

HFB

258

STATE OF ALASKA
THE LEGISLATURE

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POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House Community & Regional Affairs
3/18/85

Introduced: 3/4/85
Referred: Community & Regional
Affairs, Transportation and Finance

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

1 IN THE HOUSE

2 HOUSE BILL NO. 258

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the reduction of airline passen-
7 ger fares; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 02.15.090 is amended by adding a new subsection to
10 read:

11 (c) Charges, rentals and fees established under (a) of this
12 section may be based on the fares charged by an air carrier for pas-
13 senger travel originating at the airport. To promote lower passenger
14 fares, the department or a municipality may provide for a credit
15 against fees charged under this section to an air carrier that quali-
16 fies under uniform terms and conditions established by the department.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

AIRPORT USER CHARGES

AT

MAJOR U.S. AIRPORTS

AIRPORT	TERMINAL FEES Yearly Cost, Per Sq. Ft.	LANDING FEES
Anchorage International	\$21.12	\$0.38/1000 LBS
	\$45.00	\$0.023/Gallon Fuel Flowage
Atlanta - Hartsfield	\$18.31	\$0.36/1000 LBS
Boston - Logan	\$45.00	\$1.2386/1000 LBS
Cleveland Hopkins	\$68.17	\$1.58/1000 LBS
Denver - Stapleton	\$30.50	\$0.34/1000 LBS
Great Falls (Montana)	\$19.67	\$0.65/1000 LBS \$0.04/Gallon Fuel Flowage
Fonolulu International	\$27.00	\$1.629/1000 LBS
Las Vegas - McCarren	\$42.68	\$0.70/1000 LBS
Portland International	\$27.12	\$0.77/1000 LBS \$0.06/Gallon Fuel Flowage
SEATAC International	\$34.50	\$1.28/1000 LBS



Alaska State Legislature

House of Representatives

SPECIAL COMMITTEE ON FISHERIES

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

HEARING DATE:

NAME (Please Print)	ADDRESS	REPRESENTING	TESTIFY (Yes or No)	PHONE NUMBER
- Daniel Gorge	Juneau	Rep Wallis		
- Katherine Hazard	Juneau	Senator Stungulewski	No	6-2864
- Jackie Martin	Juneau	BIA Subsistence	No	6-7601
- JI Stepanovich	Juneau	Rep. Boucher	No	-4931
- Pat Malone	Juneau	Rep. Navarre	No	-3893
- Ed Grasser	Juneau	Rep Larson	No	3727
- Mil Zahn	Juneau	self	No	6-2018
- Heidi Borsen-Paine	Juneau	House Research Agency	NO	3991
- Brent Price	Juneau	Rep Rieger	No	3646
- Linda Wild		Rep. Fuller	NO	37
- Jon NEWSTROM	Pouch V (MS 3100)	SPEAKER'S OFFICE	NO	?
- Marilyn Heiman	204N. Franklin Suite 3	Alaska Environmental Lobby	No	58
- Cass PARSONS	Juneau	UFA		
- Bill Hall	"	Senate Advisory		



Alaska State Legislature

House of Representatives

SPECIAL COMMITTEE ON FISHERIES

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4831

HEARING DATE:

March 21

Briefing - Superintendent
Dept of Law / Fish - June / Bl / Fish

NAME (Please Print)	ADDRESS	REPRESENTING	TESTIFY (YES OR NO)	PHONE NUMBER
Ann Longmire		AK Outdoor Council	yes	9-3450
Wally Anderson	Juneau, AK	National Rifle Association	yes	9-7422
James Martin	Klawock, AK	ANB		
Richard McKinley	Juneau, AK	ANB		9-077
Woodrow F. Morrison	Juneau, AK	BIA - Subsistence	NO	6-7205
Richard Painter	" "	Staff		
Red Williams	Juneau, AK	ANB		6-7613
Richard Stitt	1.5F 46th Place	SF Alaska	NO	586-1512
Bob Speed	House Judiciary	Rep M.M. Miller		465-4990
David Garrison	Staff	Rep Roger Jenkins		465-4453
HOWARD WAYNE	Staff	Rep. JOHN SUNO	NO	465-4919
Karl Ohls	Capitol, Rm. 121	Sen. Fred Zharoff	—	465-3473
Bob Charles	C501	Rep Binkley	NO	4985
Mary Beth Hillman	Staff	Rep. Binkley	no	4737

Frank! Furnace! Phillips! Fuller

Ken Parker - Sidir
 Ken Flory - Ft 9 Biol
 John Garner - Ancho
 Buf 448 99802
 L-9500

 * DELIVER TO: LTCJ *
 * ORIGINAL *
 * SENT: 03/21/85 TIME: 08:35 *
 * FROM: LANA TRUJILLO *
 * SUBJECT: ANCHORAGE PARTICIPANTS *
 * PRINT DATE: 03/21/85 TIME: 09:26 *

ANCHORAGE MESSAGE 1

TO TESTIFY

1. BETH STEWART, FISH AND GAME
2. BOB CLASBY (SPELLING?), FISH AND GAME
3. BIX BONNEY, BOARD OF FISH
4. LARRI SPENGLER, DEPT. OF LAW

TO OBSERVE

1. BARBARA BASHAM, DEPT. OF COMMERCE, DIV. OF INVESTMENTS
2. BOB RICHARDSON, DEPT. OF COMMERCE, DIV. OF INVESTMENTS
3. DALE BONURANT (SPELLING), CHUGIAK
4. BOB BONURANT (SPELLING), CHUGIAK

3101 est
 # 301
 Chas
 Ancho - 49503
 561-5115

Ron Jolin, Chas
 Buf 2022 486-5949

 *
 * DELIVER TO: TCJNU
 *
 * ORIGINAL
 * SENT: 03/21/85 TIME: 10:17
 * FROM: DAVID JENSEN
 * SUBJECT: (H) FISHERIES: STATS (3-21-85)
 * PRINT DATE: 03/21/85 TIME: 13:00
 *

*** FINAL T/C STATS ***

DATE: _____ MARCH 21, 1985 - THURSDAY _____
 SITE: _____ ANCHORAGE - MAIN MEETING ROOM _____
 SPONSOR: _____ (H) SPECIAL COMMITTEE ON FISHERIES _____
 SUBJECT: _____ SUBSISTENCE REGULATIONS _____
 LOCAL MODERATOR: _____ DAVID J _____

TESTIFIED:

NAME/REPRESENTING	ADDRESS	PHONE
BETH STEWART	BOX 3-2000	JUNEAU 99811 465-4110
BOB CLASBY	"	"
BIX BONNEY	7001 SHERWOOD	ANCH. 333-1952
LARRY SPANGLER	POUCH K	JUNEAU 99811 465-3800
RON JOLIN	BOX 2022	JUNEAU 486-5949

OBSERVED:

NAME/RFP REPRESENTING	ADDRESS	PHONE
BARBARA BASHAM	3601 C ST. STE 740	ANCH. 562-3719
JOHN GARNER	BOX 1771	JUNEAU 586-9500
STEVEN BEHNTE	2150 2ND ST	DOUGLAS 99824 465-4147
BOB RICHARDSON	3601 C ST STE 740	ANCH. 562-3779
DALE BONDURANT	SR-1 BOX 2516	CHUGIAK 99567 688-2692
KEN PARKER	BOX 3-2000	JUNEAU 465-4210
MARY BISHOP	1555 GUSS'GRIND	FBKS 99701 455-6151
SAM MCDONNELL	336 E 23 AVE	ANCH. 272-6605

TESTIFIED: ____05____
 OBSERVED: ____08____
 TOTAL: ____13____

TIME START: ____8:30____
 TIME END: ____10:15____

State of Alaska

COMMITTEES

HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES
(Co-Chairman)
HOUSE JUDICIARY
HOUSE COMMUNITY AND
REGIONAL AFFAIRS



POUCH V
JUNEAU, ALASKA 99811
(907) 465-4968

914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

HB 258

REDUCTION OF AIRLINE PASSENGER FARES

This legislation would allow the state Department of Transportation to give credits against airport user fees and rentals to air carriers that reduce their passenger rates. The program could also be used to attract new air carriers into the Alaska market. The legislation is not mandatory in nature. The sponsors recognize the difficulties of this problem and the complexities of such a plan.

The intent of the bill is to empower the department, as the body with existing expertise in this area, to develop the best means possible to implement any such program.

Up to now, no action to promote more reasonable air fares has been forthcoming from the Department of Transportation or any other state agency. The passage of this legislation, while not requiring the department to take any potentially unadvantageous action, would encourage and empower it to do what it can to alleviate this problem.

Hopefully, in all its further dealings with air carriers the Department will consider as high priority the interest of the public in keeping air fares down and develop new and creative methods of promoting that goal.

It is hoped that instead of emphasizing what it thinks it can't do, the Department will recognize the public's interest in this problem and be forthcoming and creative in establishing what the state can do.

Staff Contact: Dave Donley
465-4968

March 15, 1985

PRESS RELEASE

On Friday, March 15 and Monday, March 18, 1985 the House Committee on Community & Regional Affairs will consider House Bill 258, "Reduction of Airline Passenger Fares".

HB 258, by the Community & Regional Affairs Committee, offers a solution to increased air fares facing Alaskan travelers.

It allows the state Department of Transportation to give credits against airport user fees and rentals to carriers that reduce their passenger rates. Under the bill, the Department may lower landing fees to airlines lowering passenger air fares. The program could also be used to attract new air carriers into the Alaska market.

The March 15 meeting will be the Committee's first discussion of HB 258, which will be the second bill on the agenda. The March 18th meeting will be a teleconference to both Anchorage and Fairbanks. Persons wishing to testify in Anchorage should go to the Anchorage Legislative Information Office, 1024 West 6th Avenue (278-9624). In Fairbanks, the Legislative Information Office is located at 315 Barnette Street, Suite 101 (452-4488). The meetings will take place at 3:00 p.m. each day in Room 209 of the Behrends Building in Juneau.

Representative Peter Goll (D. Haines), Chairman of the Community & Regional Affairs Committee, said HB 258 is the only legislation in either house this year to address the problem of increased air fares. The bill was unanimously endorsed for introduction by the House Community & Regional Affairs Committee. It was the only bill this session to be introduced by all members of that committee.

Members of the House Community & Regional Affairs Committee include Representatives Peter Goll (D. Haines) (Chairman), Kay Wallis (D. Ft. Yukon) (Vice Chair), Niilo Koponen (D. Fairbanks), Max Gruenberg (D. Anchorage), Randy Phillips (R. Eagle River), Walt Furnace (R. Anchorage), and Andre Marrou (L. Homer).

Unfair fares

ALASKANS shouldn't mind paying their fair share when it comes to airline rates. They really don't. After all, they've been paying more than their fair share for years and years.

But there is reason for complaint when airline fares to and from Alaska, and within the state, keep escalating in great leaps while those in other markets fall to levels that are ridiculously low.

The airlines seem to look on Anchorage and Alaska as a captive market. The majority of business or vacation trips outside start and end with an airplane ticket. No businessman hops in his car to drive from Anchorage to Seattle. Few families headed for Disneyland go via the Alaska Highway. Amtrak doesn't run this far north. Greyhound and Trailways don't come this way.

WE RECOGNIZE that there are inherent costs in the airline business and they tend to increase rather than decline.

Nonetheless, there is no reason for Alaskans to sit happily by while they apparently are being asked to subsidize the airlines' efforts to stay competitive by reducing rates on other routes.

Here are examples of the high cost of flying for Alaskans:

- A one-way coach ticket between Seattle and Anchorage, if you bought it today for a flight right away, would cost \$324.81. For a round trip, your outlay would be \$649.74. Just a year ago on Feb. 1, the regular price was \$289.59 one way and \$579.18 round trip.

- If you want to go first class, the price from An-

chorage to Seattle is \$410.64. And if you want to come home, your total bill will be \$821.28. That's up from \$374.25 one-way and \$748.50 round trip last year.

- A super-saver round trip between Anchorage and Seattle could have been purchased earlier this week for \$369. As of today, it jumped more than \$100 to a new rate of \$479. A year ago at this time, a super-saver fare round trip between Anchorage and Seattle was \$378.36.

