

H B

5 2 5

4-24-87

Dear Senator Hanley,

I don't usually complain much but this recent article in the Anchorage paper really gauled me; so much so that I cancelled a trip to Seattle next month.

Several years ago it seems our legislature in Juneau complained to the airlines about singling out Alaskans for higher fares to the states and they lowered them for awhile but it didn't last long.

Also, why do I have to pay a full month in advance to get any break at all?

Hope you can help us out.

Sincerely,

Gordon Halkett

3103 Brookside Dr.

Apt. 5

Anchorage, Ak 99517

Air fare wars to continue this summer

But won't apply to Alaska

By BILL MENEZES
The Associated Press

NEW YORK — Several major airlines said Monday they would extend their lowest discount fares through the end of summer, but the tickets would be more expensive and carry more restrictions than the cut-rate fares unveiled earlier this year.

The lower fares will not apply to travel between Alaska and the Lower 48, a local travel agency spokesman said.

"It's fair to say that in the current pricing environment that the relatively high fares between Anchorage and the Lower 48 help offset losses from fare wars in the Lower 48," said Scott McMurren of Easy Travel.

Also Monday, Continental Airlines said it had asked the Department of Transportation to require U.S. airlines to routinely disclose service information such as on-time performance, complaints about lost luggage, and the time it takes for answers on telephone reservation lines.

Continental and Eastern Airlines, both units of Texas Air Corp., said they would continue offering the special "Maxsaver" fares previously slated to end May 20.

Those non-refundable fares, which were matched by other major airlines when introduced in late January, are discounted as much as 80 percent from regular fares and are less than the supersaver fares that previously were the industry's lowest.

Northwest Airlines said it would match the discount fare extension. United and Delta and American representatives said their companies were studying the fare announcements.

Industry analysts said they expected the major airlines to follow the move, noting the summer fares would be higher to reflect the peak travel season and the advance purchase requirements would be slightly greater.

"Those are two positives," said Louis Markesano, of Janney Montgomery Scott Inc. in Pittsburgh. "We were hoping they would modify pricing upward and or increase the minimum stay involved."

Thomas G. Plaskett, Continental's president, told a news conference the Maxsaver fares had proven "extremely popular," and some 3 million passengers had bought the fares since Feb. 1.

The fares good through May 20 — intended to fill seats that otherwise would go empty on many flights — could be purchased at any time up until two days before the flight. Passengers changing or canceling their reservations forfeited the entire ticket price.

The summer fares will cost more than the earlier Maxsavers and the advance purchase requirement was stretched to seven days. They also require a Saturday night stayover and a roundtrip purchase.

The summer Maxsavers are priced from \$38 to \$278 roundtrip, compared with a range of \$38 to \$198 roundtrip before May 20. A Maxsaver flight from New York to Los Angeles, for example, would be \$129 one-way this summer, compared with \$89 each way before May 20.

Continental also said it was trimming the advance purchase restriction on its regular supersavers to seven days from 30 days, while reducing the cancellation penalty to 25 percent from 50 percent.

New logo suggested
for Alaska Airlines

*Juneau
Empire
2/12/88*

Dear Editor:

While watching television last night I saw a commercial on one of the Seattle TV stations for Alaska Airlines. This ad was for roundtrip airfare to San Diego - 2,100 air miles, plus two nights' hotel accommodations for a total of \$267. The cheapest roundtrip airfare from Juneau to Seattle, 1,818 air miles, is \$340 and includes nothing extra.

Seeing this commercial brought to mind the Great Logo Crisis of Alaska Airlines that has been in the news so much during the past few weeks. My suggestion is to get rid of the Eskimo and replace him with a picture of Jesse James - gun, mask and all. This would better represent the highway robbery we all face buying an airline ticket in Southeast Alaska.

**Thank you,
Dean Nordenson
Auke Bay**

Juneau Empire
Lower fares would *1/21/88*
create happy faces

Dear Editor:

I think concerns are being misplaced about Alaska Airlines' advertising symbol. While this issue has been capturing headlines and legislators' attention, Juneauites continue paying air fares that are among the highest in the country.

I'm currently planning a trip to Boston. The round-trip air fare for the approximately 900 miles from Juneau to Seattle is \$340.60. The round-trip fare for the approximately 3,000 miles from Seattle to Boston is \$238. I've lived in Juneau for 14 years and I've yet to talk to anyone who hasn't shared my ill feelings about air fares from Juneau. I really cannot believe that costs here justify fares two or three times greater per mile than typical Lower 48 fares. I'd at least feel a lot better about paying higher

air fares from Juneau if those fares could be justified and that justification be publicized with the same vigor as the recent logo switch.

