MEMORANDUM FOR: Deputy Director for Administration

FROM: DDA

SUBJECT: Proposed FY-77 Fixed Cost Budget and Flying Hour Rates

1. Action Requested: This memorandum contains a recommendation for your approval in paragraph 3.

2. Basic Data: Attached for your review and approval are the estimated fixed costs (see Attachment A) and proposed flying hour rates (see Attachment B) for FY-77 operations. As could be expected, increases are reflected in both areas and the major contributing factors are outlined briefly below:

   FIXED COSTS

   It is estimated that total fixed costs for FY-77 operations will amount to $______. This represents an increase of $______ over CY-75 actual fixed expenses and the majority of this increase is attributable to the costs associated with hiring two additional pilots, i.e., salaries and training (see Attachment C). The next largest increases are projected in the areas of aircraft insurance and hangar rentals both of which are completely outside the company's sphere of control.

   VARIABLE COSTS

   The major increases in variable costs are occurring in the areas of engine overhauls and aircraft fuels and to adequately cover them, the flying hour rates will have to be raised from $______ to $______ for the Gulfstream and from $______ to $______ for the Beach 99 and Twin Otter. Since $______ has not had an hourly rate increase since 1969, the adjustments now necessary do not seem at all out of line.

APPROVED FOR RELEASEDATE: 20-Mar-2009
3. Recommendation: Based on the information provided, it is recommended that a fixed cost budget of $ per hour for the Gulfstream and $ per hour for the Beech 99 and Twin Otter be approved. It is further recommended that due to the higher overhaul costs and fuel prices currently being experienced, the increases in the flying hour rates be made effective as of 1 July 1976.

Atts.

APPROVED: ____________________________

DISAPPROVED: ____________________________

AA/DDA: daq (26 May 76)
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