered with the Board July 27, 1984. The companies also hold an Air Commerce Certificate E-2-66 (amended) as an air taxi operator, issued by the Alaska Transportation Commission on April 25, 1984. Harbor Air is gathering data at present for its

401 certificate. Currently, both businesses fly hunters, fishermen, kayakers, and recreationists, into remote areas. Flightseeing, aerial surveys and photography are other aspects of the companies' flying activities. Commercial and private fishing vessels also use the companies' services for delivery of parts, supplies, and transportation to and from the boats. Lastly, people inhabiting remote areas of the Prince William Sound area use the companies "on demand" charter service for transportation to Seward, Anchorage and other points in Southcentral Alaska.

Regular clients of Harbor Air include the U.S. Forest Service, the National Park Service, and the Alaska Department of Fish and Game. Letters from these clients and the Seward Chamber of Commerce supporting Harbor Air's application for the EAS service between Seward and Anchorage are attached as Appendices A, B, C, and D.

#### Seward's Essential Air Service Experience

Seward, Alaska is an eligible community for essential air service under Section 419(b) of the Federal Aviation Act of 1958, as amended. By Order 81-8-45 the Board set the essential air service level for Seward to require at least two daily round trips on weekdays and over the weekend period to Anchorage during the peak season, and two round trips per week during the off-peak season with small aircraft (10-seat or smaller).

By Order 82-8-26 the Board designated SouthCentral Air, Inc. to provide essential air service to Seward, Alaska with an annual subsidy of \$27,037 for a two-year period to commence service on October 25, 1982.

On September 18, 1984, SouthCentral Air, Inc. filed a notice to suspend all of its service at Seward, Alaska on December 1, 1984.

Acting in accordance with the 90-day notice provision in Section 419 of the Federal Aviation Act, the Board required SouthCentral to continue their service until December 17, 1984. Because of Seward's stature as a 419(b) community, under the Act the Board cannot "hold SouthCentral in" to provide essential air service beyond the December 17, 1984 date.

The City of Seward therefore faces the real possibility of a break in air service until a new carrier can be designated to replace SouthCentral. Moreover, based on traffic levels experienced in the previous twelve months ending 6/30/84, Seward may well suffer a decrement in essential air service levels to one round trip on weekdays and over the weekend period with small aircraft (lo-seat or smaller) during the peak season, and two round trips per week during the off peak season. The City of Seward, in its letter of October 1, 1984 to the Board underscores the growth potential of Seward and the continuing need for at least the level of essential air service guaranteed by Order 81-8-45.

#### Seward's Growth Potential

Adequate air service to Seward is a cornerstone of the infrastructure development process of the city. As the Assistant City Manager, Mr. Schaefermeyer points out to the Board in his letter of October 1, 1984, "Seward is in a period of unprecedented

**growth**, with completion of a \$16-million coal transfer facility slated for December 1984." The coal transfer facility will allow the first ever foreign export of Alaskan natural resources (coal) to Seoul, Korea, and eventually, to other Pacific Rim countries.

Secondly, the State of Alaska is scheduled to complete a 300-bed maximum security prison in September 1986; and lastly, the Seward Marine Industrial Center shiplift facility just opened for business this fall.

These three investments in Seward's industrial growth all require that essential air service links with Anchorage **be** maintained or expanded - not decreased.

Harbor Air's Essential Air Service Prooosal for Seward

Harbor Air, as an Alaskan company, and more particularly as a Seward based Alaskan company, has a keen interest in maintaining an essential air service without interruption between their community and Anchorage. As such, Harbor Air's EAS proposal is in two phases:

Phase I:

In order not to interrupt air service between Anchorage and Seward, Harbor Air is prepared to begin twice weekly air service, using 5-seat Cessna 206 equipment at the same subsidy levels granted to SouthCentral Air under Order 82-8-26 until a permanent replacement carrier can be selected. Harbor Air is prepared to implernent this interim service as a subcontractor to SouthCentral Air or to contract with the Board directly as the Board sees fit.

