BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Application of

BOSTON-MAINE AIRWAYS CORP.

for issuance of an amended certificate of public
convenience and necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

Docket OST-00-7668

APPLICATION OF
BOSTON-MAINE AIRWAYS CORP.
FOR AMENDED CERTIFICATE AUTHORITY

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NOTICE:  Boston-Maine requests that this Application be processed pursuant to the
expedited procedures established by 14 CFR Part 302, Subpart B. Any
person may file an Answer to this Application with the DOT's Docket
Section and must serve all persons named on the attached Service List.
Answers to this Application are due to be filed on or before September 17,
2002.

August 27, 2002
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APPLICATION OF
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FOR AMENDED CERTIFICATE AUTHORITY

Boston-Maine Airways Corp., d/b/a Pan Am Clipper Connection ("BMAC")

hereby applies, pursuant to 49 U.S.C. §41102 of the Federal Aviation Statutes,

Subpart B of the Procedural Regulations and Section 204.3 of the Economic

Regulations of the Department of Transportation (the "Department"), for issuance of

an amended Certificate of Public Convenience and Necessity, and related fitness
determination, authorizing BMAC to engage in interstate scheduled service operations
utilizing large aircraft, as described in this application.

BMAC hereby requests that the foregoing amended certificate authority be

granted effective on or about October 15, 2002 for an indefinite duration.

In support of this Application, BMAC states as follows:
I. INTRODUCTION AND SUMMARY.

BMAC currently conducts interstate scheduled service operations utilizing ten leased 19-passenger British Aerospace Jetstream 3100 aircraft and all-cargo charter operations utilizing two leased CASA-212 twin turboprop freighter aircraft having a maximum payload capacity of 6,000 pounds. Those operations are conducted pursuant to a Certificate of Public Convenience and Necessity issued to BMAC by Order 2001-12-21, served December 27, 2001.

BMAC is a wholly-owned subsidiary of Pan American Airlines, Inc. ("PAA"), a holding company which also owns Pan American Airways Corp. ("Pan Am"). Pan Am is a certificated air carrier which is currently operating interstate and foreign scheduled and charter air transportation services utilizing a fleet of Stage 3–compliant Boeing B-727-200 aircraft (see Orders 99-8-15, served August 19, 1999 and Order 99-9-8, served September 9, 1999).

The purpose of this Application is to enable BMAC to perform interstate scheduled passenger operations utilizing 141-passenger B-727-200 aircraft in various interstate city-pair markets, both in conjunction with the interstate and foreign scheduled service operations of its sister carrier, Pan Am, and as separate stand-alone operations, as described in this Application.

Under Section 204.5 (a) of the Department's Regulations, a certificated or commuter air carrier which contemplates a “substantial change” in its operations must
submit new and updated evidence of its fitness to conduct the proposed changed
operations. BMAC's proposed expansion into large-aircraft operations constitutes a
"substantial change" in operations within the definition of Section 204.2(l), and thus
requires a determination of its fitness to conduct the proposed new operations. In
addition, Condition (3) to BMAC's Certificate of Public Convenience and Necessity
issued by Order 2001-12-21 requires that BMAC must first be found to be fit before
commencing large-aircraft operations.

The balance of this application will be divided into two parts, the first
describing BMAC's proposed initial large-aircraft operations and related data in
compliance with Sections 201.4, 204.3 and 302.202, and the second directed to the
additional fitness evidence requirements set forth in Section 204.3. In that latter
connection, BMAC hereby incorporates by reference evidence of its current fitness
contained in its Form 41 Reports and other prior evidentiary submissions filed in
connection with BMAC's July 19, 2000 application for initial certification in Docket
OST-00-7668.

As noted above, BMAC respectfully requests the Department to expedite the
processing of this application so as to enable BMAC to commence large-aircraft
operations on or about November 1, 2002, or as soon thereafter as BMAC completes
its related FAA Part 121 Operations Specifications amendment process.
II. PART 201 AND PART 204 DATA AND PROPOSED SERVICE

In compliance with Sections 201.4, 204.3 and 302.402, BMAC submits the following information:

1. Corporate Domicile And Headquarters. BMAC is a corporation duly organized and existing under and pursuant to the laws of the State of New Hampshire, with its principal offices located at 14 Aviation Avenue, Pease International Tradeport, Portsmouth, NH 03801.

