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Before the
United States Department of Transportation
Office of the Secretary
Washington, D.C. 20590

DEPARTMENT OF TRANSPORTATION
99 JAN 14 PM 3:41
DOCKET SECTION

Essential air service at

**ALAMOGORDO/HOLLOMAN AIR FORCE BASE,
NEW MEXICO, and
SILVER CITY/HURLEY/DEMING,
NEW MEXICO**

under 49 U.S.C. 41731 et seq.

**Dockets OST-1996-1901
and
OST-1996-1903**

Proposal of Northeast Aviation Acquisition Corp.
to provide essential air service
at Alamogordo/Holloman Air Force Base
and Silver City/Hurley/Deming, New Mexico

Communications with respect to this document should be sent to:

A. Douglas Gumula
V.P. Business Development
Northeast Aviation Acquisition Corp.
1424 Evans Road, Box 112
Gwynedd, PA 19436

215-643-3095

Northeast Aviation Acquisition Corp.

**A. Douglas Gumula
1424 Evans Rd. Box 112
Gwynedd, PA 19436
(215) 643-3095**

January 11, 1999

Mr. Luther Dietrich
U. S. Dept of Transportation
400 Seventh St., S.W.
Washington, D.C. 20590

Re: Dockets OST-1996-1989; OST 1996-1901; OST 1996-1902; OST 1996-1903

Dear Mr. Dietrich:

Northeast Aviation Acquisition Corp. proposes to provide essential air service for a two year period, as detailed below. We have developed our proposals after discussing the respective communities' needs with their representatives. Our service proposals will utilize Fairchild-Dornier 19-seat aircraft, initially operated through Fairchild's Merlin Express wet-lease program. We would be prepared to begin an orderly transition from the incumbent carrier immediately upon acceptance of our proposals. Our plans would be to commence operations within 90 days of acceptance of our proposals.

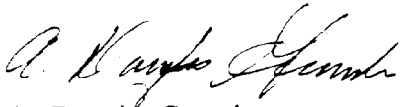
<u>Cities</u>	<u>Alternative</u>	<u>Annualized Subsidy</u>	<u>Weekly Round trips</u>
Kingman/Prescott	1	\$ 811,889	18/18
Kingman/Prescott	2	787,291	30/30
Alamogordo/Hurley	1	951,459	18/18
Alamogordo/Hurley	2	1,651,486	30/24
Clovis	1	834,104	18
Clovis	2	1,345,596	30

I have attached worksheets detailing the calculation of required compensation and preliminary schedules for each of the alternatives. Direct operating expenses are based on manufacture's estimates, allocated by block hours. Fuel expense is estimated to cost \$.75 per gallon. Marketing expenses and commissions are calculated at the rate of 4% and 8% of passenger revenue, respectively. Station expenses, estimated from preliminary research and discussions with airport personnel, are calculated at the rate of \$75 per departure. Depreciation is estimated based on fixed assets acquired for operations. General and administrative expenses include both fixed and variable expenses. These include cabin expenses, reservation processing, insurance and other general and administrative expenses. These are calculated based on block hours, ASMs, departures and passenger levels, depending upon the specific expense component.

We have signed a Letter of Intent to acquire an existing carrier, that is currently operating under Part 135 of the FAA/DOT Regulations. We expect to conclude this transaction within 60 days, and to then take the necessary steps to transition to Part 121. During this transition phase we will utilize the services of Fairchild's Merlin Express operations, a carrier operating with Part 121 authority, that has been found "fit, willing and able" under the applicable regulations. Should we be unable to complete the acquisition, we would prepare a new entrant application.

Please contact me at your convenience to discuss our proposal. We look forward to the selection process.

Respectfully,

A handwritten signature in cursive script, appearing to read "A. Douglas Gumula".

A. Douglas Gumula
V.P. Business Development