Phase II

As a permanent replacement for SouthCentral Air, Harbor Air proposes service between Seward and Anchorage as outlined in Exhibit HAS-1, pages 1 through 8 at three levels depending on the Board's determination for the eventual level of air service.

Level One

- Four round trips per week off peak (October 1 through March 30) using Cessna 206 aircraft with five seats.
- Two round trips per day - Monday through Friday, and two round trips per weekend in peak season (April 1 through September 30) using a Cessna 336 with five seats.

In addition, Harbor Air would fly an additional two round trips per week in the off peak season without subsidy to develop the market upon granting of the 401 Certificate the carrier is in the process of applying for. Due to the length of time necessary to achieve 401 certification, it is likely that these two additional round trips would not be effected until the October 1, 1985 off peak season time frame.

Subsidy required:L \$75,499

Forecast Passengers: 1,172

Freight pounds: 13,748

Level Two

As requested by Order 84-10-131, Harbor Air submits a subsidy requirement of \$72,477 based on the following service pattern:

- Two round trips per week in the off peak season (October 1 through March 30) using a Cessna 206 aircraft with five seats.
- Two round trips per day Monday through Friday and two round trips per weekend in the peak season (April 1 through September 30) using a Cessna 336 with five seats.

Subsidy required: \$72,477

Forecast Passengers: 1,065

Freight pounds: 12,498

Level Three

As requested by order 84-10-31, in the event of a reduction in essential air service levels Harbor Air submits a subsidy requirement of \$53,331, based on the following service pattern:

- Two round trips per week in the off peak season (October 1 through March 30) using a Cessna 206 aircraft with five seats.
- One round trip per day Monday through Friday, and one round trip per weekend in the peak season (April 1 through September 30) using a Cessna 336 with five seats.

Subsidy required: \$53,331

Forecast Passengers: 960

Freight pounds: 11,248

Harbor Air seeks the aforementioned subsidy levels for both years of the award.



Harbor Air - The Logical Choice for Seward EAS

Harbor Air, clearly, is the logical choice to replace SouthCentral Air as the essential air service carrier for Seward for a number of cogent reasons:

- Experience:
- Seward based - high reliability - completion factor:
- Right aircraft for the market.

Experience

The current owner/operators of Trail Lake Flying Service, Inc., D/B/A Harbor Air Service have six years of experience operating in the often treacherous flying conditions of Resurrection Bay, Prince William Sound and the mountains that surround the Seward area. As attested to by Dalton Dulac, Forest Supervisor of the U.S. Forest Service's Chugach National Forest,

"The Trail Lake Flying Service has been utilized by the Forest for several years. The Forest has employed a variety of aircraft ... ranging from Beavers to Super Cubs. The Forest acknowledges the safe and efficient operation of the Trail Lake Flying Service during our dealings with them. All aircraft and pilots are certified annually by our inspectors and have been found consistently to meet our rather stringent standards."

Seward Based - High Reliability - Completion Factor

As SouthCentral Air, Inc. noted in their proposal to provide essential air service to Seward Docket EAS-713, Exhibit SCA-4, Page 4 of 6, dated January 27, 1982,

"Note: Seward completion factor (80%) is based on the average year round forecast of completing the flight from Anchorage/Seward/Anchorage due to three reasons:

- 1) the flight must be conducted under VFR in most cases:
- 2) there is no instrument approach into Seward: and
- 3) the route should be flown in daylight hours."

Seward is not an easy airport to serve as noted above - fog, winds and rain/snow off Resurrection Bay and Prince William Sound collide with the mountains that surround Seward on the other three sides. Weather, coupled with the lack of an instrument approach to Seward, completes a difficult picture of the conditions a carrier must operate in. In addition to the weather, highly seasonal, thin traffic levels test a carrier's will to serve the community as evidenced by Alaska Aeronautical Industry's (AAI) 1979 annualized completion factor of 47%.<sup>1/</sup> While SouthCentral Air presumably did better than 47%, they only forecast on 80% completion factor.