I do have empathy for the airline business here in that I don't think it's reasonable to expect healthy competition in such a confined market. I believe it would be good for the public and the airline industry if an appropriately sanctioned monopoly could be granted to one airline to serve all of Southeast Alaska. I'm thinking of this in similar terms of the monopolies that utility companies now operate under. In the case of air service we would have the opportunity to nationally solicit bids to obtain the best service for the best price over a specified time.

In this manner, the public would benefit from expanded competition and the winning airline would be assured the highest possible volume to allow the lowest possible cost per passenger mile. This would bring air fares down and I suspect Juneau would see more tourists while the state and private sector would save on travel costs.

I appreciate having the opportunity to share my views and I encourage others to share their opinions about this. I think we need everyone to work honestly together on this so we will all be winners and fly with a happy face.

**Sincerely,
Mark J. Miller
Douglas**



Alaska State Legislature

House of Representatives

4007 BRENTWOOD CIRCLE
ANCHORAGE, ALASKA 99502
(907) 243-7574

REPRESENTATIVE
ALYCE HANLEY
DISTRICT 9, SEAT B

WHILE IN JUNEAU
BOX V
JUNEAU, ALASKA 99811
(907) 465-4939

MEMBER
HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE
REGULATION REVIEW COMMITTEE

February 16, 1988

MEMORANDUM

TO: All House Members

FROM: Representative Alyce Hanley *A. H.*

SUBJECT: Resolution relating to the cost of air travel and to competition in the airline industry; and a bill relating to unfair trade practices of air carriers and ticket agents.

I have prepared for introduction this morning the attached House Resolution and Bill concerning the high cost of airline travel not only within the State of Alaska but to and from Alaska. A similar resolution was introduced during the 14th Legislature and the cost of commercial passenger fares continues to increase. In addition I have also introduced a bill to add a new section to Title 2 called Unfair Trade Practices. This section outlines who can file complaints and adds penalties for participating in restriction of competition in air commerce.

I would welcome your co-sponsorship of this resolution. If you have any questions please do not hesitate to contact my office.

Attachments 2

IN THE HOUSE

BY HANLEY

HOUSE RESOLUTION NO. 12

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

Relating to the cost of air travel and
to competition in the airline industry.

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES:

WHEREAS airline travel is an essential means of transportation for the people of the state; and

WHEREAS the competitive market forces in many other states have caused a decline in commercial passenger air fares; and

WHEREAS there are no competitive forces in the state to cause a significant decline in commercial air fares; and

WHEREAS commercial passenger air fares are higher today and continue to escalate upward; and

WHEREAS the cost of air travel in the state has become prohibitively expensive in many rural areas; and

WHEREAS passengers traveling to and from Alaska pay a significantly higher fare per air mile than passengers traveling between other states; and

WHEREAS the commercial air carriers appear to be engaging in setting mutually beneficial fare rates that restrict a free and open competitive market;

BE IT RESOLVED that the House of Representatives urges the Governor, the Attorney General, and the commissioner of transportation and public facilities to investigate and report to the legislature any barriers to an open and competitive airline industry and pursue every avenue that will reduce the cost of airline travel for passengers traveling to and from the State of Alaska.

IN THE HOUSE

BY HANLEY

HOUSE BILL NO. 525

IN THE LEGISLATURE OF THE STATE OF ALASKA
FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to unfair trade practices of air carriers and ticket agents."

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

* Section 1. AS 02 is amended by adding a new chapter to read:

CHAPTER 07. AIR COMMERCE TRADE PRACTICES.

Sec. 02.07.010. UNFAIR TRADE PRACTICES. (a) The department, upon its own initiative or upon complaint by an air carrier, ticket agent, or a member of the public, shall investigate and determine whether an air carrier or ticket agent has been or is engaged in unfair or deceptive practices or unfair methods of competition in air commerce or the sale of air commerce.

(b) If the department finds, after notice and opportunity for hearing, that the air carrier or ticket agent is engaged in unfair or deceptive practices or unfair methods of competition, it shall order the air carrier or ticket agent to cease and desist from those practices or methods of competition.

(c) The department may enforce this section and adopt procedural regulations necessary to implement this section.

(d) In addition to other penalties and remedies provided by law, a person who violates a provision of this section is subject to a civil penalty not to exceed \$100,000 for each violation.

