

SJR

50

SJR 30

This resolution respectfully requests the President of the United States to ratify the 1980 memorandum of understanding between the Republic of Korea and the United States so that Korean Air Lines will be permitted to pick up passengers in Anchorage.

Passengers flying to Korea from Anchorage now have to fly to Tokoyo and change planes or fly to Seattle -to fly directly to Seoul, even though Korean Air Lines stops in Anchorage to refuel.

Anytime trade missions from the state have gone to Korea they have had to have State Department approval to fly direct to Seoul from Anchorage.

*FOREIGN*

Korean Air Lines is the only <sup>FOREIGN</sup> Airlines that stops in Anchorage and not allowed to pick up passengers

DATE: 17 FEBRUARY 1986  
TO: COMMITTEE MEMBERS  
FROM: STAFF  
RE: SJR 30 RELATING TO PASSENGER SERVICE BY KOREAN AIR  
LINES IN ANCHORAGE

This resolution requests the U.S. President to ratify the 1980 Memorandum of Understanding between the Republic of Korea and the United States so that Korean Air Lines will be permitted to pick up passengers in Anchorage.

The 1957 U.S. Republic of Korea Air Transport Services agreement has governed the U.S. and Korea air services for almost 30 years and have been expanded through amendments made including negotiations resulting in the 1978 and 1980 aviation agreements between the U.S. and Korea.

The 1978 Memorandum of Understanding allowed provisions for cargo handling by U.S. carriers. Before that, the U.S. had requested clarification of these provisions. In 1979 the U.S. demanded that the Korean Government construct or allow a U.S. carrier to construct a new cargo terminal for exclusive use of U.S. airlines.

The 1980 Memorandum of Understanding (MOU) conferred with the Korean government's request for an expansion of the route schedule so Korean Air Lines could offer service to additional points in the U.S. and points beyond. It also provided that the Korean Government would give a U.S. carrier the option to construct a new cargo terminal at Kimpo. That carrier being the Flying Tiger. Under the 1980 MOU the traffic rights granted to Korean Air Lines, except the traffic rights at Anchorage, were to be phased-in and tied to completion of the new cargo facility.

In 1983 the Flying Tiger notified authorities they did not have adequate funding for building the facility.

By choosing to forego construction, the Flying Tiger delayed progress on the new terminal, preventing Korean Air Lines from exercising its new traffic rights.

The Korean Government is constructing (or has constructed) the terminal at Kimpo . Construction of the facility should resolve the terms of the 1980 agreement in a manner which would be satisfactory to the United States.

Representative Ray or staff will provide additional testimony on the necessity of this resolution.

Voting record:

Senate Transportation - concur - Coghill, P. Fischer, Faiks, Josephson

Senate Floor - Yeas	16
Nays	0
Absent	3
Excused	1

The 1980 MOU has not been ratified.

**HOUSE  
COMMITTEE REPORT**

Date referred: 2/3/86

FURTHER REFERRALS:

DATE: 2.18.86

The TRANSPORTATION Committee has considered SJR 30

Relating to passenger service by Korean Air Lines in Anchorage.

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with \_\_\_\_\_  same title  
 new title

and recommends \_\_\_\_\_

further referral to the \_\_\_\_\_ Committee

- and attaches:
- letter of intent
  - first fiscal note
  - new fiscal note
  - zero fiscal note

SIGNING DO PASS:

Bette Cato  
Dink Shultz  
Adelheid Herrmann  
W.M. MARROU  
Walter G. ...  
Mike ...  
M. Lignallben

SIGNING OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Bette Cato  
Chairman

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SJR 36  
 Title : Relating to service by  
Korean Air Lines in Anchorage  
 Sponsor : Sen. Ray  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : none  
 BRU : \_\_\_\_\_  
 \_\_\_\_\_  
 Components : \_\_\_\_\_  
 \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Prepared by : Amy Daugherty  
 Division : House Transportation Committee

Phone : 465-4858  
 Date : 2/18/86

Approved by ~~Commissioner~~ : Bette Cato  
 Agency : \_\_\_\_\_

Date : \_\_\_\_\_

Distribution (by Agency preparing fiscal note) :

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

Do NOT  
DISTRIBUTE

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Anytime trade missions from the state have gone to Korea they have had to have State Department approval to fly direct to Seoul from Anchorage.

Foreign

Korean Air Lines is the only <sup>Foreign</sup> Airlines that stops in Anchorage and not allowed to pick up passengers

SENATE RESOLUTION NO. 30

"A Resolution allowing Korean Airlines to pick up passengers at Anchorage airport."

The Department of Commerce and Economic Development strongly endorses the passage of Resolution No. 30.

The advancement of international trade and the diversification of our economy through the development of trade is a priority of this Administration. Objectives include attracting investments, increasing labor participation in our industries, and improving access to international markets. Obtaining the rights for Korean Airlines to pick up passengers in Anchorage is more than a symbolic event. Such a routing by Korean Airlines would give Alaska a direct access to our most active trading partner after Japan.

During the past several years, Korea has taken one of the most important investment roles of any foreign nation in Alaska's economy. From joint ventures in fishing, to coal exports, to in-state construction, Korea has provided an infusion of capital which represents a good faith interest in a long-term economic relationship with Alaska. Indeed, Korea sees Alaska as an ideal location for the development of a stable resource base and as a place where it can invest capital in response to increasing pressure by the U.S. government to reduce the U.S.-Korea trade deficit which is hovering in the billions. Investment in Alaska is especially attractive to the Koreans since they have the opportunity of investing in those resource industries which will benefit that nation.

Moreover, Korean construction technology is now rivaling Japan in many areas and the Korean construction industry is looking for new outlets or markets for this expertise. As Alaska continues to develop its infrastructure of port facilities and the like and as the State expands its industry to include new refineries and other facilities, so will Korea continue to operate in our marketplace.

Alaska can ill afford to presume, however, that Korea will develop our market potential with us unless our products are competitively priced and our citizens, from the government to the private sector, are supportive of creating an environment conducive to the expansion of trade. Such support can be represented by our own good faith efforts to make access to Alaskan markets easy and profitable for the Koreans. The rights to pick up passengers would represent successful progress toward creating a good trade atmosphere through a new partnership at the international airport.

The rights in question also mean a great deal of future capital for the State. Anchorage International Airport already provides millions of dollars of revenue for the State through both stopover rights and passenger pick-up rights. Japan Air Lines is the biggest customer of the State with millions of dollars generated through landing fees, passenger pick-up fees, duty free shopping revenue, and the tourist industry. Korea, however, is beginning to have more mobility as a national population. Business and leisure travel is becoming far more common than it was even five years ago as a result of an increase in disposable income and a relaxation in visa procedures. The rights in question would serve to stimulate an increased interest by the Koreans in developing the Alaskan market as a tourist destination rather than as merely a stopover location.

Anchorage International Airport, finally, is facing a very serious future issue involving the possibility of airlines establishing overflight routes which bypass the airport. The rights in question granting Korean Air Lines the ability to pick up passengers in Anchorage could positively impact this issue.

International airline landings at Anchorage International Airport have increased by 42% from 1981 to 1984. The increase in international landings is projected to continue through the 1980's. However, as the market for nonstop flights develops and new aircraft technologies are purchased, international passenger flights via Anchorage International Airport will likely decrease while nonstop flights over the U.S.S.R. and other routes will increase. The Boeing 747-400, expected to be in production in 1988-1989 and in use by 1990, will reduce fuel consumption by 10-12% over existing 747 aircraft while increasing passenger loads by up to 32%. It will have a flight range of 7,000 miles. The nonstop flight from Tokyo to London is 5,400 miles.

It is imperative, therefore, that the State work in conjunction with the Municipality of Anchorage and other appropriate groups to market Alaska as the ideal tourist destination that it is for visitors from the Pacific Rim. We also need to develop any other mechanisms which promote an anchoring of the international airline community at Anchorage International Airport. If there is a legitimate passenger market or other inducements for the carriers, it is unlikely that Anchorage International Airport would face catastrophic losses. However, we must act now to begin the anchoring process. The obtaining of the rights permitting Korean Air Lines to pick-up passengers in Anchorage is a logical and major first step in our process.



Loren H. Lounsbury, Commissioner

1/28/86

Date

3. Needs of Direct Service between Korea and Anchorage

- a) No direct passenger service of any kind is provided by any U.S. or foreign carriers between Korea and Anchorage. Passengers wishing to travel between Korea and Alaska must use connecting passenger service which is inconvenient, time-consuming and infrequent. And existing all-cargo service is via intermediate points with limited frequencies.
- b) In the face of this dearth of air transportation service in the Korea - Alaska market, there is a great demand and urgent need for such air service by passenger and shippers alike.
- c) The pressing need for improved air transportation service between Korea and Alaska also has been reflected by numerous expressions of support for Korean Air's service in the market by citizens, shippers, civic organizations and government officials in Alaska.

## ANCHORAGE TRAFFIC RIGHT FOR KOREAN AIR

### 1. Status of Traffic Right at Anchorage

- a) Under the 1978 Memorandum of Understanding between R.O.K. and U.S.A., Korean Air has the right to operate to New York via Anchorage with stopover right at Anchorage.
- b) Under the 1980 Memorandum of Understanding between the two countries, Korean Air was granted the right to operate to Anchorage. However, this Understanding has not been ratified so that the Anchorage right is not in force.
- c) In 1983, Korean Air requested an exemption to provide air transportation between Korea and Anchorage. However, Korean Air's request was denied on the ground that the 1980 Memorandum of Understanding was pending.

### 2. Operating Status at Anchorage

- a) Korean Air operates total 40 flights to New York and Los Angeles via Anchorage as a technical stop as follows ;

KE 013	Seoul - Anchorage - New York	6 flights per week
KE 017	New York - Anchorage - Seoul	6 flights per week
KE 015	Los Angeles - Anchorage - Seoul	4 flights per week
KE 098	Seoul - Anchorage - New York	6 flights per week
KE 097	New York - Anchorage - Seoul	6 flights per week
KE 084	Seoul - Anchorage - Los Angeles	5 flights per week
KE 083	Los Angeles - Anchorage - Seoul	5 flights per week
KE 082	Seoul - Tokyo - Anchorage - Los Angeles	1 flight per week
KE 081	Los Angeles - Anchorage - Tokyo - Seoul	1 flight per week

- b) Korean Air also provides 3 round - trip passenger flights between Seoul and Europe via Anchorage as a technical stop with all flights.