SINCE ALASKANS don't live in splendid isolation any more, they are quite aware that airline fares in other parts of the country are in many cases substantially less for flights over much greater distances — coast-to-coast, for example, between New York and Los Angeles and New York and San Francisco.

American Airlines yesterday touched off a new transcontinental war with its announcement that a one-way ticket from New York to Los Angeles will be cut to \$129. Four other airlines say they will meet American's low fare.

Alaskans are not altogether left out of attractive airline rates.

- If you decide that a \$649.74 price is too high for a trip to Seattle and back, you might prefer to opt for London. Through March 31, British Airways will sell you a round-trip weekday ticket between Anchorage and London for \$629. If you want to fly on the weekend, however, the price jumps to \$675.

- Either way, that eight-hour flight over the pole is a bargain compared with a three-hour flight to Seattle.

Anchorage Daily News



Winner, 1976 Pulitzer Prize Gold Medal for Public Service

Gerald E. Grilly
Publisher

Howard Weaver
Managing Editor

Steve Lindbeck
Editorial Page Editor

Katherine Fanning, Editor and Publisher 1971 to 1983
Lawrence Fanning, Editor and Publisher 1967 to 1971

Alaska's Only Morning Newspaper • Founded In 1946 by Norman C. Brown

Air fare questions entirely appropriate

2/9/85
Democratic Senator Joe Josephson of Anchorage may or may not get far with his hopes of rolling back Alaska air fares, but he's asking the right questions.

The senator wants the airlines to explain why air fares are higher here than elsewhere; why Alaska air fares are going up while prices elsewhere decline; why the airlines consider high fares more profitable than lower fares that draw more travelers; and why deregulation has not led to more price competition in Alaska.

So far, airlines spokesmen have responded that market forces dictate the cost of Alaska air fares. They cite low passenger volume compared to routes outside, the high cost of operations in the 49th state, and difficult weather. In other words, the airlines believe Alaska's small population and the familiar HCL — high cost of living — are the culprits once again.

Maybe they're right. Maybe all of Sen. Josephson's questions have legitimate marketplace answers. But it is difficult not to raise an eyebrow when a discount fare from Anchorage to London is cheaper than an Anchorage-to-Chicago supersaver and a one-way ticket from Los Angeles to New York is lower than a round trip from Anchorage to Fairbanks.

Aviation has been good to Alaska for half a century — and Alaska in turn has been good to aviation. It's been a good partnership, but Alaskans would like to have more of the benefits enjoyed by the traveling public in most of the rest of the country.

Sen. Josephson's inquiries into Alaska air fares are entirely appropriate; any time prices rise so swiftly in such an important market it's a good idea to shine a little brighter light into the marketplace. Alaskans should watch with great interest as the Senate Transportation Committee holds hearings.

2/13/85

Sky high

WHEN YOU CAN fly from Seattle to Chicago for about half the price you can fly from Anchorage to Seattle, roughly the same air miles, there is reason to suspect that airline passengers here are being stuck for more than they should.

The airlines protest, naturally. They say it costs more to do business in Alaska. Right. But twice as much?

Arguments that load factors are less here don't hold much water, either. Frequent flyers know you're more likely to encounter heavy loads between Anchorage and Seattle than on almost any other flight segment anywhere else in the country.

IN SHORT, we find Sen. Joe Josephson's legislative hearings on airline fares in Alaska most appropriate.

At the same time, there is no reason to disagree with an Alaska attorney general's opinion holding that the airlines serving the 49th State have not violated anti-trust laws in their rate-setting practices.

We recognize that it's a competitive market out there. When one airline cuts rates, the others follow. But if there's no need to engage

in price competition, no one is going to volunteer to lead the pack. If one airline can get away with high rates, so will all the others.

Unfortunately, the recent practice has been for the airlines to raise rates in Alaska at the same time as they've been cutting them elsewhere.

The latest jumps, in fact, have made the cost of airline tickets prohibitive for many Alaskans.

MEETING COSTS is one thing. Gouging is another. A lot of Alaskans, watching air fares tumble in other parts of the country, have reason to think they're being gouged.

Protestations that passenger volume doesn't exist to support lower fares are not going to win the airlines any commendations, either. As the fares increase, passenger volume very likely will decline — simply because all too many people can't afford to fly. Those who have to fly have no choice but to pay the higher fares.

The airlines serving Anchorage, in the public's mind, have gone too far — well past the point of business fairness.

Alaska Airlines remains

Most of the airline stories appearing in the news recently have focused on the troubles of Wien Airlines and MarkAir. And well they should. Financially strapped Wien halted its service, filed for bankruptcy and struck a "handshake" agreement for an employee buyout of the state's oldest carrier. Buzzard-like creditors, meanwhile, are soaring overhead.

MarkAir, on the other hand, has engaged in a tug-of-war battle with a creditor over one of its jets; this battle, too, wound up in court.

While all this has been going on, another airline serving the state has quietly been becoming one of the best airline investments in the country. The value of the stock of Alaska Airlines has jumped more than 20 percent in the past three weeks and could jump even higher in the months ahead, analysts say.

The airline was featured in the Wall Street Journal's prestigious Heard On The Street investment column Jan. 18 and is noted in this month's Money magazine for its solid performance.

The airline's stock, which stood at \$15 a share on the New York Stock Exchange when the Journal



2/10/85
Alaska's Business

John Knowlton

column was published, rose to 19 $\frac{1}{2}$ % Friday before closing at 18 $\frac{1}{8}$ %. On the strength of a record fourth-quarter performance after Wien faded from the scene, Alaska Airlines also reported a \$23.9 million profit for 1984, up from \$15.7 million a year earlier. It was the 12th consecutive year of profits for the Seattle-based airline.

While regional airlines throughout the country have been battered by deregulation and bowled over by major air carriers undercutting each other, Alaska Airlines has comfortably settled into its own special market niche, notes Lesa Sroufe, airline analyst for Foster & Marshall/American Express in Seattle.

"Alaska seems to have its act together," agrees

aloft in turbulent times

Gary Andreini, head of the Anchorage office of Dean Witter Reynolds Inc.

What's the company's secret?

For starters, Alaska Airlines has taken a "cautious and measured" approach to growth in the face of deregulation, says J. Ray Vingo, chief financial officer for the airline. Other airlines expanded too quickly and weren't familiar with the new markets they served, he said.

Besides benefitting from the reduced in-state competition, Alaska Airlines has been successful winning passengers on its West Coast routes to Boise, San Francisco, Oakland, San Jose and Long Beach. The airline also sees the opportunity to bring passengers from Arizona and Nevada to Seattle, and it is considering reinstating service to Kodiak and Barrow, Vingo says.

Success also has come from Alaska Airlines' image as a solid, steady performer. Vingo says it is a "full frills" airline, not a "no-frills" airline.

All is not rosy on Alaska Airlines' horizon, however. Contract negotiations are in a 30-day cooling off period between the airline and the International Association of Machinists, which

represents about 350 mechanical and ramp service employees.

Vingo was quoted in the Journal as saying, "There's a fairly strong potential of a labor stoppage" in the first quarter. But he downplayed those remarks this week saying no strike vote has been taken and chances of a strike are "difficult to assess."

Andreini said a strike could work to Alaska Airlines' advantage because it could lower labor costs by hiring out-of-work Wien employees to replace striking union workers.

Sroufe holds to her belief that the timing isn't right to buy the airline's stock. She says earnings will be affected by interest expense from debt needed to further expand the airline's service.

Part of the airline's expansion effort will be on display in Anchorage Feb. 20, when the first of nine new MD-83 aircraft will be available at Anchorage International Airport for public review.

The twin-engine McDonnell-Douglas aircraft carry 135 passengers and meet the federal government's new, more stringent noise regulations, Vingo said.

John Knowlton is The Times' business editor.

Airline posts 15.4% increase
SEATTLE — Alaska Airlines on Wednesday reported a 15.4 percent increase in passenger revenue miles from this time last year, totalling 148.5 million compared to 128.7 million reported in January 1984. Capacity during January grew to 296.5 million available seat miles, a 6.7 percent increase over the 278 million offered in January 1984. The passenger load factor (the percentage of available seat miles flown by fare-paying passengers) for the month was 50.1 percent, or 3.8 points above the 46.3 percent recorded in January of 1984.

2/7/85

Airline fares

Dear Editor:

Recent financial disclosures by Alaska Airlines and Western Airlines indicate that both airlines are doing pretty good. Western was on the ropes for a couple of years, but is now back on its feet.

Alaska Airlines is the real killer. Crying poor mouth all the way to the bank. Profits were up 52 percent in 1984 from approximately \$16 million to \$24 million.

I ask, where do the airlines justify raising air fares? They cite rising operating costs. Both airlines either received or are seeking wage concessions from employees. (You can bet the babies' milk money that the concessions aren't coming from management). Interest rates are coming down. Fuel prices are lower. About the only thing that I can think of that probably increased in the airline industry is upper management salaries.

Airline spokesman say that comparisons cannot be made between fares from Alaska and those of the Continental U.S. I say "El Toro poo-poo." Anchorage to Seattle is half the distance from Los Angeles to New York, but the fare is 30-70 percent higher. That comparison tells me that Alaskans are subsidizing Lower 48 fares.

All air carriers in Alaska have a monopoly on the market. Sen. Josephson's investigation should clearly find this out and crack down on the airline industry.

Mike Lyle
3046 Glacier

4/28/85
Purchase Wien to lower air fares

I agree whole heartedly with the proposed investigation into the airlines' fare structure for Alaska. One airline executive's cop out was the economics-of-scale provided by the more populous south 48 made their prices lower. In mid-January I tried to make airline reservations to Hawaii for the first week in March and was told all flights from Anchorage to Hawaii were sold out. Also, on recent business trips outside I haven't noticed many vacant seats. Could it be that Alaskans are so isolated and dependent on the airlines that no concern is given to actual cost but to charge what the traffic will bear?

Although, I would be the last to accuse the airlines of price fixing, it sure is more than an incidence that Alaskan airline companies increase about the same amount at about the same time. Sure, certain increases, such as fuel and labor, may increase about the same; but these are more than offset by differences in management, size of labor forces, depreciation, etc., so that operating costs really are not similar.

One solution might be for the State of Alaska to purchase the defunct Wien Airline. The state could run the airline for costs plus a return on investment. This would ensure that other airlines would be competitive or lose the lucrative Alaskan business. We're in the railroad business, why not be in the airline business? It seems as though the airlines get a goldmine and all we Alaskans get is the aft.

— Les Nevil

Not counted on unfair air fares

I would like to express my concern over the increased air fares we are facing. It appears we are subsidizing the Lower 48 fares. At the same time air fares in Alaska increased, while Lower 48 fares decreased. It is almost to the point that the average Alaskan cannot afford to go outside on vacation, send our children outside to school, seek advanced medical care, visit relatives outside. What is it going to take to get our air fares comparable to the Lower 48? It is time for Alaskans to "stand up

and be counted". Is anyone else upset?

— Jerry V. Curlee
Eagle River

Air fare hike means less travel

Dear Airlines:

Thank you for raising your rates to and from Alaska. This gives me the opportunity to see a lot more of Alaska, and to spend my vacation money here, instead of elsewhere. Great for our local economy!

Ten years ago, I used to fly out twice a year, or more, but the frequency has diminished yearly. Another year of rate increases, and I can use the whole \$2,000 to \$5,000, formerly used for vacations, here at home for whatever I want, or need.

We will each benefit from the rate increases, I stay home, and you have lower fuel bills because of the empty seats. Once again, my appreciation is profound, as my old lifestyle was in a rut anyway.

— W. Patrick Reedy

**Lawmaker
takes aim
at air fares**

**Says Alaska travelers
'subsidize' others**

1/28/85

United Press International

JUNEAU — State Sen. Joe Josephson, D-Anchorage, Friday asked the Alaska attorney general to consider using anti-trust laws to force airlines to reduce prices for flights between Alaska and Seattle, and other Lower 48 points.

"Today Alaskans pay more than 100 percent above what coach-class travelers pay, on a per-mile basis, elsewhere in the nation. Alaskan travelers appear to be subsidizing travelers on other routes," Josephson said in a letter sent to Attorney General Norman Gorsuch.

"All this occurs at a time when the rate of inflation in Alaska is less than the rate of inflation across the nation," Josephson wrote.