(e) In this section

(1) "air carrier" means a person engaged in air commerce, directly or indirectly, by lease, contract, or other arrangement, and



Dept. of Transportation & Public Facilities

Position Paper

BILL NO: CSHCR 36 TRANS

TITLE: Intrastate Air Travel

APPROVED:

DATE:

Paul J. Knapp
Commissioner

2/12/86

The Department supports the goals of this bill which we assume to be a concern for reducing, insofar as practicable, the costs for air travel within the State of Alaska. However, there is some question as to how involved the State should get in private industry decisions in a deregulated environment.

The DOT&PF has undertaken a cursory review of air fares for one airline only. This paper (attached) indicates that for one air carrier serving in and out of Alaska, the per mile fare is higher for routes within the State. In evaluating this information, however, it is crucial to consider the different characteristics of the individual routes involved (traffic loads, staging length, competition, etc.)

Part of this analysis also compared costs for in-State routes with costs for routes of comparable length in the lower 43 states. In general, it appeared that the in-State routes were quite comparable and, in some cases, lower than the lower 43 routes of comparable length.

This information is very cursory and cannot be viewed as conclusive, but it does indicate that if there is unfair pricing within the State, it will likely be very difficult to prove.

The DOT&PF will administer the study suggested in HCR 36 if the Legislature deems it advisable. A description of the study is shown on the accompanying fiscal note.

- D R A F T -

ALASKA/LOWER 48 STATES AIR FARES

DOT&PF - STATEWIDE AVIATION

December 2, 1985

I. INTRODUCTION

This paper conducts two analyses of air fares. The first is a comparison of Alaska Airlines' (ASA's) air fares over three types of routes:

- (1) routes between points in Alaska,
- (2) routes between points in Alaska and points in the Lower 48 States, and
- (3) routes between points in the Lower 48 States.

The intent is to determine how ASA's air fares in Alaska compare to their air fares in the Lower 48 States. For ease of comparison and data collection, only coach and SuperSaver fares of ASA have been used.

The second analysis is a comparison of several of ASA's air fares and air fares of other airlines for trips of comparable length in the Lower 48 States. The intent of this analysis is to determine how ASA's air fares compare to fares of other airlines. Only coach fares have been compared, again for ease of comparison and data collection.

II. ALASKA AIRLINES' FARES; Within Alaska, Alaska to Lower 48 States, and Within the Lower 48 States

Table I compares average ASA fares for three types of routes in Alaska and the Lower 48 States.

TABLE I
ASA's
AVERAGE COACH AND SUPERSAVER
FARES/MILE

<u>ASA's Routes</u>	<u>ASA's Coach Fares/Mile</u>	<u>ASA's SuperSaver Fares/Mile</u>
Within Alaska	\$.30	\$.22
Alaska to Lower 48	.21	.15
Within the Lower 48	.22	.15

The Table shows that fares for travel within Alaska far exceed other fares. There may be a variety of explanations for this. Higher labor and operation costs and shorter stage lengths (flight distances) for ASA routes within Alaska compared to the Lower 48 States could be one cause of the differential. In addition, traffic densities and load factors are likely to be lower in Alaska. The low traffic in Alaska also results in fewer carriers competing with ASA compared to the relatively stiff competition for heavier traveled routes between Alaska and the Lower 48 States and between points in the Lower 48 States.

Table 1 also shows that ASA's fares for travel between Alaska and the Lower 48 States are comparable to their fares for travel within the Lower 48 States. Some fares are higher than others, but on the average, they are comparable.

Actual fares for travel between points in Alaska are shown in Table A-I in the Appendix. Only fares from Anchorage to outlying communities were used because ASA routes to the outlying communities originate in Anchorage. For example, to fly Fairbanks to Deadhorse would require a flight from Fairbanks to Anchorage and another flight from Anchorage to Deadhorse.

Fares range from the highest fare/mile for service to Cordova which has low traffic, a short stage length and only air taxi competition, to the lowest fare in the Anchorage to Fairbanks market which has higher traffic, heavier loads, and greater competition. It should be noted that fares to points in Southeast Alaska are as much as three cents/mile less than the average fares for other routes within Alaska. These fares may be slightly artificially low due to ~~subsidies provided through the Essential Air Service (EAS) program.~~

Actual fares for travel between Alaska and the Lower 48 States are shown in Table A-II in the Appendix. Fares have been shown from Anchorage, Fairbanks, and Juneau because most routes originate from these points. Coach and SuperSaver fares from Anchorage average about one cent/mile less than fares from Fairbanks and Juneau. The highest fares/mile are for routes to Seattle and Portland while the lowest fares/mile are for the longer routes to Phoenix and Tucson.