The point of the foregoing is obvious - a Seward based carrier familiar with the local conditions will do a better job of serving the Seward community than will a carrier based elsewhere and flying into Seward. The people of Seward will be better served and the Board will have placed a more reliable carrier on its EAS rolls. Harbor Air Service has forecast a 90% completion factor for two very good reasons:

<sup>1/</sup> CAB Order 82-8-26, Page 6.

1) Since Seward is its home base, Harbor Air's schedule has been proposed so that its aircraft departs Seward at 10 a.m. in the winter months when VFR conditions are most likely to prevail. Moreover, taking off in marginal weather is infinitely less complex than landing in it, or holding in Anchorage waiting for the weather to clear: and

2) Harbor Air Service maintains facilities at Lawing, Alaska, a State of Alaska owned airport adjacent to the Moose Pass headquarters of Harbor Air Services sister company, Trail Lake Flying Service. Lawing, located at Mile 24 of the Anchorage to Seward Highway is protected by a 1,200-foot low mountain barrier that blocks much of the fog and associated bad weather that plagues the coastal valley community of Seward. Harbor Air Service is prepared to bus passengers, at their own expense, the 24 miles to Seward in the event Lawing is operable and Seward is not.

#### Right Aircraft for the Market

Harbor Air has observed that the traveling public in rural Alaska is concerned with frequency in addition to reliability of service. By using the five-seat Cessna 206 in the winter months (off peak) and their five-seat Cessna 336 in the summer (peak season), Harbor Air can provide a greater frequency of service to Seward, especially during the thin winter traffic season on a reliable basis.

WHEREFORE, Trail Lake Flying Service, Inc., D/B/A Harbor Air Service respectfully requests that its proposal for essential air service to Seward Docket 42501 be considered.



United States  
Department of  
Agriculture

Forest  
Service

Chugach  
National  
Forest

2221 E. Northern Lights Blvd.  
Suite 238  
Anchorage, Alaska 99508

Reply to 5700

Date November 30, 1984

r

Civil Aeronautics Board  
701 C Street, Box 27  
Anchorage, AK 99513

L

To whom it may concern:

This letter will serve as a statement of the past dealings of the Chugach National Forest with the Trail Lake Flying Service dba Harbor Air Service in Seward, Alaska. It is intended to be used solely as a statement in an application by Harbor Air Service for a commuter service license between Seward and Anchorage, Alaska.

The Chugach National Forest is a federal land management agency which administers the National Forest lands on the Kenai Peninsula, Prince William Sound, and the Copper River Delta areas. Administration of these lands requires considerable use of charter aircraft.

The Trail Lake Flying Service has been utilized by the Forest for several years. The Forest has employed a variety of aircraft from the Trail Lake Flying Service ranging from Beavers to Super Cubs. The Forest acknowledges the safe and efficient operation of the Trail Lake Flying Service during our dealings with them. All aircraft and pilots are certified annually by our inspectors and have been found consistently to meet our rather stringent standards. Maintenance and operation of the aircraft have always been above average.

The Trail Lake Flying Service has been a good cooperater in the mission of the Forest and has proved to be very dependable and reliable in our work.

Sincerrely,

*For Dalton Du Lac*  
DALTON DU LAC  
Forest Supervisor

Appendix A





# United States Department of the Interior

## NATIONAL PARK SERVICE

**Kenai Fjords National Park**

**Post Office Box 1727**

**Seward, Alaska 99664**

IN REPLY REFER TO:

A34

December 5, 1984

Civil Aeronautics Administration Board:

This is a letter of recommendation and evaluation of the Harbor Air Service, Seward, Alaska, as performed for Kenai Fjords National Park. Ludwig Pflieger has been consistently dependable and fair in conducting all operations with the park.

