

'how' to remove this incentive or even envisioned how it would be done. The safety agency's only focus was to reduce aviation accidents in Alaska. We do wholeheartedly support the NTSB recommendation to the USPS to "Consider distributing Bypass Mail to the air carriers more evenly over time. The Board anticipates that this could provide an aviation safety benefit by reducing the monetary penalty for delaying or canceling a flight. To further reduce operational pressures, the USPS might also consider basing the withdrawal of Bypass Mail from air carriers on a moving average of mail delivery performance, rather than on the untimely performance of single flights." NTSB Recommendation Report, 4-2-96.

This proposed change to establish centralized distribution via existing postal service facilities will substantially increase costs to the USPS. Direct mail processing costs will increase at the Fairbanks facility, as well as, increase air transportation expenses. Furthermore, the redirecting of an efficient and effective working distribution system for very large volumes of By-pass Mail into the USPS facilities that are already taxed, will cause severe over-crowding and may impact the handling of other mail distribution.

Members of the Alaska Air Carriers Association respectfully request that the USPS give careful reconsideration to the implementation of a central receiving system. In the event that the USPS disregards the advice and judgment of the carriers and decides to proceed with the centralized distribution concept, the air carrier industry further requests provisions be made, in concert with the U.S. DOT, for immediate reimbursement to the industry for respective capital equipment. An immediate adjustment to the applicable mail rate for ongoing maintenance, operating expenses, and labor costs associated with this additional financial burden, should also be considered. AACA members believe the Postal Service has seriously underestimated the impact a centralized distribution center would have on all parties concerned. Listed below are a few of the major industry concerns:

- (1) Capital Equipment (C/E) costs will increase dramatically for carriers due to the need for truck and trailer equipment (up to \$150,000 per tractor-trailer), as well as associated Commercial Drivers Licensing and Training. Annual support and maintenance costs are estimated at approximately **\$50,000** per carrier.
- (2) Additional labor costs will increase an average of \$30,000 to \$50,000 per year, multiplied by additional staff/drivers per year, as necessary. An estimated average increase in annual labor costs for each carrier is \$120,000 to \$200,000.
- (3) We further believe the USPS will be forced to increase their existing staffing to accommodate the increased volume of former By-pass Mail as it is redirected to the AMC/AMF. The USPS will also need to expand the Fairbanks Airmail Facility to accommodate increased mail volumes.
- (4) The air carriers are very concerned with the proposed centralized distribution system and the increased handling and staging the former By-pass Mail will receive. It will also degrade temperature sensitive mail, to which village stores have become accustomed to shipping.

A Better Alternative

AACA members believe a less expensive and more effective safety alternative is available to the USPS to achieve the same results. We suggest vendor shippers be directed to distribute shipments between the air carriers serving the particular city pair, just as is done now, but with smaller orders. This simple fix would "...reduce peak load demands on air carriers by distributing shipments more evenly among the air carriers serving each route." (NTSB Aviation Safety in Alaska, p. 38) In addition, the interpretation of the existing "36 Hour Rule" could be defined as beginning at 00:00 of the day after receipt of a shipment. "...Broader performance standards, ...more flexible standards," (NTSB Aviation Safety in Alaska, p. 39) are phrases relating to the basis of the NTSB's safety recommendations. Nowhere in the aviation safety study document will you find any reference to a "centralized distribution system" as a means to enhance aviation safety in Alaska. The old adage "Why

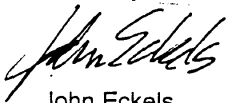
Summary

1. Implementation of the USPS proposal to centralized Bypass Mail distribution is the first step in eliminating the Bypass Mail system in Alaska. If the mail no longer "bypasses" the Post Office, it is no longer Bypass Mail. This is an extremely dangerous step and should be undertaken only after extensive discussion and analysis involving all parties, and only as a last resort.
2. To satisfy NTSB concerns, and as an enhancement to aviation safety in Alaska, we encourage the USPS follow NTSB recommendations as stated in the NTSB Safety Study, "Aviation Safety in Alaska" November 1995. 1) Reduce size of shipments and, 2) Extend the delivery window an additional day to a full 48-hours plus, still well within existing delivery standards set by the Postal Service for 4th class parcel post.

We would like to suggest quarterly, if not monthly, meetings between the industry and the USPS. It would be very beneficial to all concerned to have periodic meetings with the U.S. Postal Representatives regarding mail issues. Your attention and reconsideration of the centralized distribution system is requested and appreciated. Representatives of the Alaska Air Carriers Association are more than willing to discuss possible alternatives to achieve your desired objectives.

On behalf of the Alaska Air Carriers Association and all its membership, we thank you for your time and consideration.

Sincerely,



John Eckels,
President, AACA



Kimberly S. Ross,
Executive Director

Industry Signature Page Attached

Cc: Mr. William Henderson, Postmaster General
Ms. Ernesta Ballard, Postal Governor
Mr. Anthony Pajunas, Manager, Logistics Systems
Mr. James Nawrot, Transportation Specialist, Routing, Policy & Networks
Mr. Don Dietz, USPS
Mr. Steve Deaton, USPS
Mr. Bill Fetterhof, USPS
Mr. Craig Wade, USPS
✓ Mr. Randall Bennett, USDOT Acting Director, Transportation
Governor Tony Knowles
Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young

Signatures for the following companies are on file at the AACA office, in support of the AACA letter dated 8-18-00 to Mr. Paul Vogel, USPS, Washington D.C.,:

Air Cargo Express
Alaska Airlines
Alaska Central Express
Arctic Transportation Services
Camai Air
Cape Smythe Air Service
Larry's Flying Service
Northern Air Cargo
PenAir
Servant Air
Tanana Air Service
Tatonduk Flying Service
Warbelow's Air Ventures