Actual fares for travel between points in the Lower 48 States are shown in Table A-III. Fares have been shown for travel from Seattle and Portland since most of the ASA routes in the Lower 48 States arrive or depart from these cities.

III. AIR FARES, ALASKA AIRLINES - OTHER AIRLINES

This analysis compares air fares for several of ASA's routes to fares of other airlines for routes of comparable length in the Lower 48 States. Only coach fares are compared and none of ASA's routes entirely within the Lower 48 States were examined.

Table II summarizes the results of this comparison. This table shows that, except for routes from Fairbanks to Seattle and Anchorage to Deadhorse, ASA's flights were consistently cheaper per mile than routes of comparable length by other airlines.

This data has limitations in that only 5 or 6 Lower 48 routes were used for each comparison. In addition, in the case of comparisons of routes within Alaska to routes in the Lower 48 States, in some instances the aircraft flown in the Lower 48 are different from aircraft flown in Alaska. Furthermore, many routes within Alaska utilize 737 aircraft equipped for cargo and passenger loads. In general, however, it appears that ASA's fares are generally lower than fares of other airlines in the Lower 48 for routes of comparable length.

TABLE II
COMPARISON OF ASA'S FARES TO OTHER AIRLINES' FARES

<u>ASA's Route</u>	<u>Approximate Stage Length</u>	<u>ASA's Coach Fare/Mile</u>	<u>Other Airlines' Average Coach Fare/Mile for Lower 48 Routes of Comparable Length</u>
Anchorage-Seattle	1450 miles	\$.22	\$.24
Fairbanks-Seattle	1550 miles	.25	.23
Juneau-Seattle	900	.25	.22
Ketchikan-Seattle	650	.27	.36
Anchorage-Deadhorse	627	.38	.36
Anchorage-Petersburg	677	.20	.36
Anchorage-Sitka	592	.23	.36
Anchorage-Wrangel	700	.27	.36
Anchorage-Bethel	500	.25	.42
Anchorage-Fairbanks	500	.21	.42
Anchorage-Home	530	.37	.42
Anchorage-Kotzebue	540	.36	.42

The Lower 48 States routes used to compare to Alaska Airlines fares are shown in Tables A-IV-AIX.

IV. CONCLUSIONS

The data presented in this paper suggests three conclusions, based on a fare per mile comparison.

(1) ASA's air fares for travel within Alaska are substantially higher than its fares for travel to and within the Lower 48 States. Higher labor and operations costs in Alaska and lower stage lengths and load factors may be the primary reasons for the higher fares for travel in Alaska.

(2) ASA's air fares for travel from Alaska to the Lower 48 States are, on the average, comparable to ASA's fares for travel within the Lower 48 States.

(3) ASA's fares for travel within Alaska and from Alaska to the Lower 48 States are usually lower than fares of other airlines for routes of comparable length in the Lower 48 States.

TN/sg

STATEMENT
OF
LARRY MERCULIEFF
CS FOR HOUSE CONCURRENT RESOLUTION 36
HOUSE FINANCE COMMITTEE
March 27, 1986

Mr. Chairman, Members of the Committee, my name is Larry Mercurieff, representing the City of St. Paul and the St. Paul Trust. My primary task, as an economic development advisor for the City and the Trust, is to seek means by which the community of St. Paul can be economically self-sufficient before Trust funds (which support critical island services) are depleted. I also serve as chairman of the Western Alaska Fishery Loan Board of CEDC which administers a million dollars of revolving loan funds to support developing small boat fisheries in western Alaska.

I wish to speak in support of the committee substitute for HCR 36. As you all know, marine and air transportation to rural Alaska is extremely important for good economic development. In the west coast of Alaska, the primary means by which the communities can develop meaningful entre into the Bering Sea fisheries is by transporting product by air to the markets. In developing coastal fisheries, we have a chicken or egg syndrome. Efficient, low-cost marine transportation cannot financially justify stop-over in a community with low volumes of fish product

to transport. By the same token, developing fisheries communities cannot develop their full potential until low-cost and efficient marine transportation is available and local cold storage facilities are available. This requires, initially, that such communities transport product by air. Obviously, the more cost-efficient the air transportation, the more competitive such communities will be in the various fish markets, and thus, the more likely the developing fisheries will expand.