KOREAN AIR

January 24, 1986

Alaska State Senate  
Committee on Transportation  
State Capitol Building  
Pouch V  
Juneau, Alaska 99811

ATTN: Ms. Elizabeth Ziegler

Dear Ms. Ziegler:

Pursuant to our telephone conversation of yesterday, I am enclosing the booklet entitled "U.S.-Korea Aviation Relations and Ratification of the U.S.-Korea 1980 Memorandum of Understanding." Also included is a two page "Executive Summary."

I trust that the information and statistics contained in these documents will prove adequate support for the resolution being considered by the Alaska State Senate.

As you may be aware, Korean Air has been exerting every effort for quite some time to obtain authority for full traffic rights at Anchorage.

We sincerely appreciate the efforts being made by the Alaska State Senate in this regard, and hope that the seed being planted through the resolution will soon bear fruit.

Sincerely yours,



Lee Steiner  
Manager  
Government Affairs  
American Regional Office  
KOREAN AIR

Enclosure

:ls

## Executive Summary

The United States and the Republic of Korea have long enjoyed cordial aviation relations. These important allies have worked together to create a procompetitive air market in which carriers from both countries can operate profitably. However, progress in U.S.-Korea aviation relations has recently been stymied by the reluctance of the U.S. to ratify the 1980 Memorandum of Understanding (MOU) between the two nations.

The Republic of Korea strongly desires ratification of its 1980 aviation agreement with the United States. It believes that the obstacles to implementation of that agreement have been removed and that conditions now exist which will allow an end to the current deadlock.

A series of air transport agreements between the U.S. and Korea have conferred significant advantages on U.S. carriers:

- The U.S. has designated 14 carriers to serve Korea while Korea has designated one carrier to serve the U.S.
- Currently, U.S. airlines operate between Seoul and fourteen U.S. points. In contrast, the Korean carrier is only allowed to serve three points in the U.S.
- U.S. carriers presently have unlimited rights to serve points beyond Korea and in fact serve five such points. Korean Air Lines (KAL) is not authorized to serve any beyond points.

In addition to favorable route rights, U.S. carriers serving Korea enjoy automatic fare approval, unrestricted charter rights, and the largest amount of cargo space allocated to foreign carriers at Kimpo International Airport. These factors, coupled with the large volume of U.S. Government business, have enabled the three U.S. carriers to compete effectively in the Korean market and to derive substantial profits from their services.

Although Korea has closely cooperated with the U.S. on aviation matters, and in fact, was one of the first countries in the world to accept a procompetitive bilateral agreement, its right to provide service to the U.S. is far more restricted than other nations offering transpacific service. Taiwan, Thailand, the Philippines and Japan all enjoy greater route rights to the U.S. than Korea. Moreover, Korea's conciliatory attitude on fares, designation, and capacity issues stands in stark contrast to the experience of U.S. carriers in many European and Latin American nations.

The rights granted to Korea by the 1980 Memorandum of Understanding represent a reasonable expansion of its present authority to serve the U.S. In return for additional benefits

conferred on U.S. carriers, KAL will receive full traffic rights at Anchorage, and the same rights with respect to Chicago and Oakland. For the first time, the 1980 agreement also provides for beyond rights to a single point in Europe. KAL's expanded route rights under the 1980 MOU are comparable to the rights presently enjoyed by other Asian nations and still leave U.S. carriers with a significant edge over their Korean counterpart.

Furthermore, the rights granted to KAL are matched by greater benefits for U.S. carriers serving Korea. The terms of the 1980 MOU permitted U.S. carriers to construct a new cargo terminal at Kimpo International Airport for their exclusive use. Flying Tiger, the U.S. all-cargo carrier, expressed its intention to construct the Kimpo cargo facility, but requested several concessions from the Korean Government before doing so. The Korean side made each one of these concessions, including:

- an increase in the agreed-upon size of the facility; and
- an increase in the amortization period for the facility from the ten-year period specified by Korean law to a twenty-year amortization period.

After obtaining these concessions, Flying Tiger advised the State Department that it no longer objected to the "immediate implementation of each of the rights granted to the Korean designated air carrier" as specified in the 1980 MOU.

Flying Tiger never began construction of the new cargo terminal because it lacked the necessary financial resources to complete it. Instead, the Korean Government pledged its commitment to build the cargo facility and in fact, has already commenced its construction. Completion is scheduled for early 1986. Once the facility is finished, U.S. carriers will have the capability to self-handle all cargo at Kimpo, fully implementing Korea's commitments under the 1980 agreement.

While the terms of the 1980 MOU will have been met by the Korean side, there is no sign that the U.S. is prepared to ratify the agreement and implement its provisions. Thus, KAL will be denied the benefits promised by the agreement while U.S. carriers continue to enjoy their already significant advantages while receiving additional rights on top of that. Because the commitment of the Korean Government to construct the cargo terminal at Kimpo has mooted U.S. objections to ratification, it seems grossly unfair to further delay implementation of the 1980 agreement.

By signing the 1980 Memorandum of Understanding, the U.S. undertook a commitment to seek its ratification and adhere to its provisions. The U.S. should now prove as good as its word by ratifying and implementing the 1980 agreement.

U.S.-KOREAN AVIATION RELATIONS AND  
RATIFICATION OF THE U.S.-KOREA  
1980 MEMORANDUM OF UNDERSTANDING

U.S.-KOREAN AVIATION RELATIONS AND  
RATIFICATION OF THE U.S.-KOREA  
1980 MEMORANDUM OF UNDERSTANDING

I. INTRODUCTION

Since the inception of air transportation between the United States and the Republic of Korea, aviation relations between the two countries have been cordial and mutually beneficial. However, several differences of a minor nature have recently threatened to undermine this close and constructive relationship. These differences have caused the U.S. thus far to refuse to ratify and implement the provisions of an April 12, 1980 Memorandum of Understanding (MOU) with Korea concerning air transport services between the two countries. The reluctance of the U.S. to ratify the 1980 MOU has denied significant economic benefits to air carriers on both sides of the Pacific.

The Republic of Korea strongly desires ratification of its 1980 aviation agreement with the United States. It believes that the obstacles to implementation of that agreement have been removed and that conditions now exist which will allow an end to the current deadlock.

This paper will explore the present status of U.S.-Korea aviation relations, describe recent steps to resolve the outstanding issues, and suggest the advantages for both nations of an early and equitable resolution of their differences.

## II. A BRIEF HISTORY OF U.S.-KOREAN AVIATION RELATIONS

Air services between the U.S. and Korea have been governed for almost thirty years by the 1957 U.S.-R.O.K. Air Transport Services Agreement. The air transport rights granted by the original agreement have been significantly expanded through several amendments to the basic document. The latest series of negotiations resulted in the 1978 and 1980 aviation agreements between the U.S. and Korea.

The 1978 U.S.-R.O.K. Memorandum of Understanding, signed ad referendum, significantly enhanced access and competition in the U.S.-Korea air market. The U.S. was given the right to designate an unlimited number of carriers to provide service to Korea. Moreover, the two countries agreed to a system of mutual disapproval of fares and rates, increasing the likelihood of fare reductions and fare discounts. In exchange, Korean Air Lines (KAL) was granted traffic rights to New York and passenger stopover rights at Anchorage. The 1978 MOU also raised for the first time the issue of self-handling of cargo by U.S. carriers at Kimpo International Airport (Seoul). At the request of the U.S. delegation, Korea agreed to special provisions for cargo handling by U.S. carriers.

Prior to ratification of the 1978 Memorandum of Understanding, the United States requested clarification of the provisions governing cargo self-handling at Kimpo. On March 14, 1979, the U.S. Ambassador in Seoul sent a letter to the Minister of Foreign Affairs specifying the handling rights to which U.S.

carriers would be entitled. In the same letter, the United States demanded that the Korean Government construct, or allow a U.S. carrier or U.S. carriers to construct, a new cargo terminal for the exclusive use of U.S. airlines. Even though the 1978 MOU was silent as to the construction of additional cargo facilities at Kimpo the Korean Government acceded to the United States' request. Following resolution of this issue, the United States and Korea exchanged diplomatic notes ratifying the 1978 Memorandum of Understanding.

One year after the 1978 agreement was ratified, representatives from the United States and Korea again met to discuss air transport relations between the two countries. During the talks, the Korean Government requested an expansion of the route schedule so that Korean Air Lines could offer service to additional points in the United States and points beyond. The delegations, in an April 12, 1980 Memorandum of Understanding, conferred on the Korean carrier traffic rights to Anchorage, Oakland and Chicago and beyond rights to one point in Europe. The new traffic rights, if implemented, would partially rectify the route imbalance which currently allows U.S. carriers to operate from any U.S. points via any intermediate points to any points in the R.O.K. and any points beyond while restricting the Korean carrier(s) to only three U.S. gateways without any beyond rights.

The 1980 MOU also provided that the Korean Government would give a U.S. carrier (Flying Tiger) the option to construct a new cargo terminal at Kimpo. If Flying Tiger chose not to exercise its option, the R.O.K. would construct the facility itself. The size of the facility would be no less than 2,688 square meters and would allow for both inbound and outbound cargo handling by U.S. carriers. Under the 1980 Memorandum of Understanding, the traffic rights granted to Korean Air Lines, except the traffic rights at Anchorage, were to be phased-in and tied to completion of the new cargo facility.

Although authorized to construct the Kimpo cargo facility and initially expressing interest in doing so, Flying Tiger decided not to proceed. It informed U.S. authorities in May 1983 that it did not have adequate financing to build the proposed facility. By choosing to forego construction, Flying Tiger delayed progress on the new terminal, preventing KAL from exercising its new traffic rights under the 1980 MOU.

The 1980 Memorandum of Understanding has not been ratified. Although Korea has repeatedly proposed its ratification to the U.S. Government, the United States has declined to ratify the MOU on the ground that the new cargo terminal at Kimpo must first be completed (notwithstanding the decision of Flying Tiger not to build the terminal as it originally stated it would). In order to resolve this issue and proceed with implementation of the 1980 agreement, the Korean Government has decided that it will construct the Kimpo cargo facility. Construction of the facility

is now under way and is expected to be completed by early February 1986. When completed, the new facility, which will exceed 4,032 square meters in size, will enable U.S. carriers to self-handle inbound, outbound and transit cargo at Kimpo. Thus, with construction of the new cargo facility, the major issue stalling implementation of the 1980 MOU has been resolved according to the terms of that agreement and in a manner which should be satisfactory to the United States.