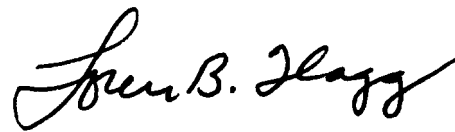
Kenai Fjords National Park flies exclusively with Harbor Air Service for park operations. Our requests for flights have always been accommodated, and he has always met the prearranged schedule.

I feel Ludwig is a safe, conscientious pilot. His aircraft are maintained in a safe manner. His friendly and informative personality leads to good service for aircraft operations.

David E. Moore  
Superintendent

**To Whom it May Concern:**

**Trail Lakes Flying Service Inc., D.B.A. Harbor Air Service of Seward, Alaska has conducted numerous air charter flights for the Alaska Department of Fish and Game, Fisheries Rehabilitation Enhancement and Development Division (F. R. E. D.) over the past four years. We have found their service to be courteous, reliable, and dependable and we plan to continue doing business with them in 1985.**

A handwritten signature in cursive script that reads "Loren B. Flagg".

**Loren B. Flagg  
Area Biologist  
Alaska Department of Fish and Game  
F. R. E. D. Division**



**SEWARD CHAMBER OF COMMERCE**  
**P.O. BOX 756**  
**SEWARD, ALASKA 99664**  
**(907) 224- 3046 or 224 - 3047**

October 4, 1984

Ludwig H. Pflieger  
Harbor Air Service  
P. O. Box 959  
Seward, AK 99664

Dear Mr. Pflieger:

It has come to my attention that Southwest Airlines is no longer interested in continuing regularly scheduled flights into Seward, and that you are interested in continuing this service through Harbor Air. On behalf of the Seward Chamber of Commerce, I would like to endorse you and wish you well with your proposal.

As you know, there will be a number of major new projects within Seward which will be starting up in the next couple of years, and to have a flight originating from Seward on a regular schedule would be beneficial to our local economy and flight schedule.

If you need any assistance with this project, please give our office a call, and we will do our best to assist you.

Sincerely,

*Patrick Reilly* (K.P.)

Patrick Reilly  
Executive Director

PR/kmp



PROPOSED FLIGHT SCHEDULES - Level One\*

<u>Flight Number</u>	<u>Frequency</u>	<u>Departure</u>	<u>Arrival</u>	<u>stops</u>
<u>Level One</u>				
<u>Seward to Anchorage</u> -- <u>Off Peak Season (October 1 - March 30)</u>				
101	1 2 3 5	10:00A	10:45A	0
<u>Anchorage to Seward</u>				
102	1 2 3 5	11:05A	11:50A	0
<u>Seward to Anchorage</u> -- <u>Peak Season (April 1 - September 30)</u>				
103	1 2 3 4 5 6	8:00A	8:45A	0
105	1 2 3 4 5 7	4:00P	4:45P	0
<u>Anchorage to Seward</u>				
104	1 2 3 4 5 6	9:05A	9:50A	0
106	1 2 3 4 5 7	5:05P	5:50P	0

\*Level One

Off Peak Season: Four round trips per week.  
 Peak Season: Two round trips per day Mon.-Fri.  
 Two round trips per weekend.

Note: Harbor Air Service, if approved for EAS service to Seward and upon granting of 401 certificate will add two additional frequencies in the off peak season.

Fares

Between Seward/Anchorage -- \$48.15 Net. of Tax

All service nonstop using Cessna 206 in off peak and Cessna 336 in peak season.

PROPOSED FLIGHT SCHEDULES - Level Two\*

<u>Flight Number</u>	<u>Frequency</u>	<u>Departure</u>	<u>Arrival</u>	<u>stops</u>
<u>Level Two</u>				
<u>Seward to Anchorage</u> -- <u>Off Peak Season (October 1 - March 30)</u>				
101	1 5	10:00A	10:45A	0
<u>Anchorage to Seward</u>				
102	1 5	11:05A	11:50A	0
<u>Seward to Anchorage</u> -- <u>Peak Season (April 1 - September 30)</u>				
103	1 2 3 4 5 6	8:00A	8:45A	0
105	1 2 3 4 5 7	4:00P	4:45P	0
<u>Anchorage to Seward</u>				
104	1 2 3 4 5 6	9:05A	9:50A	0
106	1 2 3 4 5 7	5:05P	5:50P	0

\*Level Two  
 Off Peak Season: Two round trips per week.  
 Peak Season: Two round trips per day Mon.-Fri.  
 One round trip per weekend.