"... We are in a deregulation environment that is a supposed benefit to the consumer," he added.

Josephson said the price was about 22 cents a mile to fly between Anchorage and Seattle, before fare increases went into effect last week.

He said prices are as low as 11 cents a mile for some flights in the Lower 48.

"If Alaskans were able to travel for 11 cents per mile, a one-way fare to Seattle (would be) only \$162.45," Josephson wrote in his letter.

As of Friday, the price for a flight between Anchorage and Seattle was \$324.87 on United Airlines and Northwest Airlines.

The price was \$324.89 for the same flight on Western Airlines and \$324.90 on Alaska Airlines.

Josephson noted that Alaskans — probably more than others — rely on commercial air travel for business, educational reasons and to visit family members and friends in the Lower 48.

Josephson asked Gorsuch to prepare a report showing whether state anti-trust laws could be used to force reductions in ticket prices, or could be changed so that they could be used for that purpose.

He also asked Gorsuch to determine whether or not other states have tried the same tactic.

2/19/85



State should operate airline

2/21/85

Dear Editor:

It is apparent that Alaskans are being unfairly gouged by the airlines on the Anchorage-to-Seattle run. It is either to subsidize losing routes or pure greed. In either case it appears to be a legal monopoly.

I would suggest Sen. Josephson's legislative hearings consider state acquisition of Wien and provided this critical route with reasonable no-frills transportation. This idea certainly has precedence, as the state already owns and operates railroad and ferry systems.

Food for thought,
Derry A. Blotro

Air fares and airline profits

2/11/85

Dear Editor:

With recent increases, the lowest round-trip air fare from Alaska to the Lower 48 is \$479 (to Seattle). Now since it is currently less expensive to fly from the west coast to the east coast (say Los Angeles to New York), I have to assume that the reason for the high interstate airfares from Alaska is not due to the mileage that the plane travels.

The next logical conclusion, of course, would be that these high fees are charged Alaska customers because of their unique situation in that Alaskans have no other reasonable (considering the time factor, road conditions, and weather) means of traveling outside of the state.

Since there appears to be very little competition in air fares in the 49th state (when one airline raises its fares the others follow suit), I must conclude that these increases are subject not just to need, but also (and possibly primarily) to greed.

Now, I'm all for a company making a profit. Yet, I feel this can be done with fairness to the consumer, and without government subsidies. As an example, you might notice that General Communications, Inc. (the newest interstate, long distance telephone service in Alaska) provides telephone service for a lower fee (and what many con-

sider a better service) than the subsidized competitor. GCI continues to profit based on quality and their customers are charged a fair, competitive price. Both consumer and company profit for this situation.

I suggest the airlines Alaska could operate in a similar fashion — unsubsidized and requesting a fare which allows airlines to profit, yet allows Alaskans the travel opportunity which lower fares of the Outside offer.

In addition to severely crippling pleasure travel, the continued unrestrained fare increases will cause businesses to think twice before sending their employees on Outside trips. As a result, we all suffer — the airlines lose revenue, and the potential travelers forfeit opportunity.

Last year alone, my husband and I purchased a total of 5 round-trip tickets from Anchorage. Can you honestly afford to lose this revenue? I believe you could all benefit from your re-evaluation of just who allows whom to fly in and out of the state.

In the meantime, I think I'll take a vacation in Alaska this year and maybe use GCI to phone home.

Nancy M. Hardmar
Anchorage

Legislature looks at air fares

By DEAN FOSDICK
The Associated Press

The legislature will begin hearings this week to determine if the state can do anything about sky-high airline fares in Alaska.

The Senate Transportation Committee was scheduled to have a teleconference today to study commercial travel rates, but Chairman Jack Coghill, R-Nenana, conceded the Legislature probably will be able to do little but focus some publicity on airline ticket prices.

"I'd hate to see us get into the business of regulation," Coghill said last week. "About the most we can do is bring some public pressure to bear."

Airlines serving Alaska from the Lower 48 drew some consumer flak recently when they adopted a roughly \$50 jump in roundtrip "supersaver" fares.

A spokesman for one of the four interstate airlines serving Alaska has said the rate increase is necessary simply because it costs more to do business here than elsewhere.

That, however, didn't satisfy Sen. Joe Josephson, D-Anchorage.

Western announces discount fares

The Juneau Empire
Western Airlines today announced new discount air fares, representing cuts of approximately 70 percent off current coach levels.

Billed as the "Ultimate Super Saver," the new fares are effective March 25 and are available for immediate booking. No expiration date was announced for the travel discounts.

The new fares mean that Juneau residents can travel to Seattle for \$79 each way on a roundtrip ticket, not including tax, according to a press release from Western. Currently the cheapest fare Western has on a roundtrip ticket between Juneau and Seattle is \$328.20

The new fares are good between

Juneau and 39 cities Western serves, including San Francisco, Las Vegas, Houston, Chicago, Washington, D.C. and New York.

Under the discount, it would cost a traveler from Juneau \$129 each way to go to Los Angeles, \$159 each way to Chicago, \$169 to Houston, \$179 to Washington, D.C. and \$189 to New York. Those fares do not include tax.

The discount tickets must be purchased at least 30 days in advance, and travelers must stay over one Saturday night but not more than 21 days. Seats at the low rates are limited, according to Western, but the fares are available on every flight, every day with the exception of peak times, for instance Easter.

On Feb. 6, he wrote the chief executive officers of Alaska Airlines, Northwest Airlines, Western Airlines and

United Airlines asking why air fares have increased significantly in Alaska while discounts are being offered else-

where.

"This office has received many messages from constituents and there has been a proliferation of letters to the editor on this subject," Josephson wrote. "Alaskans who travel know that the fares now available between points in the continental United States tend to be far lower than the fares available between Anchorage and Seattle, on a cost-per-mile basis.

"From a traveler's standpoint ... there does not appear to be an obvious rationale for the existing fare structures, and there is certainly no discernible relationship between distance and cost," Josephson said in his letter.

In an interview Thursday, Josephson said he took the problem on "because it's nobody's issue now that the federal government doesn't contest prices of airlines."

"We've got to show through the force of public opinion that there's a market out there," he said. "There's (potential) seats they don't even know about."

Among those scheduled to testify is Michael Levine,

ONE-WAY COACH CLASS AIRFARE COMPARISON

Senator Josephson
February 18, 1985

<u>DESTINATION</u>	<u>MILEAGE</u>	<u>FLIGHTS/DAY</u>	<u># OF STOPS</u>	<u>PLANE TYPE other than 727, 737</u>	<u>REGULAR FARE Cost per mile</u>	<u>DISCOUNT (One-way) Cost per mile</u>
Anchorage-Seattle (Western)	1,448	4	0	1 of 4 is DC-10	\$324.00 .22	N/A
Anchorage-Seattle (Northwest)	1,448	3	0	2 DC-10s	\$324.87 .22	N/A
Anchorage-Seattle (United)	1,448	3	0	No wide-body	\$319.00 .22	N/A
Anchorage-Seattle (Alaska)	1,448	7	0	No wide-body	\$324.87 .22	N/A
Washington, D.C.- (Wstrn) Salt Lake City	1,851	4	1 on 2 0 on 2	No DC-10s	\$260.00 .14	\$190.00 .10
Detroit-Phoenix (Northwest)	1,674	3	1 (MSP)	1 DC-10	\$339.00 .20	\$170.00 .10
Portland-Tulsa (United)	1,532	3	1 (DEN)	No wide-body	\$360.00 .23	\$195.00 .13
Milwaukee-Las Vegas (United)	1,524	3	1 (CHI)	Half-flight wide-body	\$337.00 .22	\$175.00 .12
Seattle-Kansas City (Western)	1,489	2	1 (SLC)	1 of 2 is DC-10	\$215.00 .14	\$185.00 .12
Milwaukee-Phoenix (Northwest)	1,463	3	1 (MSP)	No wide-body	\$366.00 .25	\$155.00 .11
Seattle-Tuscon (Western)	1,215	4	1 (LA)	No DC-10s	\$230.00 .19	\$210.00 .17
Cleveland-Denver (Northwest)	1,213	3	1 (MSP)	No DC-10s	\$304.00 .25	\$140.00 .12

ONE-WAY COACH CLASS AIRFARE COMPARISONSenator Josephson
February 18, 1985

<u>DESTINATION</u>	<u>MILEAGE</u>	<u>FLIGHTS/DAY</u>	<u># OF STOPS</u>	<u>PLANE TYPE other than 727, 737</u>	<u>REGULAR FARE Cost per mile</u>	<u>DISCOUNT (One-way) Cost per mile</u>
Anchorage-Prudhoe Bay (Alaska)	627	3	1 on 1	No wide-body	\$257.00 .41	N/A
Anchorage-Juneau (Alaska)	569	3	2 on 1	"	\$176.00 .31	N/A
Fairbanks-Anchorage (United)	261	1 daily 1 x234	0	"	\$102.78 .39	N/A
Seattle-Long Beach (Alaska)	965	3	1	"	\$175.00 .18	N/A
San Francisco- (Alaska) Seattle	678	3	0	"	\$155.00 .23	\$125.00 .18
Houston-Dallas (United)	224	1	0	"	\$126.00 .56	\$ 35.00 .16

ONE-WAY COACH CLASS AIRFARE COMPARISON

Senator Josephson
February 18, 1985

*Ultimate super saver updated 3/15/85
by Rep. Gruenberg's office.*

<u>DESTINATION</u>	<u>MILEAGE</u>	<u>FLIGHTS/DAY</u>	<u># OF STOPS</u>	<u>PLANE TYPE other than 727, 737</u>	<u>REGULAR FARE Cost per mile</u>	<u>DISCOUNT (One-Way) Cost per mile</u>
<u>Alaska Airlines</u>						
Seattle-Anchorage	1,448	7	0	No wide-body	\$324.87 .22	N/A
Seattle-Long Beach	965	3	1	"	\$175.00 .18	N/A
Anchorage-Juneau	569	3	2 on 1	"	\$176.00 .31	N/A
Anchorage-Prudhoe Bay	627	3	1 on 1	"	\$257.00 .41	N/A
San Francisco-Seattle	678	3	0	"	\$155.00 .23	\$125.00 .18

ROUND TRIP LEAST EXPENSIVE FARES

						<u>DISCOUNT Round-trip</u>	<u>SPECIAL Round-trip</u>
Seattle-Anchorage	1,448	7	0	No wide-body	\$649.74 .22	\$489.32 .17	198.00 * .07
Anchorage-Fairbanks	261	6	0	"	\$222.00 .43	\$166.00 .32	102.78 * .20
Anchorage-Juneau	569	3	2 on 1	"	\$352.00 .31	\$271.00 .24	176.00 * .16
San Francisco-Palm Springs	421	1	0	"	\$178.00 .21	\$149.00 .18	\$ 98.00 .12
Seattle-San Francisco	678	3	0	"	\$310.00 .23	\$250.00 .18	\$138.00 .10

** New ultimate super saver, must be paid for 30 days in advance, no longer than 21 days between flights and 25% penalty to change or cancel flights.*

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB258
 Title: Relating to the Reduction of Air-
 line Passenger Fares
 Sponsor: Gruenberg
 Requestor: Community & Regional Affairs
 Date of Request: 3/15/85

FISCAL DETAIL

Agency Affected: DOT&PF
 Program Category Affected: All state and
 municipal airports
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		*	*	*	*	*
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		*	*	*	*	*

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: *See attached sheet

Prepared By: William R. Snell (signed) Phone: 266-1462
 Division: Central Region Planning Date: 3/15/85
 Approved by Commissioner: *Wick Mayes* Date: 3/15/85
 Agency: DOT&PF

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

R1

FISCAL NOTE ANALYSIS

HB258

1. Analysis of the fiscal impact on existing programs.

There would be severe negative impacts on the ability to develop, maintain, and operate the Fairbanks and Anchorage International Airports.

Specific impacts are as follows:

- A. Could eliminate the \$15-\$17 million yearly receipts from airline rents and fees.
- B. Could cause the bondholders to "call in" \$50-\$55 million in International Airport Revenue Funds (IARF) that have been sold to finance improvements to the Fairbanks and Anchorage International airports. This could happen because the bond sales were based on future revenue flows.