### III. BENEFITS UNDER THE U.S.-KOREA AVIATION AGREEMENTS

Despite the goodwill that has generally pervaded U.S.-Korea aviation relations, the 1980 Memorandum of Understanding is no closer to ratification today than it was five years ago. In large measure, the impasse over ratification results from the protracted controversy over the cargo facility at Kimpo, an issue which, as explained above, has now been resolved. However, also behind the failure to ratify the 1980 MOU is the view held by some in the U.S. aviation community that the agreement is "tilted" towards Korea. That is simply not the case. As the following analysis demonstrates, the economic rights enjoyed by U.S. carriers under the 1978 and 1980 agreements outweigh those enjoyed by KAL. Moreover, the benefits enjoyed by U.S. carriers serving Korea will only continue to grow as the Korean economy develops and trade and commerce between the two countries increases.

A. Structure Of The U.S.-Korea Air Market

The U.S.-Korea air market is presently served by one Korean carrier (Korean Air Lines) and three U.S. carriers (Pan American, Northwest and Flying Tiger). Pan Am, Northwest, and KAL conduct both passenger and cargo operations. Flying Tiger is strictly an all-cargo carrier.

Under the U.S.-Korea bilateral agreement as modified by the 1978 MOU, the route rights enjoyed by U.S. carriers are far greater than those allowed to KAL:

- With the right to designate an unlimited number of carriers, the U.S. has designated 14 carriers to serve Korea while Korea has designated one carrier to serve the U.S. (Exhibit A, Table 4).
- U.S. carriers may provide service between any points in Korea and any points in the U.S. Currently, U.S. airlines operate between Seoul and fourteen U.S. points. In contrast, the Korean carrier is only allowed to serve three points in the U.S. (Exhibit A, Table 5).
- With respect to service beyond each country, U.S. carriers under the existing agreement have unlimited rights to serve points beyond Korea with full Fifth Freedom rights<sup>1/</sup> and in fact serve five such points and derive substantial economic benefits from such services. (Exhibit A, Tables 18, 19). KAL is not authorized to serve any beyond points.

The imbalance in route rights severely limits the competitive opportunities available to KAL. U.S. carriers can now operate, in both directions, from any U.S. points, via any intermediate points, to any points in Korea, and beyond Korea to

GENERAL NOTES AND COMMENTS:

<sup>1/</sup> Fifth Freedom rights are rights granted carriers of one country to carry local traffic (i.e., passengers and cargo) between the other country and a third country.

any points other than certain Communist countries.<sup>2/</sup> KAL, on the other hand, has been limited to the same route rights for approximately thirty years, with the single addition of traffic rights to New York and stopover rights at Anchorage.

In addition to favorable route rights, U.S. carriers serving Korea enjoy automatic fare approval, unrestricted charter rights, and the largest amount of cargo space allocated to foreign carriers at Kimpo International Airport. These factors, coupled with the large volume of U.S. Government business, have enabled the three U.S. carriers to compete effectively in the Korean market and to derive substantial profits from their services.

As the Korean economy continues to grow and as the 1988 Summer Olympics approach, U.S. carriers will have further opportunity to exploit their advantages under the existing air agreement between Korea and the United States.

#### B. Total Market Statistics

By any objective standard, the U.S.-Korea air market is large and rapidly growing. As of October 31, 1984, the number of passengers traveling between Seoul and various points in the U.S. reached an annual figure of 496,813, a 69.4% rise over 1979. The statistics for cargo traffic are similarly impressive:

141,157,000 pounds of cargo ferried between the U.S and Korea last year, a 93.2% rise over 1979. These figures establish the

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<sup>2/</sup> In accordance with the 1980 Memorandum of Understanding, the Korean government consistently has advised the U.S. government that this restriction on beyond rights will be eliminated immediately upon ratification of the 1980 agreement.

U.S.-Korea air market as second largest of the transpacific passenger markets (Exhibit A, Table 2), and fourth largest of the transpacific markets for air cargo (Exhibit A, Table 3).

The U.S. participation in the market has been steadily rising over the past several years. Since 1978, the number of passengers enplaned at Seoul by U.S. carriers has grown at an average annual rate of 18.2% (Exhibit A, Table 10). Over the same period, freight enplaned by U.S. carriers at Seoul has increased each year by an average rate of 15.4%. (Exhibit A, Table 10). As the traffic carried by U.S. operators has risen, so has the number of flights between the U.S. and Korea. In May 1985, weekly flights by U.S. carriers serving the U.S.-Korea air market had risen by 31% over the prior year. The increase in the number of passenger flights by U.S. carriers has been particularly dramatic, nearly tripling in frequency over the past seven years. (Exhibit A, Table 10A). Most impressive of all, measured in terms of annual available seats, U.S. carriers will provide 60% of passenger capacity in this market in 1985 compared to the 40% share held by KAL. (Exhibit A, Table 8).

Translated into revenue, these figures mean significant earnings for U.S. airlines. Last year, U.S. carriers received an estimated \$153 million from passenger operations in the U.S.-Korea market. (Exhibit A, Table 13). Cargo operations generated revenue of \$68 million. (Exhibit A, Table 14). Total revenue has increased dramatically over the past six years, an upward trend which shows no signs of abating.

This analysis of the U.S.-Korea air market confirms the substantial benefits received by the U.S. under its aviation agreement with the Republic of Korea. Implementation of the 1978 MOU has dramatically increased revenue and traffic for U.S. carriers operating flights to Seoul. Ratification of the 1980 MOU would continue this record of growth by expanding the competitive opportunities available to U.S. carriers.

### III. ARGUMENTS SUPPORTING RATIFICATION OF THE 1980 MEMORANDUM OF UNDERSTANDING

Over the years, the give-and-take of U.S.-R.O.K. negotiations has produced a series of agreements, which have somewhat improved the imbalance favoring the U.S. under the Air Transport Services Agreement between the two countries. The 1980 MOU is no exception to this pattern of continuing improvement. Its terms provide for an exchange of benefits intended to enhance competition in the U.S.-Korea air market. The following analysis summarizes the policy and economic justifications for ratification of the 1980 MOU, from both the U.S. and Korean perspective.

#### A. Korea Has Been Extremely Cooperative In Aviation Matters With The U.S.

The Republic of Korea has always been forthcoming in aviation relations with the U.S. As demonstrated by the discussion below, it has accommodated U.S. interests on several matters resulting in significant benefits for U.S. carriers. Ratification of the 1980 MOU would provide the basis for

continuing cooperation by the Koreans in aviation affairs and further cement the cordial ties between the U.S. and one of its most dependable allies.

1. The 1978 Memorandum of Understanding.

The 1978 U.S.-R.O.K. Memorandum of Understanding (MOU) was a precedent-setting agreement. At the time, the U.S. was aggressively pursuing an "open skies" policy in bilateral aviation agreements with foreign nations. "Open skies" meant greater competition in international air markets and was intended as the international corollary to deregulation at home. Although such agreements were uncommon at the time, Korea accepted a "liberal" bilateral treaty reflecting the procompetitive policies of the U.S. Government.

Korea was the first major country in the Far East and one of the first countries in the world to accept a procompetitive bilateral. While many foreign governments refused to sign such procompetitive agreements in order to protect their own carriers, Korea did not. Korea's acceptance of such an agreement was hailed by U.S. aviation officials as a major step in extending the "open skies" policy to Asia. In fact, shortly after the 1978 agreement was concluded, several other Asian nations (i.e., Singapore, Thailand and Taiwan) followed Korea's lead and agreed to procompetitive bilateral arrangements with the United States.

Under the "open skies" approach of the 1978 MOU, U.S. carriers serving Korea enjoy the unrestricted right to set fares, determine frequency of service, and select routes. This

contrasts sharply with the rights of U.S. carriers under other bilateral agreements regarding air transport services including those between the U.S. and some of its major trading partners and allies. Consider the following:

- Many bilaterals restrict the number of carriers the U.S. can designate to provide international service. The agreements with Great Britain, Canada, Mexico, Italy, and the Philippines, to name a few, all impose firm limits on the number of designations.
- Many of the same agreements also limit the routings over which U.S. carriers can operate.
- Many bilaterals provide for unilateral disapproval of carrier fare initiatives. The agreements with Germany, Switzerland, and the United Kingdom permit prior governmental review of fares. Indeed, a spate of notices of rejection from the British government last fall precipitated a major crisis in U.S.-U.K. aviation relations.
- Schedules frequently are subject to prior governmental review. Under the aviation agreement between the U.S. and Great Britain, carrier schedule increases must be negotiated every six months.

Significantly, these matters have never been the subject of a dispute between the U.S. and Korea. The 1978 MOU gave the U.S. the right of unlimited designation of carriers, with no restrictions on flight routes or schedules. Fares are reviewed according to a mutual disapproval system under which U.S. carriers are effectively able to set fares as they wish. On matters of capacity, as on most matters involving aviation, the U.S. and Korea see eye-to-eye.

2. Modification of the 1978 MOU.

When the U.S. sought additional rights for U.S. carriers, Korea once again acceded to its demands. The 1978 MOU was modified to allow U.S. cargo carriers greater self-handling rights at Kimpo International Airport. The U.S. refused to ratify the 1978 MOU until Korea specified the self-handling rights that U.S. carriers would enjoy. An additional concession, one which apparently is unique in the history of bilateral agreements, involved the commitment of the Korean Government to construct, or allow a U.S. carrier or U.S. carriers to construct, a new cargo terminal at Kimpo airport for the exclusive use of U.S. airlines.

3. Fifth Freedom rights.

Fifth Freedom rights, especially important for U.S. carriers, have been hotly contested in negotiations conducted by the U.S. with other nations. Often, the availability of Fifth Freedom rights determines the economic viability of a particular route. Out of a desire to protect their own carriers, most nations are extremely reluctant to allow U.S. carriers traffic rights to points in other countries. In fact, in the case of a number of countries such as Peru and Greece, the issue of Fifth Freedom rights led to the renunciation or near-renunciation of aviation agreements with the U.S.

Not so in the case of Korea. U.S. carriers serving Seoul have full Fifth Freedom rights to serve beyond points and presently provide such service to Hong Kong, Taipei, Manila,

Osaka, and Tokyo. Moreover, U.S. carriers may exercise Fifth Freedom rights beyond Seoul to points in the People's Republic of China if the 1980 MOU is ratified. Substantial traffic is generated by present Fifth Freedom markets. In 1982, the most recent year for which figures are available, U.S. carriers flew 197,179 passengers between Seoul and Tokyo, and 25,277 between Seoul and Taipei (Exhibit A, Table 18).