Needless to say, air transportation costs for passengers and cargo to and from rural communities is costly, affecting every aspect of community economic development. I believe the State of Alaska needs to obtain a clear picture of these costs and the factors which affect them in order to begin addressing the development of integrated and comprehensive plans which achieve the goal of lowering air and marine transport costs in rural Alaska. For example, one factor affecting air transport cost is the method of tendering the mail to the airlines by the U.S. Post Office. Should the U.S. Post Office consider changing their present policies (of what is called equitable tender of mail) to eliminate certain categories of air carriers or somehow make such categories less competitive in their tendering policies, many rural communities may receive less service or experience higher costs, or both, due to a lessening of competition. We understand that at least one special interest group is seeking just such policy changes within the U.S. Post

Office. The point is, the more aware we are of major factors affecting air transport costs, the more able we are to direct efforts to control such factors - and/or to develop plans to lower costs. Certainly we cannot make any impacts on costs without reliable information. We believe that the studies and analyses proposed by CS for HCR 36 is a good step in the right direction.

Thank you.

*

TO: HOUSE TRANSPORTATION COMMITTEE
REPS. CATO, DAVIS, SHULTZ, HERRMANN, FURNACE, PIGNALBERI,
MARROU
AND REP. HERRMANN
FROM: LAMAR COTTEN/CITY OF SAND POINT, BOX 177, SAND POINT,
AK, 99661, 383-2696
SUBJECT: HCR 36, INTRASTATE AIRLINE INDUSTRY

CITY OF SAND POINT SUPPORT THE EFFORTS OF REP. HERRMANN AND
OTHERS TO ANALYZE AND DETERMINE THE HIGH COST OF INTRA STATE
TRANSPORTATION AND RECOMMEND THAT THE TRANSPORTATION COMMITTEE
INVESTIGATE THIS MATTER.

*

TO: HOUSE TRANSPORTATION COMMITTEE
REPS. CATO, DAVIS, SHULTZ, HERRMANN, FURNACE, PIGNALBERI,
MARROU
AND REP. HERRMANN
FROM: LAMAR COTTEN/CITY OF KING COVE, KING COVE, AK 99612
SUBJECT: HCR 36, INTRASTATE AIRLINE INDUSTRY

CITY OF KING COVE SUPPORT THE EFFORTS OF REP. HERRMANN AND OTHERS
TO ANALYZE AND DETERMINE THE HIGH COST OF INTRA STATE
TRANSPORTATION AND RECOMMEND THAT THE TRANSPORTATION COMMITTEE
INVESTIGATE THIS MATTER.

*
* DELIVER TO: JFOM *
* *
* *
* ORIGINAL *
* SENT: 01/28/86 TIME: 15:46 *
* FROM: DOROTHY LARSON *
* SUBJECT: HCR36 POM *
* PRINT DATE: 01/28/86 TIME: 15:47 *
* *

TO: HOUSE TRANSPORTATION COMMITTEE
REPRESENTATIVE CATO, CHAIR
REPRESENTATIVES DAVIS, FURNACE, HERRMANN, MARROU,
PIGNALBERI AND SHULTZ

REPRESENTATIVES WALLIS AND THOMPSON

SENATOR ZHAROFF, ALASKA STATE SENATE

FROM: CARLOS TENIENTE, BOX 34, ADAK, ALASKA, FPO
SEATTLE 98791

RE: HCR36, RELATING TO AIRLINE TRAVEL

URGE YOUR POSITIVE CONSIDERATION AND PASSAGE OF HCR36. AIRLINE TRAVEL IS AN AREA OF GREAT CONCERN TO THOSE OF US IN THE RURAL AREAS AND THOSE WHOSE PRIAMRY MODE OF TRAVEL IS BY AIR CARRIER AND QUITE COSTLY. THANK YOU.

*
* DELIVER TO: JPOM *
* *
* *
* ORIGINAL *
* SENT: 01/28/86 TIME: 15:01 *
* FROM: DOROTHY LARSON *
* SUBJECT: POM - HCR 36 *
* PRINT DATE: 01/28/86 TIME: 15:02 *
* *

TO: HOUSE TRANSPORTATION COMMITTEE
REPRESENTATIVES CATO, DAVIS, FURNACE, HERRMANN,
MARROU, PIGNALBERI, SHULTZ

FROM: IDA APOKEDAK, PRESIDENT, EXECUTIVE COMMITTEE,
BRISTOL BAY AREA HEALTH CORPORATION, DILLINGHAM,
ALASKA 99576
PHONE - 842-5201

RE: HCR 36, RELATING TO INTRASTATE AIRLINE TRAVEL

THE EXECUTIVE COMMITTEE OF THE BRISTOL BAY AREA HEALTH CORPORATION MET TODAY AND VOTED BY RESOLUTION TO SUPPORT HCR 36 RELATING TO THE HIGH COST OF AIRLINE TRAVEL IN RURAL AREAS. WE HOPE THAT SOMETHING CAN BE DONE TO LOWER AIRFARES. PLEASE PASS HCR 36. OTHER MEMBERS OF THE EXECUTIVE BOARD ARE JOHN MARK, ANDREW WASSILLIE AND ALVIN BOSKOFKY.