In addition, there could be a statewide loss of between \$30-\$40 million yearly in federal airport funding. Federal grant agreements require the State to collect fees to help offset airport expenses.

2. Analysis of impact on new programs.

With the potential loss of the \$30-\$40 million in yearly federal funding, the loss of \$15-\$17 million in yearly revenues for the Anchorage and Fairbanks International airport, and the potential "call in" of \$50-\$55 million in outstanding IARF bonds, construction of new aviation facilities would be severely impacted unless the general fund could make up this loss (approximately \$95-112 million the first year). With declining revenues, this would probably not be possible.

In addition, a large staff would be necessary to administer such a program. These costs cannot be determined at this time.

3. How figures in fiscal note derived.

From historical information on bonding and airport revenues.

4. Additional information.

Staff analysis shows that the airlines' airport cost per passenger is only \$5.66 at the Fairbanks and Anchorage International airports. Please note that these airports have the highest fees of any State airport. Crediting this to the airlines would result in little, if any, incentive for the airlines to reduce passenger fares.

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the reduction of airline passen-
7 ger fares; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 02.15.090 is amended by adding a new subsection to
10 read:

11 (c) Charges, rentals and fees established under (a) of this
12 section may be based on the fares charged by an air carrier for pas-
13 senger travel originating at the airport. To promote lower passenger
14 fares, the department or a municipality may provide for a credit
15 against fees charged under this section to an air carrier that quali-
16 fies under uniform terms and conditions established by the department.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

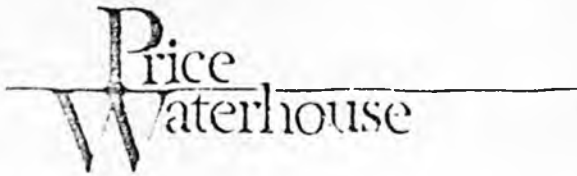
STATE OF ALASKA

INTERNATIONAL AIRPORTS

(An Enterprise Fund
of the State of Alaska)

FINANCIAL STATEMENTS

JUNE 30, 1984 AND 1983



101 WEST BENSON BOULEVARD
ANCHORAGE, ALASKA 99503
907 563-4444

October 24, 1984

To the Bond Committee
of the State of Alaska

In our opinion, the accompanying balance sheet and the related statements of income, of changes in fund equity, of changes in financial position and of changes in restricted net assets present fairly the financial position of the State of Alaska International Airports at June 30, 1984 and 1983 and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

STATE OF ALASKA INTERNATIONAL AIRPORTS
 (An Enterprise Fund of the State of Alaska)
BALANCE SHEET

<u>ASSETS</u>	<u>June 30,</u>	
	<u>1984</u>	<u>1983</u>
REVENUE FUND:		
Current assets -		
Cash in banks and deposited with State Treasury	\$ 4,021,600	\$ 1,489,387
Investments	42,671,154	22,500,000
Trade accounts and notes receiv- able, net of allowance for doubtful accounts of \$200,000 and \$295,676, respectively	2,982,904	2,592,697
Federal grants receivable	2,480,166	3,064,651
Accrued interest receivable	1,939,567	382,491
Repair and replacement account - Cash and investments	500,000	500,000
	<u>54,595,391</u>	<u>30,529,226</u>
REVENUE BOND REDEMPTION FUND:		
Bond reserve - investments	5,499,368	1,793,391
Bond interest - investments	2,426,083	
Bond principal - investments	128,946	68,682
	<u>8,054,397</u>	<u>1,862,073</u>
PROPERTY, PLANT AND EQUIPMENT:		
Airport plant in service	220,344,436	195,348,436
Less-accumulated depreciation and amortization	(57,632,629)	(50,293,445)
	162,711,807	145,054,991
Construction in progress	11,993,794	6,208,120
	<u>174,705,601</u>	<u>151,263,111</u>
	<u>\$237,355,389</u>	<u>\$183,654,410</u>

See accompanying notes to financial statements

STATE OF ALASKA INTERNATIONAL AIRPORTS
(An Enterprise Fund of the State of Alaska)

BALANCE SHEET
(continued)

	June 30,	
	1984	1983
<u>LIABILITIES</u>		
REVENUE FUND:		
Current liabilities -		
Accounts payable and accrued wages	\$ 4,315,919	\$ 2,598,430
Unearned revenue	171,073	172,108
Accrued interest payable	136,627	90,473
Revenue bonds payable	761,054	321,318
	5,384,673	3,182,329
REVENUE BOND REDEMPTION FUND:		
Accrued interest payable	2,426,083	
Revenue bonds payable, current portion	128,946	68,682
	2,555,029	68,682
CONCESSION LEASE PREPAYMENTS	7,477,625	
REVENUE BONDS PAYABLE, net of current portion	43,750,000	16,645,000
<u>FUND EQUITY</u>		
RESERVES:		
Repair and replacement	500,000	500,000
Bond reserve	5,499,368	1,793,391
CONTRIBUTIONS, net of accumulated amortization of \$35,671,734 and \$32,606,105, respectively	76,493,745	69,322,453
RETAINED EARNINGS	95,694,949	92,142,555
	178,188,062	163,758,399
CONTINGENCIES	\$237,355,389	\$183,654,410

See accompanying notes to financial statements

STATE OF ALASKA INTERNATIONAL AIRPORTS
(An Enterprise Fund of the State of Alaska)

STATEMENT OF INCOME

	Year ended June 30,	
	<u>1984</u>	<u>1983</u>
Operating Revenues	<u>\$29,370,618</u>	<u>\$28,045,226</u>
Operating Expenses:		
Security	5,563,785	5,788,713
Field maintenance	3,553,324	3,905,351
Administrative	3,642,399	3,352,023
Building and equipment maintenance	5,178,832	4,649,534
Custodial	2,373,037	2,254,809
Provision for doubtful accounts		520,961
	<u>20,311,377</u>	<u>20,471,391</u>
Operating income before depreciation	<u>9,059,241</u>	<u>7,573,835</u>
Depreciation Expense:		
On assets acquired with own funds	4,273,555	2,783,816
On contributed assets	<u>3,065,629</u>	<u>3,013,997</u>
	<u>7,339,184</u>	<u>5,797,813</u>
Income from operations	<u>1,720,057</u>	<u>1,776,022</u>
Non-Operating Income (Expense):		
Interest income	2,512,909	2,923,700
Interest expense	<u>(40,224)</u>	<u>(1,005,031)</u>
	<u>2,472,685</u>	<u>1,918,669</u>
Net income	<u>\$ 4,192,742</u>	<u>\$ 3,694,691</u>

See accompanying notes to financial statements

STATE OF ALASKA INTERNATIONAL AIRPORTS

(An Enterprise Fund of the State of Alaska)

STATEMENT OF CHANGES IN FUND EQUITY

	<u>Reserves</u>	<u>Contributions</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, June 30, 1982	\$2,418,894	\$71,502,728	\$85,308,364	\$159,229,986
Net income			3,694,691	3,694,691
Depreciation on con- tributed assets		(3,013,997)	3,013,997	
Federal grants		833,722		833,722
Decrease in restrict- ed net assets	<u>(125,503)</u>		<u>125,503</u>	
Balance, June 30, 1983	2,293,391	69,322,453	92,142,555	163,758,399
Net income			4,192,742	4,192,742
Depreciation on con- tributed assets		(3,065,629)	3,065,629	
Federal grants		1,226,921		1,226,921
Contribution from General Fund		9,010,000		9,010,000
Increase in re- stricted net assets	<u>3,705,977</u>		<u>(3,705,977)</u>	
Balance, June 30, 1984	<u>\$5,999,368</u>	<u>\$76,493,745</u>	<u>\$95,694,949</u>	<u>\$178,188,062</u>

See accompanying notes to financial statements

STATE OF ALASKA INTERNATIONAL AIRPORTS

(An Enterprise Fund of the State of Alaska)

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended June 30,	
	<u>1984</u>	<u>1983</u>
Financial Resources Were Provided By:		
Operations -		
Net income	\$ 4,192,742	\$ 3,694,691
Add - Depreciation, a charge not requiring an outlay of funds	<u>7,339,184</u>	<u>5,797,813</u>
Provided by operations	11,531,926	9,492,504
Proceeds from bond issue	28,000,000	
Federal grants	1,226,921	833,722
Decrease in restricted net assets		125,503
Contribution from General Fund	9,010,000	
Concession lease prepayments	<u>7,477,625</u>	
	<u>57,246,472</u>	<u>10,451,729</u>
Financial Resources Were Used For:		
Additions to property, plant and equipment	30,781,674	9,910,783
Current maturity of revenue bonds	890,000	390,000
Retirement of long-term revenue bonds in advance	5,000	450,000
Increase in restricted net assets	<u>3,705,977</u>	
	<u>35,382,651</u>	<u>10,750,783</u>
Increase (decrease) in working capital	<u>\$21,863,821</u>	<u>\$ (299,054)</u>
Increase (Decrease) In Current Assets:		
Cash	\$ 2,532,213	\$(1,981,787)
Investments	20,171,154	500,000
Trade accounts and notes receivable	390,207	(341,093)
Federal grants receivable	(584,485)	426,584
Accrued interest receivable	<u>1,557,076</u>	<u>(291,111)</u>
	<u>24,066,165</u>	<u>(1,687,407)</u>
(Increase) Decrease In Current Liabilities:		
Accounts payable	(1,717,489)	609,704
Unearned revenue	1,035	392,787
Accrued interest payable	(46,154)	5,393
Revenue bonds payable	<u>(439,736)</u>	<u>380,469</u>
	<u>(2,202,344)</u>	<u>1,388,353</u>
Increase (decrease) in working capital	<u>\$21,863,821</u>	<u>\$ (299,054)</u>

See accompanying notes to financial statements

STATE OF ALASKA INTERNATIONAL AIRPORTS
 (An Enterprise Fund of the State of Alaska)
STATEMENT OF CHANGES IN RESTRICTED NET ASSETS

	<u>Revenue Bond Redemption Fund</u>				<u>Combined</u>
	<u>Repair and Replacement</u>	<u>Bond Reserve</u>	<u>Bond Interest</u>	<u>Bond Principal</u>	
Net assets, June 30, 1982	\$500,000	\$ 1,918,894	\$ -0-	\$ -0-	\$ 2,418,894
Increases -					
Transfers from operating account			1,150,405	827,644	1,978,049
Interest on investments		189,175	29,277	17,402	235,854
Accounts payable decrease			117,445	24,531	141,976
Intrafund transfers				375,423	375,423
Decreases -					
Transfers to operating account		(116,177)			(116,177)
Bond interest payments			(1,120,205)		(1,120,205)
Bond principal payments				(1,245,000)	(1,245,000)
Intrafund transfers		(193,501)	(176,922)		(370,423)
Net assets, June 30, 1983	500,000	1,793,391	-0-	-0-	2,293,391
Increases -					
Transfers from operating account		3,700,033	3,116,465	432,900	7,249,399
Interest on investments		184,228	26,877	22,364	233,469
Accrued interest collected at date of sale of Series F			180,018		180,018
Intrafund transfers			178,284		178,284
Decreases -					
Bond interest payments			(1,075,582)		(1,075,582)
Bond principal payments				(395,000)	(395,000)
Accounts payable increase			(2,426,083)	(60,264)	(2,486,347)
Intrafund transfers		(178,284)			(178,284)
Net assets, June 30, 1984	<u>\$500,000</u>	<u>\$ 5,499,368</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,999,368</u>

See accompanying notes to financial statements

STATE OF ALASKA INTERNATIONAL AIRPORTS

(An Enterprise Fund of the State of Alaska)

NOTES TO FINANCIAL STATEMENTS

June 30, 1984 AND 1983

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

The accompanying statements include the accounts of the State of Alaska International Airports (hereafter referred to as Airports), an enterprise fund created by Chapter 88 of the Session Laws of Alaska of 1967 to equip, finance, maintain, and operate the two international airports located at or near Anchorage and Fairbanks, Alaska.

Governmental Accounting -

The accounting policies used in preparation of the Airports' financial statements conform to generally accepted accounting principles applicable to state and local governmental entities. The Airports' annual financial statements are prepared on an enterprise fund basis of accounting, although State accounting records are maintained on an appropriated budgetary basis throughout the year.