Korea's conciliatory attitude on Fifth Freedom rights is all the more remarkable given the fact that at present it has no similar rights in the U.S. Although the right to serve one beyond point in Europe was granted by the 1980 Memorandum of Understanding, that right has been held in abeyance by the failure of the U.S. to ratify the 1980 agreement.

4. Commencement of service by U.S. carriers.

Korea follows a laissez-faire approach with respect to start-up service by U.S. carriers. Both Braniff and Pan Am were able to initiate service to Seoul with a minimum of bother and delay. This is in stark contrast to the difficulties typically experienced in Latin America and Japan. Throughout Central and South America, the problems associated with start-up operations have been acute. Challenge Air Transport experienced particular difficulty in Guatemala and Peru, where its attempts to begin operations met delay after delay. Bureaucratic delays also stalled the commencement of service by United to Japan. The Japanese relented only after intense pressure from the U.S. including several retaliatory measures against Japan Air Lines.

U.S.-Korea aviation relations have never reached the nadir marked by United's application to serve Japan. U.S. carriers have been free to come and go from Seoul pretty much as they please.

As indicated by this review of U.S.-R.O.K. aviation relations, the Republic of Korea has been cooperative and flexible in negotiations with the United States. The cordial attitude of the Korean Government has led to pragmatic aviation agreements, emphasizing a balanced exchange of economic rights and opportunities. It is anomalous, to say the least, that the nation which has championed "open skies" should respond to the Korean approach of lowering constraints and promoting competition by refusing to ratify the 1980 Memorandum of Understanding. The present U.S. position not only penalizes a trusted American ally but undermines the basis for what has been up to now a very special relationship between the U.S. and Korea with respect to aviation affairs.

B. Ratification Of The 1980 MOU Will Guarantee U.S. Carriers Sufficient Space For Self-Handling Of Cargo At Kimpo International Airport.

The 1979 letter from the American Ambassador to the Korean Foreign Ministry secured for U.S. carriers the right to self-handle cargo at Kimpo airport. However, the size of the cargo area presently used by U.S. carriers prevents them from self-handling all freight.

The construction of a new cargo facility at Kimpo will provide a considerably larger space (in excess of 4,032 square meters) for the exclusive use of U.S. cargo carriers. The addition of this space will remove the physical constraints which currently prevent U.S. carriers from self-handling all their own cargo. Consequently, with the construction of the new facility, import, export, and transit cargo will be totally self-handled by U.S. carriers.

C. The Route Rights Granted To KAL Under The 1980 MOU Are A Reasonable Expansion Of Its Present Authority And Are Consistent With Similar Rights Granted To Other Nations.

In approaching the 1980 aviation negotiations, Korea sought an expansion of route rights for KAL. As previously noted, these route rights were severely limited and far less than the rights enjoyed by U.S. carriers serving Korea.

Prior to 1978, KAL was restricted to one U.S. route--from Seoul to Los Angeles, via Tokyo and with a mandatory stop in Honolulu. In the 1978 MOU, the U.S., in return for Korea's acceptance of a "liberal" bilateral agreement, granted to KAL the right to provide passenger and cargo service to New York, with passenger stopover rights (but not traffic rights) at Anchorage. The 1980 MOU allowed KAL full traffic (as opposed to stopover) rights at Anchorage, upon notification by the Korean Government that it had removed restrictions on service to Communist nations as part of the "beyond rights" of U.S. carriers serving Seoul. Under the same agreement, KAL was given rights to Oakland, upon completion of the new cargo facility at Kimpo International

Airport. One year after the cargo facility was completed, KAL was to receive rights to Chicago, and one year after that, beyond rights from one point in the U.S. to one point in Europe.

The new authority granted to KAL as part of the 1980 MOU was not given for "free" but resulted from negotiations between the U.S. and Korea. In each case, the new route rights were closely tied to additional benefits for U.S. carriers serving Seoul.

Moreover, the route rights granted to other countries under similar bilateral agreements are far more significant than those granted to Korea under the 1978 and 1980 agreements. Other Asian nations agreeing to procompetitive bilateral agreements received new route rights in return. Taiwan, for example, presently enjoys rights to Guam, Honolulu, Seattle, San Francisco, Los Angeles, Dallas, and New York, plus beyond rights to a point in Europe and a point in either Central or South America. Thailand enjoys rights to New York, Honolulu, Los Angeles, Guam, Seattle and one additional point, together with beyond rights to Canada and Europe. Even countries which have been restrictive in rights granted to U.S. carriers have enjoyed rights comparable to those conferred by the U.S.-Korea aviation agreements. The U.S.-Philippine agreement, for example, which contains strict capacity and designation limitations, grants Philippine carriers rights to Guam, Honolulu, San Francisco, Los Angeles and five points to be elected, together with beyond rights to three countries to be selected.

D. Implementation Of The 1980 MOU Will Mean Better Service For Chicago And San Francisco/Oakland.

The new route rights granted to KAL under the 1980 agreement will allow a boost in service to markets which at present are underdeveloped. Although Chicago and San Francisco/Oakland presently receive service from U.S. carriers flying to Korea, traffic and revenue generated by these points is far greater for other transpacific markets. For example, there are thirty-four weekly passenger flights to Tokyo from Chicago, non-stop and one-stop, with similar service from San Francisco 49 times a week. (Exhibit A, Table 20). Contrast this with the frequency of service to Seoul, which features only 16 weekly flights from Chicago and 12 flights from San Francisco. (Id.)

The figures for air cargo over these routes also indicate underdeveloped markets. Last year at Chicago, air cargo exports to and imports from Korea stood at 11.5% and 14.5%, respectively, compared to the same figures for trade with Japan (Exhibit A, Table 22). For San Francisco, the percentages are 8.5% and 13.8%. In other cities served by U.S. carriers, the air cargo figures for the U.S.-Korea and U.S.-Japan markets reflect a much narrower gap. (Id.). The addition of KAL service to Chicago and Oakland would spur competition between carriers, lower fares, and promote the development of those markets. However, this will only come about if the U.S. implements the 1980 Memorandum of Understanding.

IV. ACTIONS TAKEN BY KOREA CONCERNING THE 1980  
MEMORANDUM OF UNDERSTANDING

The 1980 MOU stipulated several understandings. While the 1980 Agreement has not been ratified, the Korean Government has taken the necessary actions to implement most of the measures agreed upon. U.S. carriers have already been enjoying the benefits which these understandings provide for, such as the settlement of a storage facility problem and exemption of U.S. carrier ground handling equipment from the normally applicable customs duties.

The major issue which has prevented U.S. ratification and implementation of the 1980 Memorandum of Understanding concerns the construction of an additional cargo facility at Kimpo International Airport. The following account of the delays surrounding construction of the Kimpo cargo facility is intended to dispel any misconception that the Korean Government has disregarded its commitments under the 1980 agreement by impeding progress on the new cargo terminal.

The 1980 Memorandum of Understanding provided that the Korean Government would present to U.S. carriers a specific proposal for the construction of a new cargo facility and would provide the option for U.S. carriers to construct the building. The agreement further provided that, if the option was not exercised, the Korean Government would construct the facility on its own.

On May 8, 1980, less than four weeks after the agreement was signed, the Korean Government presented its specific proposal for construction of the new cargo facility to the U.S. carriers. The proposal, which was accompanied by preliminary design sketches, contemplated a facility of 2,688 square meters which would be erected immediately adjacent to the space then being allocated to the U.S. carriers. In a letter dated June 13, 1980, Flying Tiger notified the Korean Government that it was exercising its option to construct the facility and requested that the facility be expanded to comprise 4,032 square meters.

On November 17, 1980, the Korean authorities approved Flying Tiger's request, subject to the requirement that the facilities be constructed in conformity with applicable Korean laws and regulations and that, upon completion, title to the facility be transferred to the Korean Government as prescribed by the National Properties Act, a requirement which all companies in Korea must conform to.

In the months following the approval of its proposal, Flying Tiger did not submit construction plans or other information regarding the facility to the Korean authorities. Six months later, Flying Tiger submitted to Korean authorities a draft agreement to lease premises located at Kimpo in order to develop and construct a cargo facility consisting of 3,360 square meters. Because the draft agreement submitted by Flying Tiger contained terms inconsistent with relevant Korean laws, the Korean authorities advised Flying Tiger that its draft agreement did not

conform to Korean law and provided Flying Tiger with the appropriate forms and procedures to be followed in connection with construction of the facility. In June 1981, Korean officials advised the United States of the recent developments concerning the cargo facility at Kimpo.

On July 13, 1981, noting that Flying Tiger's delay was holding up implementation of the 1980 Memorandum of Understanding, the Korean Ministry of Transport sent a letter to Flying Tiger requesting it to commence construction "at the earliest possible date". Korean officials advised the U.S. State Department of the Ministry of Transport's letter to Flying Tiger. Flying Tiger did not respond to the letter.

Over the next thirteen months, Flying Tiger informally raised several objections, through the U.S. Embassy in Seoul, concerning existing Korean laws governing the construction of facilities at Kimpo Airport. The principal objection concerned the approximately ten year amortization period specified in Korean law -- a requirement which applied to all facilities constructed by Korean Air Lines or any other private company at Kimpo Airport. On June 15, 1982, the Korean authorities advised Flying Tiger that it would be allowed to amortize the new cargo facility over 20 years and requested "timely construction of the air cargo facility for early implementation of the Memorandum of Understanding". The U.S. Embassy in Seoul also was advised of this fact.

By letter dated April 28, 1983, Flying Tiger advised the Deputy Assistant Secretary of State that Flying Tiger was accepting the last proposal of the Korean Government for construction of the cargo terminal at Kimpo. In the same letter, Flying Tiger also stated that it was withdrawing "all objections to the immediate implementation of each of the rights granted to the Korean designated air carrier" as specified in the 1980 Memorandum of Understanding.

On May 10, 1983, Flying Tiger stated in a letter to the Deputy Assistant Secretary of State that it did not have the necessary financing resources to build the proposed facility at Kimpo:

Under the Korean Government's proposal, no financial aid is available nor can the building itself be used as collateral for a construction loan. The lack of those advantages, combined with Flying Tiger's current financial condition, compel the carrier to forego at this time its option to build.

Flying Tiger has yet to advise the Korean Government as to its intentions with respect to the construction of the facility.