2. Citizenship. BMAC is a citizen of the United States, as defined in 49 U.S.C. §40102(a)(15). The president and more than two-thirds of the board of directors and other managing officers of BMAC are citizens of the United States, and more than seventy-five percent of the issued and outstanding voting stock of BMAC is owned or controlled by persons who are citizens of the United States or one of its possessions. BMAC is prepared to furnish by affidavit or otherwise such evidence as may be necessary in support of the facts set forth above.

3. Current Authority and Operations. BMAC is an air carrier of persons, property and mail in interstate scheduled and charter air transportation, operating such services primarily in the eastern United States pursuant to an Interstate Certificate of Public Convenience and Necessity issued to BMAC by Order 2001-12-21, served December 27, 2001. That Certificate currently contains a condition limiting BMAC to small-aircraft (60 seats or fewer) operations. At this time, BMAC operates only the
19-passenger Jetstream 3100 turboprop aircraft in its passenger operations. In addition to its interstate operations, BMAC has recently inaugurated scheduled transborder services between the U.S. and Canada utilizing the 19-passenger Jetstream 3100 pursuant to the blanket exemption authority granted by Section 206.5 of the DOT’s Economic Regulations.

4. **Requested New Authority.** BMAC hereby requests that it be issued an amended Certificate of Public Convenience and Necessity of indefinite duration authorizing BMAC to engage in interstate air transportation of persons, property and mail utilizing large aircraft. BMAC specifically requests that its existing certificate be amended to delete Condition (3), and re-number Conditions (4) through (9) to reflect that deletion.

5. **Proposed Service.** BMAC’s initial interstate large-aircraft operations will be limited to the San Juan-St. Thomas, U.S. Virgin Islands market. BMAC plans to operate two nonstop round trip flights a day, five days a week, utilizing one B-727-200 aircraft configured to carry 141 passengers (Exhibit BMA-100). BMAC plans to lease that aircraft from Guilford Transportation Industries, Inc. ("Guilford"), which is the lessor of BMAC’s existing Jetstream 3100 and CASA-212 aircraft. A description of the terms of that contemplated leasing arrangement is contained in Exhibit BMA-107. BMAC’s initial B-727-200 aircraft will be based in San Juan, Puerto Rico, and will be serviced and maintained at BMAC’s operational headquarters in Portsmouth,
New Hampshire, by BMAC's own maintenance personnel and pursuant to contractual arrangements with authorized repair stations in Puerto Rico. The fully-allocated cost of those maintenance arrangements is reflected in BMAC's first-year expense projection (Exhibit BMA-101).

III. FITNESS-RELATED INFORMATION

In compliance with Part 204.3, BMAC provides the following additional evidence of its fitness to provide the proposed large-aircraft services.

1. **Managerial and Operational Fitness.** During the course of over three years of air taxi and certificated operations, BMAC has established an excellent record of successful and reliable operations and a solid record of consistent compliance with all FAA and DOT laws, regulations and other requirements applicable to its operations. BMAC submits that the foregoing operating history conclusively establishes its managerial and operational fitness to expand its operations to include large-aircraft operations with Boeing 727-200 aircraft.

2. **Financial Fitness.** A detailed summary of BMAC's projected large-aircraft revenue forecast, and detailed projected operating expenses, for its first year of B-727-200 operations, broken down by calendar quarter, is set forth in Exhibit BMA-101. A projection of BMAC's projected first-year operating statistics and fuel
consumption estimate is set forth in Exhibit BMA-102. A projection of the pre-
operating expenses entailed in BMAC’s start-up of large-aircraft operations, including
the pre-operating cost of acquisition of one leased B-727-200 aircraft, is set forth in
Exhibit BMA-103.

On the basis of its net working capital on hand (Exhibit BMA-104) and the
availability of a $500,000 line of credit facility from BMAC’s owners, BMAC has
ample working capital to support its planned first year of large-aircraft operations
under the Department’s established financial fitness test for “substantial change”
applicants (Exhibit BMA-106).

3. **Other Fitness Information.** In general, virtually all of the other fitness-
related and U.S. citizenship information for BMAC, as specified in Section 204.3,
remains essentially the same as the last prior submission of fitness information by
BMAC to the Department on July 19, 2000, August 16, 2000, and December 19, 2000
in Docket OST-00-7668, except as noted below.