Property, Plant and Equipment -

Property, plant and equipment are carried at cost, for property purchased or constructed, or at fair market value at the date of acquisition, for property contributed. Depreciation is computed using the straight-line method applied to the estimated useful lives of the assets, including those financed by government contributions. However, depreciation on contributed assets is not a factor in determining revenue rates. In distributing net income to the Airports' equity accounts, a charge representing depreciation on assets acquired with contributions is made against the related contributions account.

The cost of maintenance and repairs is charged to income as incurred whereas significant renewals and betterments are capitalized. The cost and accumulated depreciation of assets retired or sold are removed from the accounts and the gain or loss is reflected in income from operations.

Compensated Absences -

Routine annual leave is charged to the Airports as incurred, whereas an amount is budgeted and transferred annually to the State's General Fund for estimated accumulated leave payable at termination.

Capitalized Interest -

Interest expense is capitalized on construction in progress. Interest costs are not capitalized on assets financed by federal grants or General Fund contributions.

Concession Lease Prepayments -

In accordance with concessionaire lease agreements, certain payments relating to the end of the lease term were received upon signing of the lease. Amounts received in advance have been deferred and will be recognized in income as earned.

Investments -

Investments, which consist of U.S. Treasury notes and bonds, certificates of deposit and government securities, are carried at cost which approximates market.

Federal Grants -

Grants are recorded as receivables and as contributions when they are earned. Grant amounts are subject to adjustment upon determination of the total cost of the related projects.

NOTE 2 - FUNDS RESTRICTED FOR SPECIFIC PURPOSES:

The Airports are required to maintain various restrictive funds in compliance with the resolution authorizing issuance of the revenue bonds described at Note 4. The primary fund is the Revenue Fund. All receipts of the Airports, excluding bond proceeds or related grants and interest on Construction Funds, must be deposited into the Revenue Fund and are irrevocably pledged to the punctual payment of debt service so long as revenue bonds remain outstanding, to the payment of operating and maintenance expenses, or to additions or improvements to airport facilities.

The Revenue Fund contains a Repair and Replacement Account which is to be maintained at a \$500,000 balance. This account may be used (1) to eliminate deficiencies in the Bond Reserve Account, or (2) for extraordinary repairs, renewals and betterments in the event surplus revenues are not available.

The Redemption Fund and its subaccounts for Reserve, Interest and Retirement may be used only for debt service. The Reserve Account was initially established from proceeds of the revenue bonds and is to be subsequently maintained by transfers from the Revenue Fund at an amount at least equal to the maximum annual debt service on all bonds outstanding. Transfers from the Revenue Fund must be made to the Interest and Retirement Accounts in amounts sufficient to provide for annual debt service requirements.

NOTE 3 - AIRPORT PLANT IN SERVICE:

The airport plant in service was owned by the Federal Government prior to statehood and contributed to the State after that date. Additions to airport plant are funded by Federal Aviation Administration grants, bond proceeds, General Fund contributions and operating revenues. Depreciation is computed using the straight-line method. Asset values and estimated useful lives are as follows:

	<u>Life</u>	<u>Cost or Contributed Value</u>	
		<u>June 30, 1984</u>	<u>June 30, 1983</u>
Land		\$ 21,508,194	\$ 21,505,770
Land improvements	10 to 40 years	125,122,097	111,496,976
Buildings	24 to 40 years	56,041,546	55,641,725
Equipment	10 years	7,672,599	6,703,965
		<u>\$220,344,436</u>	<u>\$195,348,436</u>

NOTE 4 - REVENUE BONDS PAYABLE:

Revenue bonds have been issued with serial maturities through 1993 and term maturities during 1988, 1989, 1996, 1998, and 1999. A summary as of June 30, 1984 and 1983 follows:

	<u>Bonds Outstanding</u>		
	<u>Original Amount</u>	<u>June 30, 1984</u>	<u>June 30, 1983</u>
	(in thousands)		
Series A, 5.6% term bonds due June 1, 1988	\$ 7,000	\$2,240	\$ 2,245
Series B, 6.3% term bonds due June 1, 1989	2,225	900	1,080
Series C, 7.2% - 8.0%, maturing serially in annual amounts of \$50,000 from June 1, 1985 through 1986, \$5,880,000 in term bonds due June 1, 1996	6,500	5,980	6,030

	<u>Bonds Outstanding</u>		
	<u>Original Amount</u>	<u>June 30, 1984</u>	<u>June 30, 1983</u>
	(in thousands)		
Series D, 5.5% - 7.0%, maturing serially in annual amounts varying from \$175,000 to \$210,000 from June 1, 1985 through 1988, and \$6,760,000 in term bonds due June 1, 1998	8,500	7,520	7,680
Series F, 8.9% - 10.9%, maturing serially in annual amounts varying from \$900,000 to \$3,265,000 from August 1, 1985 through 1999	<u>28,000</u>	<u>28,000</u>	<u> </u>
Total	<u>\$52,225</u>	44,640	17,035
Less current portion		<u>890</u>	<u>390</u>
Long-term portion		<u>\$43,750</u>	<u>\$16,645</u>

Both serial maturities and required early redemptions of term bonds are as follows (in thousands):

<u>During Year Ended June 30</u>	<u>Total</u>
1985	\$ 890
1986	1,845
1987	2,005
1988	2,165
1989	2,340
Thereafter	<u>35,395</u>
	<u>\$44,640</u>

In order to provide for early redemption of term bonds, the bond resolutions provide for payments to be made to the Redemption Fund at the current redemption price. Retirements are made through open market purchases or through call provisions which provide for call prices beginning at 102.5% and declining ratably at 5% per year thereafter.

The revenue bonds have been issued pursuant to bond resolutions which prescribe the use of accounts described at Note 2 as well as certain other practices. Among these is a requirement that prior to the issuance of additional series of bonds, net revenues available for debt service must at least equal 1.3 times the sum of (1) annual debt service and (2) required deposits to the Bond Reserve Account of the Redemption Fund. The revenue requirement was met in 1984 and 1983. At June 30, 1984, the Bond Reserve Account was approximately \$496,000 less than the required level.

In July 1975, the Airports deposited sufficient monies with a trustee with instructions to purchase specified obligations of the United States of America, which mature at times such that the proceeds will provide funds sufficient to pay the scheduled principal and interest of the Airports' Series E Bond issue totaling \$8,100,000. Under terms of the bond resolution, the above issue is no longer considered "outstanding" for purposes of the bond covenants. Accordingly, these amounts are not reflected in the accompanying financial statements at June 30, 1984 and 1983.

NOTE 5 - COSTS ALLOCATED FROM THE DEPARTMENT OF TRANSPORTATION:

The Department of Transportation provides administrative and technical services benefiting all of Alaska's airports and aircraft bases. Resultant costs are allocated based upon budgetary estimates of the pro rata portion which should be borne by the various facilities, as set forth in the annual appropriation and budget document of the State of Alaska. Costs allocated to the Airports for the year ended June 30, 1984 amounted to \$932,700 for operations and \$344,700 for capital projects; the latter amount has been capitalized in airport plant in service. Comparable amounts for the year ended June 30, 1983 amounted to \$920,700 and \$351,900, respectively.

NOTE 6 - PENSION PLAN:

The Airports are a member of the Alaska Public Employees' Retirement System which provides for retirement benefits based on the employee's compensation, length of service and age at retirement. The contributory plan covers all regular, full-time employees. The pension costs, including amortization of past service costs over a 25-year period (40-years prior to July 1, 1978), are funded as accrued and totaled approximately \$1,521,000 and \$1,614,000 for the fiscal years ending June 30, 1984 and 1983, respectively. The excess, if any, of the actuarially computed value of vested benefits over the total of the pension fund assets is not available.

NOTE 7 - MAJOR CUSTOMERS:

Two unaffiliated customers provided revenues of approximately \$7,866,000 and \$7,151,000 representing 27% and 24%, respectively, of Airports' 1984 operating revenues. These customers accounted for approximately \$6,770,000 and \$6,925,000 or 24% and 25%, respectively, of Airports' 1983 operating revenues.

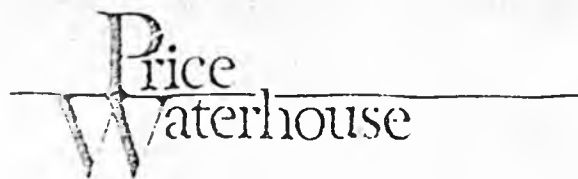
NOTE 8 - CONTINGENCIES:

On December 16, 1975, a Japan Airlines Boeing 747 aircraft went off the taxiway. Japan Airlines filed a suit against the State of Alaska International Airports. The suit was settled during 1984 with no significant loss to the State as insurance coverage in excess of the amount of the claim was in force at the time of the incident.

On December 16, 1983, a Japan Airlines aircraft collided with a truck on the runway at Anchorage International Airport. The Federal Aviation Administration has assumed responsibility for the incident and therefore no loss to Airports is anticipated. On December 23, 1983, a Korean airliner, under foggy conditions, collided with a small aircraft. Management anticipates that no liability will be incurred by Airports as a result of these incidents.

In the normal course of its activities, the Airports are involved in various other claims and litigation. In the opinion of management and the Airports' legal counsel, the disposition of these matters is not expected to have a material adverse effect on the financial statements.

ADDITIONAL INFORMATION



101 WEST BENSON BOULEVARD
ANCHORAGE, ALASKA 99503
907 563-4444

October 24, 1984

To the Bond Committee
of the State of Alaska

In our opinion, the accompanying information (Exhibits I and II) are fairly stated in all material respects in relation to the basic financial statements, taken as a whole, of the State of Alaska International Airports for the year ended June 30, 1984 which is covered by our report dated October 24, 1984 presented in the first section of this document. Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements.

Price Waterhouse

EXHIBIT I
ADDITIONAL INFORMATIONSTATE OF ALASKA INTERNATIONAL AIRPORTS
(An Enterprise Fund of the State of Alaska)STATEMENT OF INCOME
YEAR ENDED JUNE 30, 1984

	<u>Anchorage</u>	<u>Fairbanks</u>	<u>Total</u>
Operating Revenues:			
Landing fees	\$ 4,092,690	\$ 499,765	\$ 4,592,455
Parking fees	151,062	94,185	245,247
Gas and oil fees	8,330,292	912,001	9,242,293
Vehicle parking fees	1,538,669	35,892	1,574,561
Terminal building rental	2,212,130	413,188	2,625,318
Coin locker fees	3,432		3,432
Concession fees	9,397,518	281,461	9,678,979
Land rental	727,174	398,321	1,125,495
Electric energy fees	62,601	22,727	85,328
Flight service station rental		31,140	31,140
Other airport charges	30,701	80,491	111,192
Receipts for services rendered	9,135		9,135
Lease of state property		20,871	20,871
Interest	12,460	3,930	16,390
Other	5,894	2,888	8,782
Total operating revenues	<u>26,573,758</u>	<u>2,796,860</u>	<u>29,370,618</u>
Operating Expenses:			
Security	3,251,964	2,311,821	5,563,785
Field maintenance	2,345,707	1,207,617	3,553,324
Administrative	2,972,192	670,207	3,642,399
Building and equipment maintenance	4,166,090	1,012,742	5,178,832
Custodial	1,931,522	441,515	2,373,037
Total operating expenses	<u>14,667,475</u>	<u>5,643,902</u>	<u>20,311,377</u>
Operating income (loss) before depreciation	11,906,283	(2,847,042)	9,059,241
Depreciation expense	(5,234,830)	(2,104,354)	(7,339,184)
Income (loss) from operations	<u>6,671,453</u>	<u>(4,951,396)</u>	<u>1,720,057</u>
Non-Operating Income (Expense):			
Interest income	2,273,614	239,295	2,512,909
Interest expense	(36,394)	(3,830)	(40,224)
	<u>2,237,220</u>	<u>235,465</u>	<u>2,472,685</u>
Net income (loss)	<u>\$ 8,908,673</u>	<u>\$ (4,715,931)</u>	<u>\$ 4,192,742</u>

BASIS OF ALLOCATION

All items above are charged directly to the individual airports except for interest income, interest expense, and administrative expenses as discussed in Note 5. These items are allocated on the basis of gross revenues generated by each airport.