Fares

Between Seward/Anchorage -- \$48.15 Net. of Tax

All service nonstop using Cessna 206 in off peak and Cessna 336 in peak season.

PROPOSED FLIGHT SCHEDULES - Level Three\*

<u>Flight Number</u>	<u>Frequency</u>	<u>Departure</u>	<u>Arrival</u>	<u>stops</u>
<u>Level Three</u>				
<u>Seward to Anchorage</u> -- <u>Off Peak Season (October 1 - March 30)</u>				
101	1 5	10:00A	10:45A	0
<u>Anchorage to Seward</u>				
102	1 5	11:05A	11:50A	0
<u>Seward to Anchorage</u> -- <u>Peak Season (April 1 - September 30)</u>				
103	i 2 3 4 5 6	8:00A	8:45A	0
<u>Anchorage to Seward</u>				
104	1 2 3 4 5 6	9:05A	9:50A	

\*Level Three

Off Peak Season:  
Peak Season:

Two round trips per week.  
One round trip per day Mon.-Fri.  
One round trip per weekend.

Fares

Between Seward/Anchorage -- \$48.15 Net. of Tax

All service nonstop using Cessna 206 in off peak and Cessna 336 in peak season.

PROJECTED OPERATING AND TRAFFIC STATISTICS<sup>1/</sup>

<u>Block Hours</u>			<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>
Flights x Blk. Hrs. x Completion Factor					
<b>836</b>	.75	x 90%	<b>564</b>	493	<b>281</b>
<b>730</b>					
<b>416</b>					
<u>Revenue Aircraft Miles</u>					
One-way Flights x Mileage x Completion Factor					
<b>836</b>	<b>74</b>	x90%	<b>55,678</b>	<b>48,618</b>	<b>27,706</b>
<b>730</b>					
<b>416</b>					
<u>Departures</u>			<b>836</b>	<b>730</b>	<b>416</b>
Origin and Destination Passenger Enplaned <sup>2/</sup>			1,172	1,065	960
<u>Revenue Passenger Miles (RPMS)</u>					
O&D Passengers x Mileage					
<b>1172</b>		x <b>74</b>	<b>86,728</b>	<b>78,810</b>	<b>71,040</b>
<b>1065</b>					
960					
<u>Available Seat Miles (ASMS)</u>					
Available Seats x Revenue Aircraft Miles					
5	x	<b>55,678</b>	278,390	243,090	<b>138,530</b>
5	x	<b>48,618</b>			
5	x	<b>27,706</b>			
<u>Load Factor</u>			<b>31.2%</b>	<b>32.4%</b>	<b>51.3%</b>

<sup>1/</sup> Based on calendar year 1985

<sup>2/</sup> Level One assumes 10% growth factor over O&D enplanements for 12 months ending 6/30/84.

- Level Two assumes no growth in 1985

- Level Three assumes 10% decrement due to decrease in level of service offered 1985/1984.