In order to resolve the issue and proceed with implementation of the 1980 Memorandum of Understanding, the Korean Government has undertaken the construction of the Kimpo cargo facility which has been delayed by Flying Tiger's inaction. The new facility will enable Flying Tiger and Northwest (and Pan American, should it so desire) to self-handle inbound, outbound and transit cargo at Kimpo. The U.S. carriers will have exclusive use of the facility on rental terms comparable to those

currently being enjoyed by the carriers. With the addition of the new building, U.S. carriers will have exclusive use of approximately one-third of the cargo area at Kimpo, with all other carriers - including Korean Air Lines - jointly sharing the remaining space.

When all of the facts surrounding construction of the new cargo facility at Kimpo are taken into account, the only possible conclusion must be that the Korean Government has demonstrated good faith - and considerable goodwill - in its efforts to implement not only this major issue but all issues of the 1980 Memorandum of Understanding. The 1980 agreement required the Korean authorities to present a proposal for the facility, and they did so. Flying Tiger exercised its option to construct the facility, and the Korean authorities urged the carrier to get on with the work. Flying Tiger requested an increase in the size of the facility by 50 percent, and the Korean authorities agreed. Flying Tiger requested relief from Korean regulations governing amortization, and the Korean authorities agreed. And, once Flying Tiger decided that it would not go forward with the facility due, in part, to its own financial condition, the Korean Government stepped forward to construct the multi-million dollar project. Such a record hardly supports the notion that the Republic of Korea has ignored its commitments under the 1980 Memorandum of Understanding.

V. CONCLUSION

For the past five years, the United States and Korea have been deadlocked over implementation of their 1980 air transport agreement. While Korea has on several occasions proposed formal ratification of the 1980 MOU, the United States has steadfastly refused, citing the lack of progress on a new cargo facility at Kimpo.

The commitment of the Korean Government to construct the cargo terminal at Kimpo has mooted U.S. objections to ratification. With construction already started, the interests of the U.S. are no longer served by a continued refusal to ratify the 1980 agreement. In fact, further delay in implementing the 1980 MOU will deny significant economic benefits and competitive opportunities in the U.S.-Korea air market.

By signing the 1980 Memorandum of Understanding, the U.S. undertook a commitment to seek its ratification and adhere to its provisions. The U.S. should now prove as good as its word and implement the 1980 agreement.

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## KOREA IS THE SECOND LARGEST TRANSPACIFIC PASSENGER MARKET

	1983 <u>Passengers</u>
<u>Between USA and:</u>	
Japan	3,670,090
<u>Republic of Korea</u>	<u>458,999</u>
Hong Kong	400,978
Taiwan	280,922
Singapore	112,727

Note: The source data (US Immigration & Naturalization Service reports) frequently understate traffic levels in certain transpacific markets because reporting carriers fail to report true on-flight origin-destination and instead report only the first foreign port of arrival or last foreign port en route to the U.S. Thus, a Seoul-bound passenger on Los Angeles-Tokyo-Seoul flight may be recorded as a U.S.-Japan passenger rather than US-Korea. Similarly, a Hong Kong boarding passenger on a Hong Kong-Tokyo-Los Angeles flight may be recorded as a Japan-US passenger.

Source: USDOT/I&NS.

KOREA IS THE SECOND LARGEST TRANSPACIFIC PASSENGER MARKET

PASSENGER STATISTICS BETWEEN  
THE U.S. AND SELECTED ASIAN POINTS  
1978 - 1984

Year	U.S.-Japan		U.S.-Singapore		U.S.-Hong Kong		U.S.-Taiwan		U.S. Korea	
	Number	Growth	Number	Growth	Number	Growth	Number	Growth	Number	Growth
1978	2,568,923	-	8,905	-	142,000	-	168,720	-	183,571 <sup>1/</sup>	-
1979	3,073,505	19.6%	35,458	298.2%	272,739	92.1%	179,956	6.7%	293,284	59.8%
1980	3,177,994	3.4	80,931	150.8	363,296	33.2	203,447	13.1	411,352	40.3
1981	3,352,066	5.5	115,612	30.0	342,605	(5.7)	235,880	15.9	406,717	(1.1)
1982	3,527,032	5.2	124,586	7.8	324,244	(5.4)	263,362	11.7	457,600	12.5
1983	3,670,090	4.1	112,727	(9.5)	400,978	23.7	280,922	6.7	450,999	0.3
YE 10/31/84	4,154,767	13.2	100,521	(10.8)	540,209	34.7	333,047	18.6	496,813	8.2
Average Growth 1978-1984		8.5%		77.8%		28.8%		12.1%		20.0%

<sup>1/</sup> Northwest on strike 04/29/78 - 08/14/78.

Source: USDOT/IBHS.

KOREA IS THE FOURTH LARGEST TRANSPACIFIC AIR CARGO MARKET

AIR CARGO EXPORTS/IMPORTS BETWEEN  
THE U.S. AND SELECTED ASIAN POINTS  
1979 - 1984

Year	U.S.-Japan		U.S.-Singapore		U.S.-Hong Kong		U.S.-Taiwan		U.S. Korea	
	1,000 Pounds	Growth	1,000 Pounds	Growth	1,000 Pounds	Growth	1,000 Pounds	Growth	1,000 Pounds	Growth
1979	312,083	-	44,065	-	127,672	-	91,410	-	73,068	-
1980	328,577	5.3%	45,809	4.0%	120,134	(5.9)%	89,952	(1.6)%	68,135	(6.8)%
1981	341,449	3.9	52,506	14.6	155,923	13.1	110,096	22.4	77,380	13.6
1982	327,849	(4.0)	58,072	10.6	136,151	0.2	118,977	8.1	91,662	18.5
1983	408,673	24.7	83,922	44.5	190,395	39.8	173,754	46.0	130,275	42.1
1984	586,158	43.4	109,215	30.1	256,139	34.5	217,217	25.0	141,157	8.4
Average Growth 1979-1984		14.7%		20.8%		16.3%		20.0%		15.2%

Source: US Department of Commerce, Bureau of the Census, FT-155, U.S. General Imports, 1979-1984, and FT-455, U.S. Exports, 1979-1984.

THE UNITED STATES HAS MADE EXTENSIVE USE  
OF ITS MULTIPLE DESIGNATION RIGHTSCARRIERS DESIGNATED TO SERVE U.S.-REPUBLIC OF KOREA MARKETS,  
U.S. AND ROK FLAGS

<u>Korea</u>	<u>United States</u>
Korean Air Lines	Northwest Airlines
	Pan American World Airways
	The Flying Tiger Line
	Braniff Airlines
	World Airways
	Hawaiian Air Lines
	Trans Carib Air Inc.
	Trans International Airlines
	American Airlines
	Continental Airlines
	Trans World Airlines
	United Airlines
	United Air Carrier
	Jet Charter

U.S. CARRIERS SERVE MORE U.S. POINTS  
THAN THE SINGLE KOREAN CARRIER DOES

SINGLE PLANE SERVICE\* PROVIDED  
BETWEEN THE U.S. AND THE REPUBLIC OF KOREA  
BY FLAG OF CARRIER  
SPRING 1985

Points in the USA Linked to ROK and Served by: .....

- ROK Carrier

Honolulu  
Los Angeles  
New York (JFK)

-USA Carriers

Chicago  
Dallas/Fort Worth  
Detroit  
Honolulu  
Guam  
Houston  
Minneapolis/St. Paul  
New Orleans  
New York (JFK)  
Philadelphia  
San Francisco  
Seattle  
Washington  
Los Angeles (to start June 6)

\* Includes flights with single flight numbers even though flight requires a change of gauge.

Source: Official Airline Guide, Worldwide Edition, February and April, 1985.

U.S. CARRIERS OFFER MORE  
SERVICE TO MORE POINTS THAN THE SINGLE  
KOREAN CARRIER DOES

NUMBER OF PASSENGER FLIGHTS BETWEEN  
REPUBLIC OF KOREA AND THE U.S. BY U.S. POINTS

(One way basis per week)  
Spring, 1985

Between ROK and:	February, 1985		May, 1985	
	ROK Carriers	US Carriers	ROK Carriers	US Carriers
Chicago	0	10	0	13
Dallas/Fort Worth	0	0	0	2
Detroit	0	1	0	0
Guam	0	2	0	2
Honolulu	16	20	16	18
Houston	0	3	0	2
Los Angeles	22	0	24	2 <sup>1/</sup>
Minneapolis/St. Paul	0	1	0	0
New Orleans	0	3	0	2
New York	8	4	10	12
Philadelphia	0	1	0	0
San Francisco	0	17	0	16
Seattle	0	11	0	10
Washington	0	4	0	4

<sup>1/</sup> Northwest Airlines service to start June 6.

Source: Official Airline Guide, Worldwide Edition, February and April, 1985.

U.S. CARRIERS OFFER MORE  
SERVICE TO MORE POINTS THAN THE SINGLE  
KOREAN CARRIER DOES

ALL CARGO FLIGHTS BETWEEN  
REPUBLIC OF KOREA AND THE U.S. BY FLAG OF CARRIER  
(One way basis per week)  
Spring 1985

<u>Between ROK and:</u>	<u>Week Ending March 18, 1985</u>		<u>Week Ending May 5, 1985</u>	
	<u>ROK Carrier</u>	<u>US Carrier</u>	<u>ROK Carrier</u>	<u>US Carriers</u>
Chicago	0	9	0	9
Los Angeles	12	7	12	7
New York	10	9	10	9
San Francisco	0	8	0	8
Seattle	0	1	0	2

Source: Official Airline Guide, World Wide Edition, March and April 1985.

TABLE 8

U.S. CARRIERS OFFER MORE CAPACITY  
THAN THE SINGLE KOREAN CARRIER DOES

ANNUAL AVAILABLE SEATS  
IN SCHEDULED SERVICE  
BETWEEN THE U.S. AND THE REPUBLIC OF KOREA  
1978-1985

Year	Flag	To/From SEL	Beyond	Total	% of Total
1978	ROK	330,642	-	330,642	47%
	USA	368,784	-	368,784	53%
		<u>699,426</u>	-	<u>699,426</u>	100%
1979	ROK	482,911	-	482,911	52%
	USA	423,696	13,936	437,632	48%
		<u>906,607</u>	-	<u>920,543</u>	100%
1980	ROK	559,143	-	559,143	44%
	USA	555,490	161,096	716,586	56%
		<u>1,114,633</u>	<u>161,096</u>	<u>1,275,729</u>	100%
1981	ROK	540,579	-	540,579	50%
	USA	412,893	122,798	535,691	50%
		<u>953,472</u>	<u>122,798</u>	<u>1,076,270</u>	100%
1982	ROK	574,236	-	574,236	52%
	USA	373,906	153,660	527,566	48%
		<u>948,142</u>	<u>153,660</u>	<u>1,101,802</u>	100%
1983	ROK	682,851	-	682,851	51%
	USA	452,764	215,124	667,888	49%
		<u>1,135,615</u>	<u>215,124</u>	<u>1,350,739</u>	100%
1984	ROK	677,556	-	677,556	44%
	USA	631,573	220,246	851,825	56%
		<u>1,305,135</u>	<u>220,246</u>	<u>1,525,381</u>	100%
1985 (Projected) 1/					
	ROK	780,390	-	780,390	40%
	USA	882,687	280,137	1,162,824	60%
		<u>1,663,077</u>	<u>280,137</u>	<u>1,943,214</u>	100%

1/ Based on February and May 1985 actual plus second half 1985 projected on relationship of second half 1982-1984 to first half of 1982-1984.