EXHIBIT II
ADDITIONAL INFORMATION

STATE OF ALASKA INTERNATIONAL AIRPORTS
(An Enterprise Fund of the State of Alaska)
CONSTRUCTION IN PROGRESS

JUNE 30, 1984

<u>Project Number</u>	<u>Project Name</u>	<u>Appropriation</u>	<u>Cost(1)</u>
Anchorage			
D0045	North Airpark Storm Drain	\$ 25,000	\$ 31,530
H79149	Terminal Expansion	<u>23,398,741</u>	<u>9,542,920</u>
	Total Anchorage	<u>23,423,741</u>	<u>9,574,450</u>
Fairbanks			
D4861	Lighting East Parking Lot/Taxiway	25,125	27,026
D4862	Runway Extension	5,631,610	321,905
D6524	Runway Extension	470,000	393,438
D6530	Float Pond Improvements	15,170	15,930
X20213	Security Surveillance System	60,000	22,743
H79352	Terminal Expansion	<u>2,310,848(2)</u>	<u>1,638,302</u>
	Total Fairbanks	<u>8,512,753</u>	<u>2,419,344</u>
	Total construction in progress	<u>\$31,936,494</u>	<u>\$11,993,794</u>

- (1) Total cost includes actual expenditures from International Airports Fund monies, accounts payable at June 30, 1984, and interest and administrative expense capitalizations. The costs represent incomplete projects or improvements to existing plant in service.
- (2) Excludes \$11,000,000 appropriation for completed Phase I and II which was transferred to Airport Plant in Service during fiscal year 1984.



Alaska State Legislature

House

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

March 15, 1985

Mr. Ben Harding
Special Assistant for Transportation
Office of the Governor
Pouch A/MS 0101
Juneau, AK 99811

Dear Mr. Harding:

On Monday, March 18 the House Community & Regional Affairs Committee will consider House Bill 258, "Reduction of Airline Passenger Fares". The committee will devote an entire meeting to hearing testimony on this bill, including teleconference testimony from Anchorage and Fairbanks.

You are invited to attend and participate.

Cordially,

A handwritten signature in cursive script, appearing to read "Peter Goll".

Peter Goll, Chairman
House Community & Regional Affairs Committee

ALASKA STATE SENATE

JOE P. JOSEPHSON
DISTRICT H — ANCHORAGE
1526 F STREET
ANCHORAGE, ALASKA 99501
(907) 277-4419

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4525



COMMITTEES
BUDGET & AUDIT
HEALTH, EDUCATION & SOCIAL SERVICES
RULES
TRANSPORTATION
SENATE CHAIR, ANCHORAGE CAUCUS

OFFICE OF MINORITY WHIP

February 6, 1985

Mr. Bruce Kennedy
President
Alaska Airlines
P.O. Box 68900
Seattle, Washington 98188

Dear Mr. Kennedy:

As a state senator from Anchorage, I have asked why air fares have increased in Alaska this year, at the same time that significant new discount fares are offered elsewhere. My inquiries have resonated in the Alaska community, because Alaskans know that fares charged for flights to and from Alaska were high, both in relative and absolute terms, even before the latest increases took effect.

I am enclosing a copy of my letter to the Attorney General of Alaska dated January 25 and a copy of the press release which I issued at that time. I am also enclosing three other newspaper clippings on this subject, including a recent editorial and a recent travel column, which show the existence of widespread community concern.

This office has received many messages from constituents, and there has been a proliferation of letters to the editor on this subject. For example, I also enclose some letters to the editor of the Anchorage Daily News which appeared in that paper recently.

Alaskans who travel know that the fares now available between points in the continental United States tend to be far lower than the fares available between Anchorage and Seattle, on a cost-per-mile basis. From a traveler's standpoint, as the enclosed newspaper clippings make manifest, there does not appear to be an obvious rationale for the existing fare structures, and there is certainly no discernible relationship between distance and cost.

I need not detail here the very serious consequences to us Alaskans of the high airplane fares. We have no rail alternative. Buses and cars do travel over the Alaska

Mr. Bruce Kennedy
February 6, 1985
Page Two

Highway, but considerations of climate, distance and time make these modes all but useless for most business and vacation travelers.

On the other hand, there is an alternative to the high fares now charged Alaskans on the Anchorage-Seattle route: Alaskans can stay home. Their relatives and friends in the "lower 48", and potential tourists, can stay home, too, rather than visit the 49th State.

That alternative is bad for the airlines. It is bad for Alaskans. It is bad for family relationships. It is bad for tourism. It is bad for commerce. It is bad for those who want to pursue educational curricula and professional seminars in other states. It is bad for community morale. It is bad for the relationship between the airlines and their customers. It is bad for the taxpayers of Anchorage who have invested in a new convention center, a sports arena, and other amenities designed to enhance tourism.

Alaskans are educated and sophisticated. They ask me:

1. Why are airline fares going up here while fares in other places are going down?

2. Why do all airlines consider the high fares to be more profitable, even though they compel many would-be travelers to stay put?

3. What are the justifications for the higher Alaska route fares? Are Alaska state airport landing fees higher than elsewhere? Is jet fuel bought for travel to and from Alaska more expensive? Is there a wage differential paid to employees working in Alaska? Are load factors so low that the costs of operation per seat, relative to revenues, are very high? If so, why do four carriers compete over the market, and why wouldn't lower fares build profits, at least on certain flights, or at least on designated flights off-season? Or, conversely, are load factors so high that it matters not to the carriers whether some Alaskans choose to be price-resistant?

4. Why has deregulation not led to price competitiveness here?

Mr. Bruce Kennedy
February 6, 1985
Page Three


I am considering introducing legislation on this subject, and as a member of the Senate Transportation Committee, I have requested public hearings on this question. The Chairman of the Transportation Committee, I am informed, has scheduled such hearings.

I have also received a response from the Attorney General of the State of Alaska to my inquiry about possible anti-trust violations. The reply of the Attorney General indicates that an element in any anti-trust litigation would be evidence of actual consultations among the carriers to set prices; it does appear that such evidence is difficult to obtain, if it exists at all. The Airline Travel Publishing Company computer service gives every carrier access to detailed fare schedules from every competitor, and so a consciously parallel fare policy can be set without direct communication among competitors on the subject.

The remedies for Alaskans in this environment would appear to be limited to a spontaneous or concerted abstinence or boycott from air travel; consultations with the Alaska delegation in Congress to explore inducements or sanctions at the federal level; utilization of the state's bargaining position as a major customer to bring about price concessions benefiting all Alaska travelers; encouragement of a new entrant in the Alaska market; and public relations rewards and honors to that carrier which is imaginative enough to be the first to give Alaska travelers some overdue relief.

I solicit your comments and suggestions so that Alaskans can begin to get some of the price benefits deregulation was supposed to bring. I have written in an identical vein to your three counterparts at the other interstate air carriers. In my judgment, imaginative leadership in this regard will inure to the short-range and long-range benefit of the company displaying it, and will certainly earn the recognition and gratitude of the legislature and the people of Alaska.

Sincerely,


Joe P. Josephson
State Senator

JPJ:rak
Enclosures



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

January 25, 1985

The Honorable Norman Gorsuch
Attorney General
State of Alaska
Pouch K
Juneau, Alaska 99811

Dear Mr. Attorney General:

As you know, Alaska Airlines has announced substantial fare increases for coach class passengers.

Advertising has indicated that each of the other interstate carriers (United Airlines, Northwest Airlines and Western Airlines) has followed the new Alaska Airlines fare schedule with virtual exactitude.

Before the new increases took effect, the one-way coach class fare between Anchorage and Seattle, on each of the carriers, amounted to a cost of 22 cents per mile. Alaska Airlines charged a one-way fare of \$324.90. Two other carriers (Northwest Airlines and Western Airlines) were three cents cheaper, at \$324.87. United Airlines charged \$5.90 less than Alaska Airlines, or \$319.00. This is an obviously miniscule "spread", and, as noted, each of the carriers is charging 22 cents per mile in fact.

The route between Anchorage and Juneau is extremely important to State government, inasmuch as many passengers are flying either on state business, at state expense, or because they are exercising their right or duty of citizenship to visit and speak with officials of the government. The fare over this route, where no competition exists, is 33 cents per mile.

For the purpose of this inquiry, however, I will not concern myself with the Anchorage-Juneau route, because only one carrier serves the route. Instead, I will confine my comparisons to the interstate route between Anchorage and Seattle, and other destinations in the continental United

The Honorable Norman Gorsuch
January 25, 1985
Page Two

States, on the one hand, and other American routes, not involving an Alaska airport, on the other. The comparisons are based upon the old fares before this month's increases took effect.

Between Anchorage and Seattle, passengers in coach class (disregarding "super saver" passengers) paid 22 cents per mile, as noted. This cost per mile is twice the cost per mile between Salt Lake City, Utah, and Washington, D.C. The distance between Salt Lake City and the nation's capital is 413 miles greater than the distance between Anchorage and Seattle. The fare is \$109.00 less than the Anchorage-Seattle fare before the new increase!

If Alaskans were able to travel for 11 cents per mile, they would pay a one way fare to Seattle of \$162.45, not \$319.00 to \$324.90, or the higher fares now in effect.

Another example -- and the examples are endless, obviously -- is the flight between Kansas City and Seattle, a distance of 1,851 miles (slightly farther than the distance from Anchorage to Seattle). Western Airlines offers a one-way fare of \$185.00, or 12 cents per mile, between Kansas City and Seattle.

Because "super saver" fares are offered virtually everywhere, and have many restrictions, including a requirement for round trip purchases, I have not attempted to calculate their effect. Our research is particularly interesting, I think, in its showing that the four carriers in the Alaska trade follow virtually equivalent coach class fares, as well as super-saver fares, and are also identical in their failure to offer any type of other discount fares (except senior citizens' discounts offered by Alaska Airlines and United Airlines).

Many Alaskans expected that deregulation of the industry would result in lower fares. Many Alaskans expected that the entry into the Alaska trade of United Airlines would enhance competition and result in savings to the consumer. As shown by the two newspaper clippings I enclose (article from the Anchorage Daily News of January 17, 1985 and editorial from the Anchorage Times of January 18, 1985), the fare increases are of interest and concern to Alaska residents.

The problem of the cost of travel is exacerbated for Alaskans because of the absence of rail or other surface travel modes that can be reasonable alternatives for many, given the distances to be covered and the climate that prevails during most of the year.

The Honorable Norman Gorsuch
January 25, 1985
Page Three

The inability of Alaskans to travel out-of-state means diminished opportunities for contact with family and friends in "the lower 48", and diminished opportunities for education, professional seminars, and other activities important to the development and fulfillment of the individual Alaskan in his or her personal life and career.

With all of these considerations in mind, I would be grateful for any reflections you and your Department may have, and would like to know particularly:

1. The elements of proof that would normally be required to show an unlawful "contract, combination or conspiracy" in restraint of trade, or other violation of the state anti-trust law. (AS 45.50.562 et. seq.)
2. Whether there may be a possible application of state anti-trust laws, for restraint of trade or price fixing by agreement or conscious parallelism, in this context.
3. Whether state anti-trust laws apply to interstate air carriers.
4. If not, whether state anti-trust statutes could be changed in a constitutional manner to provide such applicability and to establish state court jurisdiction.
5. Whether there is any precedent for anti-trust suits against air carriers in interstate commerce, either under federal or state anti-trust statutes, brought by attorneys general on behalf of state governments or their people, for alleged price-fixing and restraint of trade.
6. Whether there are any other statutory remedies that can be considered or developed to deal at the state level with the problem.
7. Whether the state has been given any data from the carriers which might justify either the apparent coincidence in their respective fare structures or the recent round of fare increases.

Because the matter I have raised is of great importance to the Alaska tourism industry and Alaska business in general, I am sending a copy of this letter to the Honorable Loren H. Lounsbury and I am inviting him and the Department

The Honorable Norman Gorsuch
January 25, 1985
Page Four

of Commerce and Economic Development, which he heads, to share with me any comments or ideas that they may have. At a minimum, it would be my hope that state officials in the executive branch will express to the carriers some of the concerns I have voiced here, and encourage fare competition and lower fares.