Thus, the corporate ownership and executive management of BMAC remain
essentially unchanged. There has been one change in BMAC’s key operating
management group in the position of Director of Safety. On August 14, 2002,

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1 As shown in Exhibit BMA-102, the estimated annual fuel consumption required by the
proposed service is far below the 10 million gallon threshold constituting a “major regulatory
action” requiring an energy statement pursuant to Part 313 of the DOT’s Special Regulations.
following the retirement of Captain Hobart T. Livingston as Director of Safety, BMAC hired Edwin C. MacNeil to fill the Director of Safety position and submitted Mr. MacNeil’s geographical resume for review and approval by the FAA. A copy of Mr. MacNeil’s biographical resume and completed fitness data questionnaire is set forth in Exhibit BMA-107. All of the issued and outstanding voting stock of BMAC continues to be owned by PAA. PAA continues to be owned by Messrs. Mellon (94.2 percent) and Fink (5.2 percent), both of whom are U.S. citizens, and both of whom are actively involved in the management of BMAC and its affiliated sister company, Pan Am.

No other person holds a substantial interest in BMAC, and BMAC continues to have no subsidiaries and holds no interest in any of the entities listed in Section 204.3(i).

There are no pending actions or outstanding judgments, no pending investigations, enforcement actions or formal complaints, and no charges of unfair, deceptive or anticompetitive business practices, or fraud, felony or antitrust violations, falling within the parameters set forth in Section 204.3(l), (m), (o) and (p), against BMAC or any relevant corporation or key personnel of BMAC. Neither BMAC nor any officer or key operations manager employed by BMAC has been involved in any aircraft accident or incident which occurred during the past year, or at any time in the past and which remains under investigation by the FAA, NTSB or BMAC itself.
At the present time, BMAC's aircraft fleet consists of ten leased British Aerospace Jetstream 3100 turboprop aircraft, configured to carry 19 passengers, and two CASA-121 twin turboprop freighter aircraft, having a maximum cargo payload of 6,000 pounds. As noted above, BMAC plans to lease one 141-passenger B-727-200 aircraft for use in its initial large-aircraft operations. Specific information pertaining to that planned lease arrangement is set forth in Exhibit BMA-108.

The DOT economic authority and FAA operating certificate held by BMAC remains identical to the authority awarded and described in Docket OST-00-7668. The FAA's Flight Standards District Office Number 5 in Portland, Maine, which supervises BMAC's operations, remains the same. On March 5, 2002, BMAC formally notified its FSDO of its desire to seek an amendment of its Part 121 Operations Specifications to authorize BMAC to operate B-727-200 aircraft in the geographical area encompassed by this application, and has commenced that process (Exhibit BMA-109).

Information pertaining to the current operations and financial condition of BMAC is contained in BMAC's Form 41 reports on file with the Department, which are incorporated herein by reference. BMAC's most recent Balance Sheet, as of December 31, 2001, and its Statement of Operations for the years ended December 31, 2000 and December 31, 2001, are set forth in Exhibits BMA-104 and BMA-105, infra.

BMAC submits that the foregoing information, and the projections related to its proposed large-aircraft operations in the previous section of this application, fully
satisfy the requirements of Part 204, and fully demonstrate the fitness of BMAC to
conduct large-aircraft operations. A Title 18 Certification, executed by Mr. Nadolny,
Senior Vice President and General Counsel of BMAC, verifying the accuracy and
completeness of this application and supporting exhibits, is contained in Exhibit BMA–
110.

IV. PROCEDURAL MATTERS

As noted above, BMAC requests that this application be processed pursuant to
the expedited non-hearing procedures of Subpart B, and that the amended certificate
authority at issue be granted for an indefinite period. Grant of such indefinite authority
is consistent with the duration of BMAC’s existing Certificate and with the policy and
practice of the Department with respect to the granting of interstate certificate
authority.

Finally, BMAC requests that this certificate amendment application be granted
on an expedited basis in order to enable BMAC to commence large-aircraft operations
on or about November 1, 2002, subject to BMAC’s completion of its Part 121
Operations Specifications amendment process prior to that date.

WHEREFORE, BMAC requests the Department to issue an amended Certificate
of Public Convenience and Necessity authorizing BMAC to provide interstate air
transportation of persons, property and mail, utilizing both small and large aircraft, as requested in this application.

Respectfully submitted,

[Signature]
Nathaniel P. Breed, Jr.
SHAW PITTMAN LLP
Attorneys for
BOSTON-MAINE AIRWAYS CORP.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Application of Boston-Maine Airways Corp. by messenger, telecopier transmission, or United States mail, properly addressed and with postage prepaid, upon each of the persons listed in the Service List attached hereto.

[Signature]
Cara L. Graham

Washington, D.C.
August 27, 2002