Source: Official Airline Guides, February, May, August and November of each year.

U.S. CARRIERS OFFER MORE CAPACITY  
THAN THE SINGLE KOREAN CARRIER DOES

WEEKLY PASSENGER CAPACITY, U.S.-KOREA, BY FLAG OF CARRIER  
1978-1985

Week Ending	Flag	Weekly Scheduled Seats			Percent of Total
		to/from USA	In/out SEL beyond SEL	Total	
03/18/78	ROK	5,878	-	5,878	40.2
	USA	6,304	-	6,304	51.8
	Total	12,182	-	12,182	100.0
03/18/79	ROK	7,064	-	7,064	47.3
	USA	7,880	-	7,880	52.7
	Total	14,944	-	14,944	100.0
03/18/80	ROK	10,814	-	10,814	51.9
	USA	8,952	1,072	10,024	48.1
	Total	19,766	1,072	20,838	100.0
03/18/81	ROK	10,269	-	10,269	50.1
	USA	7,880	2,364	10,244	49.9
	Total	18,149	2,364	20,513	100.0
03/18/82	ROK	9,750	-	9,750	48.8
	USA	7,880	2,364	10,244	51.2
	Total	17,630	2,364	19,994	100.0
03/18/83	ROK	13,038	-	13,038	64.0
	USA	4,728	2,364	7,092	35.2
	Total	17,766	2,364	20,130	100.0
03/18/84	ROK	12,820	-	12,820	45.1
	USA	10,906	4,728	15,634	54.9
	Total	23,726	4,728	28,454	100.0
03/18/85	ROK	13,378	-	13,378	43.9
	USA	13,152	3,940	17,092	56.1
	Total	26,530	3,940	30,470	100.0
05/18/85	ROK	15,750	-	15,750	40.1
	USA	16,960 <sup>1/</sup>	6,592 <sup>1/</sup>	23,552	59.9
	Total	32,710	6,592	39,302	100.0

<sup>1/</sup> Includes NH service LAX-SEL-MNL effective June 6, 1985.

Source: Official Airline Guides, Worldwide Edition March, 1970-1985

TABLE 10

U.S. CARRIER ENPLANEMENTS AT SEOUL  
ARE LARGE AND ARE RAPIDLY GROWING

TRAFFIC ENPLANED AT SEOUL  
BY U.S. FLAG CARRIERS: 1978-1984

	Passengers Enplaned			Total	Annual Growth
	NWA	PAA	BNF		
1978	76,652	-	-	76,652	
1979	114,655	-	1,340	115,995	+51.3%
1980	108,677	-	10,204	118,881	+ 2.5%
1981	131,346	-	-	131,346	+10.5%
1982	148,302	-	-	148,302	+12.9%
1983	153,975	13,836	-	167,811	+13.2%
1984	153,151	46,114	-	199,265	+18.7%
Average Annual Growth					+18.2%

	Freight Enplaned (Tons)				Total	Annual Growth
	FTL	NWA	PAA	BNF		
1978	9,756	2,977	-	-	12,733	
1979	5,558	4,276	-	44	9,878	-22.4%
1980	7,624	5,972	-	51	13,647	+38.2%
1981	7,776	7,136	-	-	14,912	+ 9.3%
1982	10,194	6,378	-	-	16,572	+11.1%
1983	15,848	10,364	331	-	26,543	+60.2%
1984	14,369	10,348	699	-	25,416	- 4.3%
Average Annual Growth					+15.4%	

Source: CAB Forms 41.

TABLE 10A

CHANGES IN WEEKLY PASSENGER & CARGO FLIGHTS  
BY U.S. FLAG CARRIERS BETWEEN  
U.S. AND KOREA

	<u>Passenger</u>	<u>All Cargo</u>	<u>Total</u>	<u>Index 1978 = 100</u>
May 1978	16	13	29	100
May 1979	20	18	38	131
May 1980	32	16	48	166
May 1981	24	14	38	131
May 1982	20	14	34	117
May 1983	20	14	34	117
May 1984	30	18	48	166
May 1985	46	17	63	217

Source: Office Airline Guide, May of each year; Air Cargo Guide, May of each year.

KOREA IS FOURTH MOST ACTIVE POINT FOR U.S. CARRIERS IN THE PACIFIC

REVENUE PASSENGERS EMPLOYED BY U.S. CARRIERS  
1900 - 1984

City	Scheduled Service					Percent Growth 1980 - 1984
	1980	1981	1982	1983	1984	
Tokyo	846,665	904,434	1,042,333	1,323,790	1,520,082	79.6%
Hong Kong	294,726	277,625	267,403	354,000	388,503	31.8
Manila	126,791	154,358	169,096	206,575	211,645	66.9
Seoul	118,081	131,346	140,302	167,811	199,265	67.6
Osaka	160,918	160,902	154,166	163,985	173,948	8.1
Taipei	107,944	118,353	115,714	139,038	145,965	35.2
Sydney	105,481	105,650	96,678	110,814	111,153	4.4
Auckland	77,581	75,500	64,060	80,133	84,734	9.2
Singapore	44,156	40,700	41,914	64,303	67,772	53.5
Melbourne	27,350	26,137	24,254	26,401	27,853	1.8
Ok Inawa	35,382	25,943	25,468	24,781	10,075	(40.9)
Shanghai	0	4,156	5,670	7,190	15,481	272.5 1/2
Peking	0	8,040	8,168	9,082	12,076	50.2 1/2
Kuala Lumpur	0	0	0	0	0	0.0
Handl, F.I.	29,919	19,791	16,276	13,357	0	(100.0)
Total	1,976,794	2,053,191	2,180,390	2,691,276	2,977,352	50.6%

1/ Percent growth 1981-1984.

Source: CAB Forms 41.

KOREA IS FOURTH MOST ACTIVE POINT FOR U.S. CARRIERS IN THE PACIFIC

TONS REVENUE FREIGHT EARNED BY U.S. CARRIERS  
1900 - 1904

Scheduled Service

City	Scheduled Service					Percent Growth 1900 - 1904
	1900	1901	1902	1903	1904	
Tokyo	81,033	90,039	97,597	149,747	224,303	176.0%
Taipei	34,343	35,501	39,897	50,255	78,561	128.8
Hong Kong	32,776	31,632	35,249	60,890	74,067	128.4
Seoul	13,647	14,912	16,572	26,543	25,416	86.2
Osaka	10,602	11,366	11,136	16,061	23,978	124.5
Singapore	2,355	2,104	3,477	8,076	12,522	431.7
Manila	3,231	3,061	4,094	6,011	11,295	249.6
Sydney	4,920	4,709	7,370	6,346	7,247	47.3
Auckland	6,372	7,434	9,207	6,612	7,003	(15.4)
Kuala Lumpur	179	336	620	1,126	4,391	2,353.1
Mandi, F.I.	806	415	944	463	4,598	419.0
Melbourne	1,373	2,447	4,350	2,552	3,492	154.3
Peking	0	202	264	528	548	94.3 1/2
Shanghai	0	161	350	250	221	37.3 1/2
Okinawa	51	83	20	56	25	(51.0)
Total	193,040	206,002	231,971	344,324	470,547	146.9

1/ Percent growth 1901-1904.

Source: CAB forms 41.

U.S. CARRIERS DERIVE MORE THAN \$153 MILLION IN REVENUES FROM  
PASSENGER SERVICE TO/FROM KOREA

	<u>Passengers</u>	<u>Miles</u>	<u>Passenger Miles</u> (000)
Seoul-Seattle/Beyond	96,520 (1)		
- Anchorage/Beyond	780 (1)		
- West Coast/Beyond via Tokyo	110,688 (2)		
Subtotal	<u>207,988</u>	6,154 (4)	1,279,958
- Taipei	25,277 (1)	917	23,179
- Manila	346 (1)	1,629	564
- Tokyo	<u>62,993 (3)</u>	762	<u>48,001</u>
Total 1982	296,604 (3)		1,351,702
Growth to 1984 @ 34.4% (5)			1,816,687
Total Revenue @ yield of 8.45¢/RPM (6)			<u>\$153,510,093</u>

Notes: (1) Revenue traffic by flight stage per ICAO Digest of Statistics No. 300 (1982).

(2) Estimated U.S.-SEL traffic via TYO @ 115% of SEL-SEA/beyond shown above, per relationship of frequencies in 1982.

(3) Total NWA enplaned traffic at SEL in 1982 was 148,302. Therefore, total traffic estimated at 296,604 (148,302 x2). All other traffic shown above totals 233,611, leaving a residual of 62,993. This traffic, regarded as fifth freedom traffic, brings total SEL-TYO flow to 173,681 (62,993 + 110,688). The resultant 173,681 is 23,498 less than the ICAO recorded traffic flow of 197,179.

(4) Average mileage of flight routings in 1982 between SEL and first (or last) U.S. mainland point.

(5) Growth in traffic from 1982 to YE 10/31/84 - air enplanements at Seoul per Table 10. Part of growth attributable to entrance of Pan American in market.

(6) NWA experience in scheduled trans Pacific service in 1984.

U.S. CARRIERS DERIVE MORE THAN \$68 MILLION  
IN REVENUE FROM CARRIAGE OF FREIGHT TO/FROM KOREA

Year 1984 - U.S.-Korea freight carried by U.S. flag carriers	28,757.2 tons (1)
Northwest/PAA (2) - 43.5%	12,509
Flying Tiger (3) - 56.5%	16,248
Mileage - NWA (3)	5,540
FTL (3)	6,483
Ton-Miles - NWA	69,299,860
- FTL	<u>105,335,784</u>
Total	174,635,644
Yield/RTM (4)	39¢
Revenue Total	<u>68,107,901</u>

Notes (1) Per Department of Commerce, Bureau of Census.