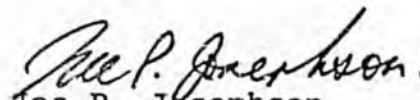
One of the puzzling factors in all of this is that it would appear to me to be evident that if fares were lower, more passengers would fill the airlines' seats. I am wondering whether the government or the industry has any information or studies, such as studies for the Division of Tourism of the Department of Commerce and Economic Development, which could help us (and the carriers) estimate what the passenger load factor would be if fares were lower.

Today, Alaskans pay more than 100 percent above what coach class travelers pay, on a per mile basis, elsewhere in the nation. Alaskan travelers appear to be subsidizing travelers on other routes.

All of this occurs at a time when the rate of inflation in Alaska is less than the rate of inflation across the nation. In the past several years, the federal government has noted on many occasions that the cost-of-living differential between Alaska and the rest of the country is narrowing, not growing. And airline fuel costs are reportedly stabilizing, too. Some airlines, as we know, have renegotiated union agreements to reduce labor costs. Finally, as I have noted above, we are in a deregulation environment that is a supposed benefit to the consumer.

Your assistance and advice would be very welcome, so that all of us in state government, working together, can help bring down the cost of airplane travel, absent compelling justifications from the carriers showing good reasons why prior rates and recent increases have been necessary and good reasons why all the carriers are charging essentially the same fares.

Sincerely,


Joe P. Josephson
State Senator

JPJ:rak
Enclosures

cc: The Honorable Loren H. Lounsbury



Dept. of Transportation & Public Facilities

Position Paper

BILL NO: House Bill No. 258

APPROVED: *R. J. Knapp*
Commissioner

TITLE: "An Act relating to the reduction
of airline passenger fares."

DATE: 3/15/85

The Department of Transportation & Public Facilities (DOT&PF) does not support this bill as currently written because of the following concerns:

1. At best, the potential reduction in passenger fares is nominal;
2. Resulting loss of revenue to the State's airport system would require a substantial subsidy from the State's General Fund;
3. Establishing "uniform terms and conditions" would be very difficult, if not impossible, to establish and apply equitably;
4. A large staff would be necessary to administer such a program;
5. Federal grants to State airports could be jeopardized; and
6. Could violate the current bond covenants at the Anchorage and Fairbanks International airports.

To calculate the potential reduction in passenger fares, an evaluation of airline airport costs per passenger at the Anchorage and Fairbanks International Airports was conducted. These airports have the highest fees of any State-owned airport. Under the new airport rates (increased January 1, 1985) the airlines' airport costs per passenger is approximately \$5.66. Even if the DOT&PF rebated all charges and fees to airlines for using the Anchorage or Fairbanks airports, all it would mean to the airline is \$5.66 per passenger. That is an insubstantial amount that would provide very little incentive for the airline to make any consequential reduction in passenger fares.

Most State-owned airports are currently subsidized by the General Fund. Anchorage and Fairbanks International Airports are exceptions and are supported through the International Airport Revenue Fund. Rebates of airport rents and fees, while

For further information call Susan Fleischhauer at 465-3900.

relatively insignificant to the airline, would represent substantial loss to these airports and would necessitate much greater General Fund contributions. For the Anchorage and Fairbanks airports alone, airline rents and fees total an anticipated \$15-17 million per year. If most of those fees were rebated to the airlines, some other source of financial support for the airports would have to be identified.

Establishing the "uniform terms and conditions" would be a complex and controversial undertaking. Questions such as the following would have to be addressed:

- What is an "acceptable" passenger fee? Who makes this decision?
- Does the State determine the acceptability of passenger fares within the State or only between origin points in Alaska and destination points in the "Lower 48"?
- Does the State determine acceptable fares between Alaska and all points in the "Lower 48" or only a selected few?
- Does the State also intend to adjudicate fares for flights originating in the Lower 48?
- How do we treat international airlines?

In establishing those terms and conditions, there would have to be a great deal of consideration given to whether the proposed system could be handled by the accounting staff. Variations, such as making some flights eligible for rebate and not others, could easily create a situation accounting and management could not possibly deal with.

A program such as that suggested in HB258 would require a special staff to develop and administer it. In addition to a central program administrative staff, each airport with carriers qualifying for rebates or special airport rents and fees would probably need additional staff to handle the resulting complicated invoicing and budgeting tasks. This staff would cost additional General Fund monies.

Receipt of federal airport grant monies could be jeopardized because under the terms of the grant agreements, the State is required to collect fees to help offset airport expenses. Crediting these fees to the airlines could endanger the approximately \$30 or \$40 million federal money available each year.

The Anchorage and Fairbanks International Airports, through the International Airport Revenue Fund (IARF) have sold millions of dollars in bonds to finance airport improvements. The bond covenants could be violated because the bond rating is based in large part on the anticipated future airport revenue flow. A violation of the covenants could result in the bonds being "called in" which would require the State to immediately pay in the range of \$50-\$55 million.

In summary, DOT&PF opposes HB258 because there is very little potential to leverage significant reductions in air fare while there is a very high potential for greatly increasing State government costs and involvement in the aviation marketplace.

Joe Venable

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: 1907) 465-3600

RECEIVED

February 5, 1985

FEB 6

Josephson

The Honorable Joe P. Josephson
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Re: Airline Ticket Prices
A.G. File 166-312-85

Dear Senator Josephson:

Your recent inquiry concerning the high prices Alaskans are forced to pay for airline tickets has been reviewed in detail by my department. This is a matter of substantial public concern, as air travel costs impact Alaskans in many different ways.

My office has been monitoring the situation for sometime. In particular, the nearly identical prices charged by the carriers for travel between Anchorage and Seattle caught our attention. We did initiate an inquiry to find out how and why Alaska Airlines, United, Western, and Northwest all charge essentially the same prices on this heavily travelled route.

Our investigation revealed that the airlines are able to keep track of each others prices, and proposed price increases, through several computerized information networks. The main network is the Airline Travel Publishing Company's computer service (ATPCO). The ATPCO system publishes routes, schedules, fares, and proposed fare changes nationwide, and is apparently updated daily. This system is used by travel agents as well as by the airlines, and allows its subscribers to know -- to the penny -- what any given airline is charging on its routes.

We are informed that airlines generally "move in packs" when it comes to prices. That is to say, as a general rule, no one airline wants to offer a fare that is much higher than any other airline, for fear of losing business. Air travel is a particularly price-sensitive industry. Consumers will fly the airline that offers the best price, with other factors (schedule, quality of in-flight service, etc.) running far behind price as a factor in selecting which airline to choose. If one airline lowers its prices, its competitors follow suit quickly.

Senator Joe P. Josephson
Alaska State Senate
A.G. File 166-312-85

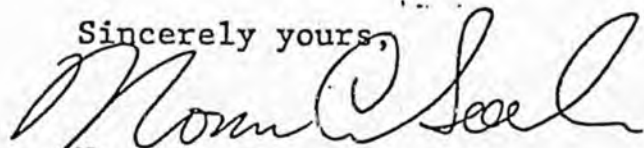
February 5, 1985
Page 2

We are informed that when an airline decides to raise its prices, it will publish the planned increase through the ATPCO system with an effective date of one to two months after the initial announcement. Thus, its competitors are given notice of any up-coming price rise. The competitors are in a position to follow the leader and file corresponding price increases. Unless one airline does not go along, we are told, the upward change is likely to happen. By closely following the proposals of their competitors, and responding to the changes as they occur, airlines are able to keep their prices within a few percentage points of each other. This process is what is known as "conscious parallelism" in antitrust law. It is not illegal, under either the Alaska Restraint of Trade Act or the Federal Sherman Act, to closely follow and to respond to a competitor's prices.

Your letter asks for thoughts on how the state antitrust laws apply, and whether they ought to be changed, in this situation. The problem is not one of jurisdiction, nor is it, in my opinion, one which can be remedied easily by changes to the law. If it could be shown by direct evidence that the airlines actually met, and agreed to charge any particular fare on Alaska routes, this office would be able to intervene and seek redress on behalf of consumers. But to prove pricefixing, we need evidence which we do not have, and which our initial inquiry does not indicate we would find. Nor would it be wise policy to seek a change in the law making it illegal for a business to watch a competitor's prices and respond to them -- consumers benefit when businesses cut prices in response to competition.

I join with you in expressing concern for the high prices Alaskans have to pay for airfare, in a time when the cost of air travel elsewhere in the country has declined dramatically. I certainly hope that consumers will express their concerns to the airlines. Perhaps one or more of the air carriers serving Alaska may respond by reducing its fares.

Sincerely yours,



Norman C. Gorsuch
Attorney General

NCG:jf

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 19, 1985

SUBJECT: Alaska's Airline Industry
(Work Order No. 14-0620)

TO: Representative Gruenberg
Chairman,
Health, Education, & Social Services Committee

FROM: Michael F. Ford *M.F.*
Legislative Counsel

You have requested that I examine Alaska's airline industry to determine if there is any method by which the state could affect the prices being charged for travel between Alaska and the other States. The price of air travel is generally recognized as being higher per air mile between Alaska and points south, than between equivalent distances in the continental U.S..

Under the Airline Deregulation Act of 1978 (P.L. 95-504), the restrictions on raising or lowering fares for domestic travel were minimized. Other than a thirty day notice requirement, the airlines have been able to set fares as they wish. In some markets this has resulted in lower fares as competition has grown, in some markets such as Alaska, the deregulation has not appreciably lowered prices. The power of the state to affect interstate travel is limited by the doctrine of federal preemption. In essence the federal government's authority over this area preempts any efforts by the state to regulate or affect the prices charged by carriers for interstate travel.

This does not mean that the state cannot act at all, simply that it must act without intruding upon that area controlled by federal law. The Airline Deregulation Act (P.L. 95-504) addressed this question in section 4(a) and provided that no state could enact any law, regulation, or other provision having the force or effect of law relating to rates, routes, or services of any interstate air carrier. This prohibition

contains an exception however, as regards a State's proprietary powers and rights as the owner or operator of an airport. As an owner, the state exercises proprietary rights in charging the air carriers fees for landing, parking, terminal space and fuel. The two places in which Alaska exercises such rights are Anchorage and Fairbanks, through the Department of Transportation and Public Facilities.

It is possible that the state could use it's proprietary powers to advance a consumer interest, such as lower airfares. Assuming that the state is legitimately charging for the use of it's facilities through the use of landing, parking, space and fuel fees, the state could give a credit against those charges to those air carriers who maintain a particular airfare. This would be intended to encourage lower airfares for customers, at no cost to the air carrier. To be a permissible law, it is important that the credit be a function of the State's proprietary powers, and not an effort to require air carriers to set specific airfares. Although an air carrier could still argue that the state is attempting to regulate air fares, and hence is violating federal law, this approach would appear to have a good chance of surviving a court challenge. Assuming that the credit would be entirely optional with the air carrier, it would seem difficult to argue that the state is imposing a burden on interstate commerce, or violating federal pre-emption of the control of airfares.

It is also possible that a close examination of the charges made for the use of Alaska's airports would reveal an additional tax or fee could legitimately be charged that is not being collected at present. If so, the state would not be losing any revenues currently going into the general fund. The amount of revenue that could be collected is governed by federal law, 49 U.S.C. 1513.

I have contacted the state D.O.T.P.F. and requested further information on the calculation of the particular fees being collected for the use of airport facilities. I have also spoken to the federal D.O.T. concerning calculation of airline tariffs. I will also be receiving information on the methodology of determining costs per airline mile. Assuming that a credit system is implemented, it will be necessary to develop a method for comparing costs between particular air routes.

All of the above also assumes that the state is willing to forego revenue from airport fees in order to promote

Representative Gruenberg
February 19, 1985
page 3

consumer interests in lower airfares. I have also placed a research request with the National Conference of State Legislatures. If they have any pertinent information they will forward it to me.

Providing a credit for state airport fees might also have the effect of attracting additional air carriers into the market, with resulting increased competition and lower fares. The amount of the credit would need to be determined before any accurate effect on the market could be predicted.

The complexity of this project would seem to dictate that it will require considerable time to prepare legislation. The concept of a credit for airport charges based on existing airline tariffs has not to my knowledge been implemented in any other state. Please let me know if you wish to proceed with this idea, or if I can be of further assistance.

