MOTION OF AIR LINE PILOTS ASSOCIATION FOR LEAVE TO FILE COMMENTS, AND COMMENTS OF AIR LINE PILOTS ASSOCIATION ON THE RESPONSE FILED BY BOSTON-MAINE AIRWAYS CORP. ON JULY 18, 2006

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Dated: July 20, 2006
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Air Line Pilots Association (ALPA) respectfully requests leave to file the following comments on the Response filed by Boston-Maine Airways Corp. (BMAC) on July 18, 2006, to the Department’s letter of June 23, 2006, which requested BMAC to provide evidence of its ability to meet the Department’s financial fitness criteria. For the reasons explained below, we believe BMAC’s filing raises several unanswered questions concerning BMAC’s financial fitness to which the Department should seek answers before proceeding with further consideration of the matters pending in this docket.
First, the Department’s letter stated that “BMAC would need to demonstrate that it has access to $22 million to cover its current negative working capital (see December 31, 2005 balance sheet) plus the capital required to fund its proposed expansion of operations . . ." BMAC’s response, however, asserts that its negative working capital is only $4,368,674, not $22 million. Using this lower figure as its starting point, BMAC calculates that the additional amount needed to meet the Department’s working capital requirement is only $6,898,674. BMAC Response at 5-6.

BMAC does not bother to explain the reason for the large discrepancy between the Department’s calculation of its negative working capital and its own calculation. The answer is easily found by comparing the December 31, 2005 audited balance sheet, on which the Department based its calculation, with the March 31, 2006 unaudited balance sheet submitted with BMAC’s response (Exhibit BMA-103). The December 31 audited statement includes under “Current Liabilities” an amount of $16,901,572 identified as “Due to affiliates.” The March 31, 2006 balance sheet that BMAC has submitted lists under “Noncurrent Liabilities” an amount of $19,302,245 for “Advances from Assoc. Companies.” Obviously, these two balance sheet items refer to the same set of liabilities. What has occurred here is that these liabilities, which the audited balance sheet listed as “current liabilities,” have simply been relabeled “noncurrent liabilities” in the unaudited statement prepared by BMAC.
By this unexplained sleight of hand, BMAC has conveniently reduced its working-capital requirement by more than $19 million. Obviously, the matter requires further explanation and investigation. We urge the Department to demand that BMAC submit a current audited balance sheet and a detailed explanation from the independent auditor of the basis on which these liabilities are treated as current or noncurrent.

The second set of unanswered questions relates to the manner in which BMAC has proposed to gain access to the additional $7 million of working capital which would be required even under its own calculations. BMAC’s affiliate, Pan Am Railways, Inc. (PAR), has proposed to enter into an Irrevocable Standby Letter of Credit Agreement with BMAC for this amount. (See BMA-106). This Irrevocable Standby Letter of Credit Agreement, however, does not yet exist, and none of its terms has been spelled out. Clearly, BMAC should be required to file this document in the Docket, so that the Department and interested parties can see its precise terms and determine whether it is adequate to satisfy the Department’s requirements.

Moreover, the funding for the proposed “Irrevocable Standby Letter of Credit Agreement” is to be drawn from a Revolving Credit Facility between PAR and Bank of America, NA. BMAC has attached only portions of that Revolving Credit Facility to its Response (Exhibit BMA-104), and therefore, once again, the Department and interested parties are unable to determine all the terms and conditions of that Facility, including,
for example, the circumstances under which funds can be drawn under that Facility, or when and under what conditions such funds must be repaid. Without knowing the detailed terms of the Credit Facility, there is no way of knowing whether this complex financing arrangement would guarantee that PAR would have the necessary funds available if and when BMAC needed to draw on the proposed Irrevocable Standby Letter of Credit Agreement. The Department should therefore insist that the entire text of the Bank of America Credit Facility be filed in the Docket.

Respectfully submitted,

[Signature]

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July 20, 2006
CERTIFICATE OF SERVICE

I, Janice A. Reed, hereby certify that on this 20th day of July, 2006, a true and correct copy of the Motion of Air Line Pilots Association for Leave to File Comments, and Comments of Air Line Pilots Association on the Response Filed by Boston-Maine Airways Corp. on July 18, 2006, was served as follows:

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