(2) Distribution based on enplanements at SEL

NWA/PAA	11,047	43.5%
FTL	14,369	56.5
Total	<u>25,416</u>	<u>100.0%</u>

(3) Mileage as flown between SEL and first (last) U.S. mainland point by all-cargo aircraft.

(4) NWA and FTL yields on transpacific operations are the same. PAA's is 42¢/per ton mile but PAA share of traffic was minor.

U.S. CARRIERS SERVING KOREA  
HAVE ACCESS TO LARGE FIFTH FREEDOM MARKETS

(Origin-Destination Traffic)

City	Total Passengers, All Carriers, Year Ending 31 December 1983			U.S. Flag Carrier Now Serving
	To SEL	From SEL	Total	
<b>3rd/4th Freedom</b>				
Honolulu	46,101	53,614	99,715	NW, PA
Los Angeles	94,121	101,392	195,513	NW
New York	<u>49,404</u>	<u>59,097</u>	<u>108,501</u>	NW, PA
Total	189,626	214,103	403,729	
Average	63,209	71,368	<u>134,576</u>	
<b>5th Freedom</b>				
Manila	25,217	20,688	45,905	NW
Osaka	192,631	182,819	375,450	PA
Taipei	137,800	117,145	254,945	NW, PA
Tokyo	<u>384,253</u>	<u>396,585</u>	<u>780,838</u>	NW, PA
Total	739,901	717,237	1,457,138	
Average	184,975	179,309	<u>364,285</u>	
City	Freight (tonnes), Year Ended 31 December 1983			U.S. Flag Carrier Now Serving
	To SEL	From SEL	Total	
<b>3rd/4th Freedom</b>				
Honolulu	216.02	1,661.20	1,877.22	NW, PA
Los Angeles	5,495.10	15,160.30	24,655.40	NW, FT
New York	<u>8,289.29</u>	<u>15,035.53</u>	<u>23,324.82</u>	NW, PA
Total	18,000.41	31,857.03	49,857.44	
Average	6,000.14	10,619.01	<u>16,619.15</u>	
<b>5th Freedom</b>				
Manila	900.51	1,241.51	2,142.02	NW
Osaka	6,219.29	5,275.02	11,494.31	PA
Taipei	7,045.13	2,092.95	9,138.08	NW, PA, FT
Tokyo	<u>20,183.48</u>	<u>26,369.15</u>	<u>46,552.63</u>	NW, PA, FT
Total	34,348.41	34,978.63	69,327.04	
Average	8,587.10	8,744.66	<u>17,331.76</u>	

Note: PA not included in above Osaka/Taipei traffic for 1983.

Source: ICAO, On-Flight Origin and Destination, Digest of Statistics No. 307.

U.S. CARRIERS SERVING KOREA OPERATE SUBSTANTIAL  
CAPACITY IN THE FIFTH FREEDOM MARKETS

SERVICE PROVIDED BY U.S. FLAG CARRIERS IN  
FIFTH FREEDOM SECTORS TO/FROM SEOUL  
1978-1984 AND ESTIMATED 1985

<u>Year</u>	<u>Flights</u>	<u>Seats</u>
1978	936	368,784
1979	1,092	423,696
1980	1,430	535,002
1981	1,027	399,659
1982	897	353,418
1983	1,209	452,764
1984	1,716	595,736
Est. 1985	2,355 <sup>1/</sup>	707,462 <sup>1/</sup>

<sup>1/</sup> Based on May 1985 Actual plus relationship of Annual to May seats for period 1978-1984.

Source: Official Airline Guides, Worldwide Edition, February, May, August, November, 1978 to 1984; April 1985.

U.S. CARGO CARRIERS SERVING KOREA CONDUCT  
SUBSTANTIAL FIFTH FREEDOM OPERATIONS

SERVICE AND CAPACITY PROVIDED BY U.S. CARGO CARRIERS OVER  
FIFTH FREEDOM SECTORS TO/FROM SEOUL  
1978-1984 AND ESTIMATED 1985

<u>Year</u>	<u>Flights</u>	<u>Tons</u>
1978	949	96,213
1979	949	95,290
1980	897	103,155
1981	897	113,155
1982	845	97,175
1983	806	92,690
1984	923	106,145
Est. 1985	842 <sup>1/</sup>	96,172 <sup>1/</sup>

<sup>1/</sup> Based on May 1985 Actual plus relationship of Annual to May tons for period 1978-1984.

Source: Air Cargo Guide, February, May, August, November 1978-1984, April 1985.

U.S. PASSENGER CARRIERS SERVING KOREA DERIVE SUBSTANTIAL  
BENEFITS FROM FIFTH FREEDOM MARKETS

TRAFFIC OVER FIFTH FREEDOM SECTORS INTO/OUT OF SEOUL  
Revenue Passengers

FLIGHT STAGE	1982	1981	1980	1979	1978
<u>Seoul-Taipei</u>					
CX	154,649	136,761	117,216	126,699	124,977
KE	192,672	140,652	121,656	116,820	95,640
MI	30,239	21,825	17,610	2,793	-
NW	25,277	20,844	23,967	-	-
SQ	38,104	33,453	25,404	18,210	27,576
TG	71,803	51,315	35,424	20,757	14,118
Total	512,828	404,850	341,277	285,279	262,311
<u>Seoul-Tokyo</u>					
BH	-	-	534	414	-
JL	265,905	127,938	43,767 1/	162,462	176,943
KE	385,563	337,060	278,223	321,351	331,968
NW	197,179	179,964	150,198	198,393	111,723
CX	-	-	42,036	105,939	140,541
Total	840,647	644,970	514,750	788,559	761,175

1/ Complete data for year not available.

Note: The latest annual data available are for 1982.

Source: ICAO Digests of Statistics (Traffic by Flight Stage).

U.S. CARGO CARRIERS SERVING KOREA DERIVE SUBSTANTIAL  
BENEFITS FROM THE FREEDOM MARKETS

TRAFFIC OVER NON-U.S. SECTORS INTO/OUT OF SEOUL  
Revenue Freight (Tonnes)

FLIGHT STAGE	1982	1981	1980	1979	1978
<u>Seoul-Hong Kong</u>					
FT	324	-	513	-	-
KE	12,251	13,386	9,252	6,345	1,149
NW	662	1,521	1,071	1,137	507
DN	-	-	165	-	-
TG	-	-	9	-	-
Total	13,237	14,907	11,010	7,402	1,656
<u>Seoul-Osaka</u>					
FT	5,233	4,659	4,854	2,484	843
JL	1,213	1,845	816	1,176	2,001
KE	8,559	9,516	8,709	8,223	5,830
NW	3,277	3,490	1,605	1,395	-
Total	18,282	19,518	15,984	13,180	8,602
<u>Seoul-Taipei</u>					
CX	4,864	4,959	4,179	4,527	3,591
FT	215	291	186	1,002	5,280
KE	9,279	7,611	5,206	5,094	3,516
HI	380	369	393	60	-
NW	2,515	3,501	2,703	3,471	1,614
SQ	1,276	1,056	768	729	741
TG	1,765	1,155	894	642	561
Total	20,294	18,942	14,409	15,525	15,303

U.S. CARGO CARRIERS SERVING KOREA DERIVE SUBSTANTIAL  
BENEFITS FROM FIFTH FREEDOM MARKETS

TRAFFIC OVER NON-U.S. SECTORS INTO/OUT OF SEOUL  
Revenue Freight (Tonnes)

FLIGHT STAGE	1982	1981	1980	1979	1978
<u>Seoul-Tokyo</u>					
<u>BN</u>	10,881	7,242	6,762	6,039	13,689
<u>TY</u>					
JL	7,884	5,085	2,163	8,307	7,302
KE	20,316	24,345	23,052	22,425	20,322
NW	6,740	8,466	7,581	8,358	4,701
CX	-	-	1,170	3,243	3,009
Total	45,821	45,138	40,731	41,375	49,023

1/ Complete data for year not available.

Source: ICAO Digests of Statistics (Traffic by Flight Stage).

CHICAGO AND SAN FRANCISCO ARE RELATIVELY UNDERSERVED TO KOREA  
CONSIDERING THEIR SIZE AND IMPORTANCE

WEEKLY NON-STOP AND ONE-STOP PASSENGER FLIGHTS  
MAY 1985

<u>To/From</u>	<u>New York</u>	<u>Los Angeles</u>	<u>Chicago</u>	<u>San Francisco</u>
Seoul	22	16	16	12
Tokyo	56	70	34	49
Hong Kong	40	21	0	44
Taipei	10	28	5	17
Manila	0	11	9	17

1980 POPULATION OF TOP TEN U.S. METROPOLITAN AREAS 1/

	<u>1980</u> <u>(000)</u>
New York	17,539
Los Angeles	11,498
Chicago	7,937
Philadelphia	5,681
San Francisco	5,368
Detroit	4,488
Boston	3,972
Washington	3,251
Houston	3,101
Dallas/Ft. Worth	2,931

1/ Consolidated metropolitan statistical areas as defined by OMB as of June 30, 1983.

Source: Official Airline Guide, Worldwide Edition, April 1985;  
Statistical Abstract of the United States, 1984, U.S. Department  
of Commerce, Bureau of the Census.

CHICAGO AND SAN FRANCISCO ARE RELATIVELY UNDERSERVED TO KOREA  
CONSIDERING THEIR SIZE AND IMPORTANCE

## WEEKLY CARGO FLIGHTS

MAY 1985

<u>To/From</u>	<u>New York</u>	<u>Los Angeles</u>	<u>Chicago</u>	<u>San Francisco</u>
Seoul	19	19	9	8
Tokyo	62	36	31	38
Hong Kong	21	6	12	8
Taipei	21	13	15	14
Manila	6	0	4	0

Source: Air Cargo Guide, April 1985.