MFF:lmb
L4/051

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION
and PUBLIC FACILITIES

DEPUTY COMMISSIONER

Bill Sheffield, Governor

4111 AVIATION AVENUE, POUCH 6900
ANCHORAGE 99502 (TELEX 25-185)
PHONE: 266-1440

February 22, 1985

The Honorable Max Gruenberg
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Gruenberg:

Your staff requested information and a Department of Transportation and Public Facilities (DOT&PF) opinion regarding two aviation-related items:

- 1) Using some of the Division of Tourism budget to attract new carriers to Alaska;
- 2) Whether airport lease costs could be lowered if airlines kept their passenger fares below a certain level.

These are interesting ideas. I'll simply offer some thoughts you may wish to consider based on DOT&PF experience in dealing with airlines and setting rates and fees at airports.

Attracting New Carriers to Alaska: Our work with air carriers indicates that the crucial element a new airline is looking for before entering a new market is passengers. Certainly anything the State can do to promote more aviation traffic to and from the State will make the market conducive to new entrants. However, I am not aware of any mechanism through which money from the Division of Tourism budget could directly attract new carriers -- those dollars can best enhance the aviation market by motivating more travel to the State.

Lease Costs vs. Airline Fares: The Anchorage and Fairbanks Airport rates and fees were recently adjusted based on costs of providing the facilities to the airlines. Since the International Airport Revenue Fund is set up statutorily to be self-supporting, our rates and fees must be structured to allow us to recover operating costs and finance our capital improvement costs. Lease costs or airline fees could not be lowered significantly and still allow the International Airport Revenue Fund to be self-supporting. One option mentioned was charging a premium to air carriers that do not comply with whatever fare limits the State set. Under this plan we may be vulnerable to charges of anti-trust and discrimination. Legislative attorneys would need to evaluate that.

February 22, 1985

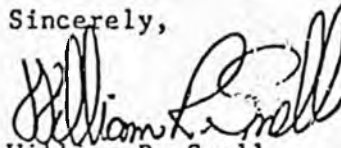
As far as I know, airports are able to charge differential rates and fees only if they can prove higher costs to justify the different fees. By essentially imposing a penalty on the carriers not complying with the State's fare limits, Alaska would be attempting de facto to economically regulate the aviation industry in the State.

Another item for consideration is that in general, an airline's airport costs are less than 3% of their annual budget. Adjusting their airport costs may provide very little incentive for them to keep fares low. If, on the other hand, the State were able to affect their fuel or labor costs, the incentive could be much greater.

In summary, the greatest factor in airline fares in a regulated environment is the typical market forces of travel demand and competition to meet the demand. The recent "price war" seems to support this. I believe anything the State can do to increase the travel demand is the best approach to attracting new carriers, thereby increasing the competition and inviting lower fares.

Please let me know if there is any further information you need.

Sincerely,



William R. Snell
Director

GML/cn

cc: Susan Fleischhauer, Legislative Liaison, Commissioner's Office
Ray Gillispie, Director of Legislative Relations, Governor's Office
Ginger Johnson, Special Assistant, Commissioner's Office
Don Dickey, Division of Tourism, Department of Commerce & Economic Development

RECEIVED

FEB 22

Josephson,

MEMORANDUM

TO: Vince O'Reilly,
Deputy Commissioner *Wm. O'Reilly*
2/13/85

DATE: February 12, 1985

FROM: Orhan M. Yildiz
Economic Analysis Section

SUBJECT: Airline Industr.

THROUGH: Committee of Directors, Economic Analysis Section

In response to your request concerning determinants of airline travel demand we performed a literature search on the subject. Not surprisingly, there is no relevant information specifically for the Alaska market. However, from the limited literature that is available locally I have put together the following discussion, which may shed some light on the questions raised by Senator Josephson.

The 1978 Airline Deregulation Act has increased competition in most of the U.S. airline markets. Consequently, consumers have, in general, benefited from lower fares. In the Alaska market, however, steady price increases in recent years above the inflation rate indicate that Alaskans might not have benefited from the industry deregulation equally. Finding the reasons behind this would require an analysis of the local market characteristics and the airline industry structure in Alaska.

In spite of the increase in competition in the U.S. air travel market, the industry earnings in the post deregulation years have been good, except around the 1980 recession period, and were exceptionally good in 1984. Earnings are expected to increase in 1985. (This information was given by Albert Khan, the man responsible for the deregulation of the airline industry, on the KTOO TV show "Firing Line" on Feb. 9, 1985.) This may imply a price elastic (or price responsive) demand for air travel — i.e., a decrease in fares is more than offset by an increase in demand so that the industry revenues in fact increase. Why, then, is this experience in the lower 48 not transferable to Alaska?

First, the Alaska market has little competition compared to markets elsewhere in the U.S. Even the national market is not entirely competitive, since it is still dominated by the large Trunks, although their market share decreased considerably after the deregulation. In Alaska not only are the alternative modes of travel practically absent, but few airlines operate within the state boundaries. The existence of a small number of operators with similar cost structures and nearly identical products makes

the disadvantage of rivalry clear. This does not necessarily imply collusion. When the market is dominated by one large airline that airline could act as the leader and set the market price, which would be adapted immediately by the smaller airlines. Thus, it is likely that the Alaska market gravitates toward a monopolistic structure or toward an oligopoly with joint profit-maximizing behavior.

Where the air fares are set depends on how easy it is for other airlines to enter the market and the elasticity of demand for air travel. If barriers to entry were low, fares would not be much above those found in a "competitive market," for otherwise new airlines would enter the market to share profits. Thus, one question to be answered is how difficult it is to open the Alaska market to further competition.

If demand for air travel is not responsive to price changes the industry can pass most of the general operating cost increases on to the customers. The existence of monopoly conditions would further exacerbate the situation, because costs due to inefficiencies would be added to the overall costs -- while in a competitive market the inefficient airline would be forced to drop from the market. If the demand responds elastically to price changes cost increases would be born mostly by the industry. Hence, any price increase due to increasing costs would cut revenues drastically. Conversely, a decrease in price would increase revenues but not necessarily the profits of a monopolist. Therefore, the second question that would need to be answered is whether the demand for airline travel in Alaska is responsive to changes in prices.

Whether the Alaska market can become more competitive depends on several factors. Entering into the Trunk business involves economies of scale. Literature indicates that "... a carrier would have to supply at least two billion available ton miles ... in order to achieve unit costs comparable to those of the typical Trunk;" beyond this level of operation economies of scale disappear.^{1/} In this situation the economical alternative would be the entry of an existing airline company, not a new carrier, to the Alaska market. This way the airline would pick the revenue

^{1/} Paul Biederman, "The U.S. Airline Industry: End of an Era," Praeger Special Studies, 1982.

Ton miles is the available tons multiplied by mileage flown.

passenger miles of travelers destined to other locations within the U.S. The market share of a carrier also depends on the frequency of service (number of flights per day), although as length of trip increases this becomes less of a factor.^{2/} In Alaska, trip lengths between Anchorage and Seattle, Southeast and Seattle, and Southeast and Anchorage would make it feasible to capture a reasonable share of the market with few flights per day.

Obviously, each carrier does not have the same cost structure, since there are other determinants of cost than size. One indicator of carrier efficiency is employee productivity, which could be measured as revenue ton miles per employee.^{3/} Total operating expenses of a carrier depends on total employment, age of aircraft fleet (affects maintenance), type of aircraft (technology) and cargo revenue. Since the two major airlines operating in Alaska re lower 48 based their employee costs in routes between Alaska and Seattle are probably not much higher than an average U.S. carrier. Of course, airlines have to maintain ground crews (for maintenance and service) at every airport. In addition, the cost of providing service within Alaska would be higher. One factor of great importance for the Alaska market is the cargo revenues of carriers. These work to reduce operating costs considerably. In all likelihood airlines in Alaska receive considerable cargo revenues, which lower operating costs and increase total revenues. Consequently, it is not clear whether operating cost of air carrier service to Alaskans is overall costlier than elsewhere. If further work in the airline cost area is sought, financial data for Alaska carriers could be obtained from the Federal Aviation Administration (FAA). Such reporting is a requirement of FAA.

In addition to operating costs, a major obstacle to entry into the Alaska market would be fixed depreciation and amortizations costs of investment. Airlines with the monopoly power could easily undercut the prices, even below the level of a competitive market, to drive out a new entrant to the market. A carrier with high financing costs might not survive such rivalry unless it is protected by a parent corporation.

^{2/} George C. Eads, "The Local Service Airline Experiment," The Brookings Institute.

^{3/} A revenue ton mile is the revenue generated from carrying one ton a distance of one mile.

For a new carrier to enter the Alaska market it is important to know whether Alaska travelers are sensitive to price reductions. If they are not, utilization of additional carrier capacity offered by the new carrier may require deep price cuts, which would also reduce the total revenue earnings of the industry. On the other hand, if there are barriers to entry into a market, companies with the monopoly advantage benefit from inelastic demand. When demand is not responsive to price the reduction in demand would be proportionately less than the price increase, resulting in an increase in revenues.

The results of demand elasticity analysis in the U.S. carrier market has mixed results. In general, demand for business travel is relatively insensitive to price, whereas the reverse is true for vacation travel. Nevertheless, it is not clear that these conclusions apply to the Alaska market. It is possible that even the vacation travel might be inelastic, considering that few substitutes for air travel exist. Besides, demand for travel is derived from demand for other things, such as business, vacation, visiting family or friends. It is generally acknowledged that the geographical conditions here necessitate occasional vacations to outside. Also few Alaskans may spend their annual leaves at a touristic location of Alaska. There is also the fact that most people here have relatives in the lower 48, whom they may need to visit occasionally. Without specific analysis of the market we can not draw definitive conclusions, although these arguments point to a market with low price responsiveness to air travel. However, acknowledging the price sensitivity of vacation travelers, air carriers offer price discounts. Thus, the existence of different fare categories in Alaska indicate that nonbusiness travelers still have a more price elastic demand curve, but this is likely to be a matter of degrees.

A study for the airline travel in the North Atlantic market seems to give some, albeit shaky, evidence to the hypothesis of inelastic demand in Alaska. Cigliano has analyzed the effect of price and income elasticity of airline travel between the U.S. and Europe, and also between Canada and Europe.^{4/} The total demand (aggregate of different fare classes) was responsive to personal income in both markets, responsive to price in the U.S. market but unresponsive to price in the Canada market. The author attributes

^{4/} J. M. Cigliano, "price and Income Elasticities for Airline Travel; The North Atlantic Market," Business Economics, 1980.

the price inelastic demand in Canada to a different mix of travelers — e.g., more first class or business travelers. It is also possible that the special relationship of Canada to England requires a level of governmental and business interaction which is less sensitive to price. Alaska's remote geographical location to the mainland U.S. could easily be likened to the Canadian situation. Cherington, who did the first comprehensive, but subjective, review of airline pricing concluded that price changes of less than 10 percent produced an inelastic response.^{5/} This study is now out dated, but for a new entrant to the market this figure gives an idea of the type of strategy required in order to be competitive.

In conclusion, the position of the State of Alaska should be the encouragement of competition in the Airline industry by making entry to the market easier. This can take the form of low interest business loans, tax legislation, or contract bidding. By opening the fiscal year air travel to a bidding process the government would be acting as a monopsonist (a monopolist of the user of services). If the size of government related travel is large, the bidding process may prove to be very effective and may even lure a new carrier to enter the Alaska market.

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^{5/} Paul Biederman, op. cit.

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION
and PUBLIC FACILITIES

DEPUTY COMMISSIONER

Bill Sheffield, Governor

4111 AVIATION AVENUE, POUCH 6900
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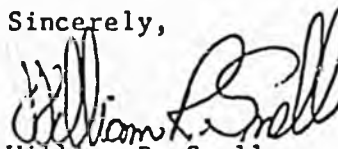
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Sincerely,



William R. Snell
Director

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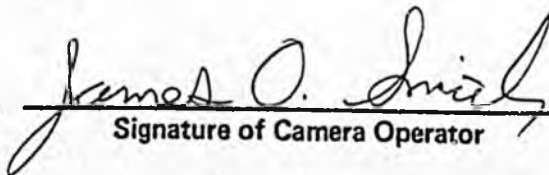
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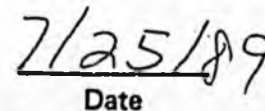


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