Davis, Janet

From: Davis, Janet
Sent: Thursday, September 19, 2002 4:59
To: 'Nathaniel.Breed@shawpittman.com'
Cc: Thomas, Patti
Subject: Boston-Maine's Application
Importance: High

Nat,

I have finished my review of Boston-Maine's Supplement No. 1 to its application for amended certificate authority. This review has found that the financial information presented for Pan American Airlines, Inc. (Boston-Maine's parent) does not support a finding that this company has the ability to provide the funds committed (line-of-credit of $750,000) to Boston-Maine. Indeed, the June 30, 2002, balance sheet submitted indicates that Pan American Airlines, Inc., has a negative working capital position of more than $5.7 million and a negative stockholders' equity position of more than $14.9 million. Therefore, we can not accept the line-of-credit provided as evidence that Boston-Maine will have funds sufficient to meet our financial fitness criteria available to it. As a result, Boston-Maine must submit a new financing plan, accompanied by independent 3rd-party verification, which fully demonstrates that it will have access to sufficient financial resources meeting our financial fitness criteria.

Further, given the current situation at Boston-Maine's sister company, Pan American Airways Corp. (Pan Am), coupled with the fact that Boston-Maine provides most of its current operations as a feeder carrier to Pan Am, we ask that Boston-Maine specifically address the impact that Pan Am's cutback has had on its current operations and will have on its future operations.

Finally, as you may know, it is the Department's practice to limit the number of large aircraft that newly certificated air carriers may operate to the number proposed in the application on which any fitness determination regarding large aircraft operations is based. In the case of Boston-Maine, while its initial certificate did not contain a limitation on the number of aircraft it could operate, this is because it instead restricted the company to operations with small aircraft. Under most circumstances, a company that receives a certificate for small aircraft operations only is not then also restricted to operations using a specific limited number of such aircraft. However, in cases where, as here, a company proposes to operate both large and small aircraft, it is our practice to place a limit on the number of large aircraft that may be operated under the certificate while not similarly limiting the small aircraft operations the operator may conduct. (See, Order 2002-6-12, issued May 14, 2002). Therefore, if Boston-Maine is eventually determined to be fit for large aircraft operations, it is our intention to limit such operations to the single B727 aircraft on which Boston-Maine has based its request.

Please respond fully to the above within 14 days. As always, please accompany Boston-Maine's response to the above with the certification required by Title 18.

Janet

10/17/2002