PROJECTED OPERATING REVENUE

	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>
Passenger	<b>\$56,432</b>	<b>\$51,280</b>	<b>\$46,224</b>
<b>1172 x 48.15</b>			
<b>1065 x 48.15</b>			
<b>960 x 48.15</b>			
Freight @ 50¢ lb.	<b>6,874</b>	<b>6,249</b>	<b>5,624</b>
<b>13,748 x 50¢</b>			
<b>12,498 x 50¢</b>			
<b>11,248 x 50¢</b>			
Travel Agent Commissions	<b>&lt;\$2,822&gt;</b>	<b>&lt;\$2,564&gt;</b>	<b>&lt;\$2,311&gt;</b>
<b>56,432 x 50% x 10%</b>			
<b>51,280 x 50% x 10%</b>			
<b>46,224 x 50% x 10%</b>			
	_____	_____	_____
Total Projected Revenue	<b>\$60,484</b>	<b>\$54,965</b>	<b>\$49,537</b>

DIRECT OPERATING EXPENSES

	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>
<u>Flight Crew</u>	\$16,920	\$14,790	\$ 8,430
Block Hrs. 564 x \$30 hr. 493 x \$30 hr. 281 x \$30 hr.			
<u>Crew Training</u>	4,800	4,800	4,800
Two crews x 15 hours x 160			
<u>Hull Insurance</u>			
Cessna 206 44,000 x 10% x 50%	3,700	3,700	3,700
Cessna 336 30,000 x 10% x 50%			
<u>Fuel</u>			
Cessna 206			
16 gal./hr. x 140 blk. hrs, x 1.95	19,250	17,031	9,590
70" "			
70" "			
Cessna 336			
18 gal./hr. x 424 x 1.95			
423			
211			
<u>Oil</u>			
Cessna 206			
75¢/hr. x 140 blk. hrs.	741	688	370
70 " "			
70 " "			
Cessna 336 1.50 hr. 424 blk. hrs.			
423			
211			
<u>Maintenance</u>	19,458	17,009	9,695
564		564	
Direct - \$25 x 493 Engine Reserves \$9.50 x 493		493	
281		281	
<u>Depreciation</u>			
Cessna 206 - 44,000/7 yrs. x 6 mos	5,286	5,286	5,286
= \$3,143			
Cessna 336 - 30,000/7 yrs. x 6 mos.			
= \$2,143			
 Total Direct Operating Expenses	 <u>\$70,155</u>	 <u>\$63,304</u>	 <u>\$41,871</u>

INDIRECT OPERATING EXPENSE

	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>
Traffic (RPM) Related Costs			
Advertising @ 7.5%	\$ 4,536	\$ 4,122	\$ 3,715
Liability Insurance			
Premises	500	500	500
Air Carrier @ 300,000 seat 3,000,000 BIPD	10,530	10,530	10,530
Passenger ticket Cost	<u>2,000</u>	<u>1,500</u>	<u>1,000</u>
Subtotal Traffic Related Costs	\$17,566	\$16,652	\$15,745
Capacity Related Costs (Departure)			
Employee costs - Seward	10,800	10,800	10,800
Ground Handling/Reservations	18,000	18,000	18,000
Accounting	1,000	1,000	1,000
Administration	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Subtotal Departure Related Cost	\$31,800	\$31,800	\$31,800
Capacity (ASM) Related costs			
Uniforms			
Pilots 2 x \$200	400	400	400
Agents	100	100	100
Dues and subscriptions (ATC, ATP [Tariffs])	1,000	1,000	1,000
Travel between cities	1,000	1,000	1,000
Telephone	1,000	1,000	1,000
Office Supplies & Equipment	<u>600</u>	<u>600</u>	<u>600</u>
Subtotal capacity (ASM) related costs	\$ 4,100	\$4,100	\$4,100
Total indirect operating expenses	\$53,466	\$52,552	\$51,645

COMPUTATION OF COMPENSATION REQUIRED

	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>
Operating Revenue <sup><u>1/</u></sup>	\$60,484	\$54,965	\$49,537
Operating Expenses			
Direct <sup><u>2/</u></sup>	70,155	63,304	41,871
Indirect <sup><u>3/</u></sup>	53,466	52,552	51,645
Profit @ 10%	12,362	11,586	9,352
Compensation required	\$75,499	\$72,477	\$53,331

<sup>1/</sup> From Page 5  
<sup>2/</sup> From Page 6  
<sup>3/</sup> From page 7