

SJR

20



ALASKA
AIRLINES

SEATTLE-TACOMA INTERNATIONAL AIRPORT SEATTLE, WASHINGTON 98158

February 26, 1971

The Honorable Bill Ray
Alaska State Senate
Pouch V, State Capital Building
Juneau, Alaska 99801

Dear Senator Ray:

You recently co-sponsored SJR20 with Senator Josephson which was concerned with Alaska Airlines' business activities in Southeast Alaska.

We always try to be sensitive and responsive to the trust given to us by the public we serve. I know that you feel the same way about your responsibilities as a legislator and would submit, then, that our objectives are the same. In order to achieve those mutual objectives, then, it seems to me we should talk with each other when any question arises concerning them before public condemnation.

I believe that proposing a document such as SJR20, full of incorrect information, and passing that information on to the press is certainly not the way to gain our mutual goals.

We both have responsibility to Alaska's citizenry and must work together to carry out that responsibility. I believe we have earned the right for greater responsibility and hereby ask your help. Facts shown below illustrate to you the inadequacy of the present fixed subsidy. By working together, we can correct this unfortunate situation. In order to continue to serve the citizens of Alaska comfortably, conveniently and well, Alaska Airlines and its 1,000 employees must have restored to it its previous subsidy level.

At the time the mergers took place between Alaska Airlines, Cordova Airlines and Alaska Coastal Airlines, the three carriers were receiving subsidies totaling about \$4 million. Alaska Airlines, now operating the routes of those three carriers, today receives a subsidy of about \$2 million. With those figures in your mind, I would now like to refer to specific sections of

LINES 26-27, Page 1:

Complaints about Alaska Airlines' service in Southeast Alaska are not "legend." The transcript from the Civil Aeronautics Board's Alaska Service Investigation hearings in Ketchikan and Juneau will attest to this. This transcript is a public document and available in Washington, D.C.

LINES 28-29, Page 1:

Alaska Airlines is not and has not diverted subsidy funds to other operations. Exhibits presented in the Alaska Service Investigation Case (Docket 20826) show that the \$1.6 million subsidy for Southeast Alaska is not sufficient to cover the cost of operations. Regularly scheduled annual audits; and reporting procedures established by the CAB provide full accountability of the subsidy dollars. Never is subsidy revenue used for other operations of Alaska Airlines.

LINES 3 thru 6, Page 2:

Average Southeast Alaska passenger fare increases effective October 15, 1970, were 6.9%. The largest increase was 17% between Juneau and Yakutat (not covered in the \$1.6 million subsidy). The smallest increase was 3.8% between Annette and Hydaburg. Average Southeast Alaska freight rate increases were 3.4% for shipments under 100 pounds and 3.1% for shipments of 1,000 pounds. Alaska Airlines' system-wide freight increase was 7.3%.

LINES 7 thru 13, Page 2:

Scheduled air services of Alaska Airlines are not paying for any "side ventures." Regularly scheduled audits and reporting procedures established by the CAB would prevent this if attempted.

LINES 14 thru 17, Page 2:

Alaska Airlines has, in fact, vigorously pursued the rapid completion of airports at Petersburg and Wrangell in order to provide better, faster, more comfortable passenger service to those communities. When these airports were finally completed,

Alaska Airlines did, in fact, pay for the building of terminal buildings in the amount of \$61,576 in one year at those airports to provide reasonable comfort for Alaska's traveling public. Alaska Airlines rental at the Sitka Airport terminal building is \$26,232 annually. Alaska Airlines is the only tenant there.

Alaska Airlines did, in fact, replace old, obsolete, inefficient flight equipment with newer, larger, faster aircraft to provide better service than ever before to Southeast Alaska. Alaska Airlines spent \$400,000 each for two Twin Otter turbo-prop aircraft, exclusively for use in Southeast Alaska. In the busy summer months two additional Otters were leased at a cost of \$10,000 per month, each.

Costs of operation in Southeast Alaska have increased since 1967 as follows:

Flight crew expense:	up 26%
Ramp crew wages:	up 44%
Mechanics wages:	up 33%
Flight operations expenses*	up 22%

*Insurance, fuel, maintenance, crew pay, aircraft rental

In spite of these expenditures and increased cost, the \$1.6 million subsidy established in 1967 has not been increased, and the fare increase amounted to only 6.9%. In the twelve months ending October 31, 1970 Alaska Airlines operating loss in Southeast Alaska bush routes alone was \$1.89 million, over \$200,000 more than the total fixed subsidy of \$1.6 million!

LINES 18 thru 22, Page 2:

As indicated above, the increased cost of the airline industry as a whole (and Alaska Airlines especially) will not permit passenger fare or freight rate decreases at this time.

LINES 23 thru 27, Page 2:

The Civil Aeronautics Board just completed a thorough investigation of all transportation within, to and from the State of Alaska. Some of the parties to this case were: The Alaska Transportation Commission; the cities of Juneau, Ketchikan, Sitka, Skagway, and other Alaska communities; and civic and business bodies.

Evidence produced at the hearings set up as part of this investigation overwhelmingly proved to be favorable to Alaska Airlines. The staff personnel of the Board, working for the

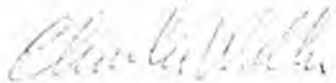
Board's Bureau of Operating Rights, as well as that Bureau's legal counsel have recommended many new routes and the lifting of many restrictions presently on Alaska Airlines route certificates.

Hearings open to the public were held in connection with this investigation in Nome, Fairbanks, Kodiak, Juneau, Ketchikan, Anchorage, and Washington, D.C.

A thorough investigation of Alaska Airlines as well as all scheduled airlines operating to and within Alaska, included operational practices, Southeast Alaska service, efficiency, the use of Federal Subsidy payments. Cost allocation, financing, investments, etc., were examined during the course of this hearing.

Ours is an "open door" policy and I hope you will take advantage of it by contacting me at any time you have questions or criticisms concerning our operation. I would be pleased to be granted a change to appear before you to answer questions at any time.

Sincerely,



Charles F. Willis, Jr.
Chairman of the Board
& Chief Executive Officer

cc: Governor William Egan
Lt. Gov. J. A. Boucher
Alex Miller
Senators
Representatives
Commissioners