CHICAGO AND SAN FRANCISCO ARE RELATIVELY UNDERSERVED TO KOREA

USING JAPAN AS AN INDEX,  
 AIR FREIGHT IN THE CHICAGO-REPUBLIC OF KOREA MARKET LAGS BEHIND  
 NEW YORK/LOS ANGELES - REPUBLIC OF KOREA MARKETS  
 (WHERE KAL PROVIDES SERVICE)  
 (pounds in thousands)

Year 1984	NEW YORK		LOS ANGELES		CHICAGO		SAN FRANCISCO	
	Pounds	Rel. to Japan	Pounds	Rel. to Japan	Pounds	Rel. to Japan	Pounds	Rel. to Japan
U.S. Exports to - Republic of Korea	9,813	19.2	19,913	56.6	3,469	11.5	2,058	8.5
Japan	51,148	100.0	35,180	100.0	30,211	100.0	24,242	100.0
U.S. Imports from - Republic of Korea	41,503	39.7	29,214	28.6	10,609	14.5	11,864	13.8
Japan	104,608	100.0	102,095	100.0	73,077	100.0	86,228	100.0

Source: U.S. Department of Commerce, Bureau of the Census, IA-154, Imports, and EM 563, Exports, Monthly for 1984.

MEASURED AGAINST USA-JAPAN AIR FREIGHT MARKETS,  
THE USA-REPUBLIC OF KOREA MARKETS MOST REGARD  
ARE CHICAGO AND SAN FRANCISCO  
1979-1984

	Six Year Total		Total	Index Japan = 100
	Export	Imports		
<u>Chicago</u>				
Republic of Korea	18,100	35,259	53,359	14.2
Japan	152,872	222,037	375,709	100.0
<u>New York</u>				
Republic of Korea	45,975	148,302	194,357	30.0
Japan	264,992	382,992	647,984	100.0
<u>Los Angeles</u>				
Republic of Korea	100,213	115,736	215,949	36.5
Japan	213,841	377,859	591,700	100.0
<u>San Francisco</u>				
Republic of Korea	7,409	47,484	54,893	14.1
Japan	131,368	236,073	367,441	100.0

Source: U.S. Department of Commerce, Bureau of the Census, IA-154, Imports, and EM 563, Exports, Monthly for 1984.

# Alaska State Legislature

## House of Representatives

### Committee on Transportation

*File*

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4858

Rep. Bette Cato, Chairman

DATE: 17 FEBRUARY 1986  
TO: COMMITTEE MEMBERS  
FROM: STAFF  
RE: SJR 30 RELATING TO PASSENGER SERVICE BY KOREAN AIR LINES IN ANCHORAGE

This resolution requests the U.S. President to ratify the 1980 Memorandum of Understanding between the Republic of Korea and the United States so that Korean Air Lines will be permitted to pick up passengers in Anchorage.

The 1957 U.S. Republic of Korea Air Transport Services agreement has governed the U.S. and Korea air services for almost 30 years and have been expanded through amendments made including negotiations resulting in the 1978 and 1980 aviation agreements between the U.S. and Korea.

The 1978 Memorandum of Understanding allowed provisions for cargo handling by U.S. carriers. Before that, the U.S. had requested clarification of these provisions. In 1979 the U.S. demanded that the Korean Government construct or allow a U.S. carrier to construct a new cargo terminal for exclusive use of U.S. airlines.

The 1980 Memorandum of Understanding (MOU) conferred with the Korean government's request for an expansion of the route schedule so Korean Air Lines could offer service to additional points in the U.S. and points beyond. It also provided that the Korean Government would give a U.S. carrier the option to construct a new cargo terminal at Kimpo. That carrier being the Flying Tiger. Under the 1980 MOU the traffic rights granted to Korean Air Lines, except the traffic rights at Anchorage, were to be phased-in and tied to completion of the new cargo facility.

In 1983 the Flying Tiger notified authorities they did not have adequate funding for building the facility.

By choosing to forego construction, the Flying Tiger delayed progress on the new terminal, preventing Korean Air Lines from exercising its new traffic rights.

The Korean Government is constructing (or has constructed) the terminal at Kimpo . Construction of the facility should resolve the terms of the 1980 agreement in a manner which would be satisfactory to the United States.

Representative Ray or staff will provide additional testimony on the necessity of this resolution.

Voting record:

Senate Transportation - concur - Coghill, P. Fischer, Faiks, Josephson

Senate Floor - Yeas	16
Nays	0
Absent	3
Excused	1

The 1980 MOU has not been ratified.

SJR 30 " A RESOLUTION ALLOWING KOREAN AIRLINES TO PICK UP PASSENGERS AT ANCHORAGE AIRPORT"

THIS RESOLUTION RESPECTFULLY REQUESTS THE PRESIDENT OF THE UNITED STATES TO RATIFY THE 1980 MEMORANDUM OF UNDERSTANDING BETWEEN THE REPUBLIC OF KOREA AND THE UNITED STATES SO THAT KOREAN AIR LINES WILL BE PERMITTED TO PICK UP PASSENGERS IN ANCHORAGE.

PASSENGERS FLYING TO KOREA FROM ANCHORAGE NOW HAVE TO FLY TO TOKYO AND CHANGE PLANES OR FLY TO SEATTLE TO FLY DIRECTLY TO SEOUL, EVEN THOUGH KOREAN AIR LINES STOPS IN ANCHORAGE TO REFUEL.

ANYTIME TRADE MISSIONS FROM THE STATE HAVE GONE TO KOREA THEY HAVE HAD TO HAVE STATE DEPARTMENT APPROVAL TO FLY DIRECT TO SEOUL FROM ANCHORAGE.

KOREAN AIR LINES IS THE ONLY FOREIGN AIRLINES THAT STOPS IN ANCHORAGE AND NOT ALLOWED TO PICK UP PASSENGERS.

ALL 7 TRANSPORTATION COMMITTEE MEMBERS SIGNED THE COMMITTEE REPORT "DO PASS"

Introduced: 1/13/86  
Referred: Transportation

1 IN THE SENATE

BY RAY

2

SENATE JOINT RESOLUTION NO. 30

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

Relating to passenger service by Korean

6

Air Lines in Anchorage.

7

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8

WHEREAS under the 1978 Memorandum of Understanding between the Republic of Korea and the United States, Korean Air Lines has the right to operate between Korea and Los Angeles or New York with a stopover in Anchorage, but may not pick up passengers in Anchorage; and

12

WHEREAS the 1980 Memorandum of Understanding between the two countries that would allow Korean Air Lines to pick up passengers in Anchorage has not been ratified; and

15

WHEREAS in 1983 Korean Air Lines' request to provide passenger service between Anchorage and Korea was rejected because the 1980 Memorandum of Understanding has not been ratified; and

18

WHEREAS Korean Air Lines operates about 40 flights each week to New York and Los Angeles that use Anchorage as a technical stop; and

20

WHEREAS Korean Air Lines also operates three flights each week between Seoul and Europe that use Anchorage as a technical stop; and

22

WHEREAS no direct passenger service is provided between Korea and Anchorage so that passengers travelling between those points must use connecting passenger service that is inconvenient, time-consuming, and infrequent; and

26

WHEREAS existing air cargo service between Korea and Anchorage is neither direct nor frequent; and

28

WHEREAS there exists a pressing need for improved air transportation service between Korea and Alaska; and

29

1           WHEREAS if Korean Air Lines could pick up passengers in Anchorage  
2 during stops it must make anyway, service between Anchorage and other  
3 points served by the airline would be improved in an efficient manner;

4           BE IT RESOLVED by the Alaska State Legislature that the President of  
5 the United States is respectfully requested to ratify the 1980 Memorandum  
6 of Understanding between the Republic of Korea and the United States so  
7 that Korean Air Lines will be permitted to pick up passengers in Anchorage.

8           COPIES of this resolution shall be sent to the Honorable Ronald  
9 Reagan, President of the United States; the Honorable Elizabeth Dole,  
10 Secretary of the Department of Transportation; the Honorable George P.  
11 Shultz, Secretary of the Department of State; and to the Honorable Ted  
12 Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable  
13 Don Young, U.S. Representative, members of the Alaska delegation in Con-  
14 gress.

FIRST READING AND REFERENCE OF SENATE BILLSSB 330

SENATE BILL NO. 330 by Faiks, entitled:

"An Act relating to civil liability for veterinary care; and providing for an effective date."

was read the first time and referred to the Judiciary Committee.

COMMUNICATIONS

The following letter, dated February 18, 1986, was sent to the Governor from Speaker Grussendorf:

"Dear Governor Sheffield,

Pursuant to AS 41.37, I am to appoint two public members to the Citizen's Advisory Council on Federal Areas in Alaska. I am hereby appointing Mr. Andy Hope III, and reappointing Ms. Dorothy Jones.

Sincerely,

/s/

Representative Ben Grussendorf  
Speaker of the House"

REPORTS OF STANDING COMMITTEESSJR 30

The Transportation Committee has considered SENATE JOINT RESOLUTION NO. 30 (relating to passenger service by Korean Air Lines in Anchorage) and reports it back as follows: Cato (Chairman), Shultz, Herrmann, Marrou, Furnace, Davis and Pignalberi recommend do pass. A zero fiscal note was attached.

SJR 30 was referred to the Rules Committee for placement on the calendar.

CSSB 45 (HESS) am

The Judiciary Committee has considered COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 45 (HESS) amended (relating to hospital inspections and investigations by the Department of Health and Social Services), recommends it be replaced with HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 45 (Judiciary) (same title) and reports it back as follows: M.M. Miller (Chairman), Sund, Gruenberg, Taylor, Pettyjohn and Phillips recommend do pass; Clocksin has no recommendation.

CSSB 45 (HESS) am was referred to the Finance Committee.

HB 407

A zero fiscal note with analysis was received from the Rules Committee for HOUSE BILL NO. 407 (relating to the use of game as bait), and it appears in House Journal Supplement No. 88.

HB 407 is in the Rules Committee.

HB 424

The Labor & Commerce Committee has considered HOUSE BILL NO. 424 (establishing the Board of Behavioral Science Examiners; amending Rule 504 of the Alaska Rules of Evidence; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 424 (L&C):

"An Act establishing the Board of Behavioral Science; amending Rule 504 of the Alaska Rules of Evidence; and providing for an effective date."

and reports it back as follows: Davis and Boucher recommend do pass; Navarre (Chairman), Collins, Hanley, Koponen and Pearce have no recommendation.

A fiscal note appears in House Journal Supplement No. 88.

HB 424 was referred to the Judiciary Committee.

HB 452

The Community and Regional Affairs Committee has considered HOUSE BILL NO. 452 (relating to restricting the use of grant funds) and reports it back as follows: Phillips and Marrou recommend do pass; Furnace recommends do pass "good bill"; Wallis recommends do not pass; Goll (Chairman), Gruenberg and Koponen have no recommendation. A zero fiscal note was attached.

HB 452 was referred to the Finance Committee.