*
* DELIVER TO: JPOM *
* *
* *
* ORIGINAL *
* SENT: 01/28/86 TIME: 16:30 *
* FROM: JEAN MILLER *
* SUBJECT: POM *
* PRINT DATE: 01/28/86 TIME: 16:53 *
* *

TO: HOUSE TRANSPORTATION COMMITTEE

REPRESENTATIVES CATO, DAVIS, SHULTZ, HERRMANN, FURNACE
PIGNALBERI AND MARROU

FROM: DR. LEROY OWENS
SUPERINTENDENT, ALEUTIAN REGION SCHOOL DISTRICT
640 WEST 36TH, SUITE 3
ANCHORAGE, AK 99503 PHONE: 562-2924

SUBJECT: HCR 36 - INTRASTATE TRAVEL

THE ALEUTIAN REGION SCHOOL DISTRICT SUPPORTS THE ATTENTION OF HCR 36 TO INVESTIGATE THE RATE CHARGE FOR INTRASTATE TRAVEL. RATE INCREASES HAVE RESTRICTED THE ABILITY OF RURAL DISTRICT TO OPERATE EFFECTIVELY. SEVERAL RURAL DISTRICTS ARE INVOLVED IN AN ATTEMPT TO NEGOTIATE THEIR RATES FOR REQUIRED DISTRICT TRAVEL. THIS EFFORT COULD BE GREATLY AIDED BY PASSAGE OF HCR 36.

*
* DELIVER TO: JPOM
*
* ORIGINAL
* SENT: 01/28/86 TIME: 16:32
* FROM: DOROTHY LARSON
* SUBJECT: HCR 36 - POM
* PRINT DATE: 01/28/86 TIME: 16:54
*

9

TO: HOUSE TRANSPORTATION COMMITTEE
REPRESENTATIVE CATO, CHAIR, REPRESENTATIVES DAVIS,
FURNACE, HERRMANN,
MARROU, PIGNALBERI, AND
SHULTZ
REPRESENTATIVES WALLIS AND THOMPSON
FROM: SOUTHWEST REGION SCHOOLS, DILLINGHAM, AK. 842-5287
RE: HCR 36 - RELATING TO AIRLINE TRAVEL

THE SOUTHWEST REGION BOARD OF EDUCATION SUPPORTS HCR 36 AND FURTHER REQUESTS THAT THE LEGISLATURE INVESTIGATE SOME FORM OF SUBSIDY AS CURRENTLY PRACTICAL WITH STUDENT TRAVEL ON THE STATE FERRY SYSTEM.

AIR TRAVEL IS THE ONLY FORM OF TRANSPORTATION BETWEEN OUR SITES OR MAJOR COMMUNITIES OUTSIDE OF OUR DISTRICT.

IT MAY BE OF INTEREST TO KNOW THAT THE COST OF A ROUND TRIP TICKET TO ANCHORAGE, 300 MILES FROM DILLINGHAM APPROXIMATES THE COST OF A ROUND TRIP TICKET FROM ANCHORAGE TO SAN FRANCISCO, 2,018 AIR MILES.

*
* DELIVER TO: JPOM
*
*
* ORIGINAL
* SENT: 01/28/86 TIME: 16:42
* FROM: DOROTHY LARSON
* SUBJECT: HCR 36 - POM
* PRINT DATE: 01/28/86 TIME: 16:54
*

10

TO: HOUSE TRANSPORTATION COMMITTEE MEMBERS
REPRESENTATIVES CATO, CHAIR, REPRESENTATIVES DAVIS,
FURNACE, HERRMANN,
MARROU, PIGNALBERI, AND SHULTZ
REPRESENTATIVES WALLIS AND THOMPSON

FROM: NORMAN ANDERSON, BOX 112 NAKNEK, AK. 99633

RE: HCR 36, RELATING TO AIR TRAVEL INTRASTATE

I WISH TO EXPRESS MY VIEWS ON HCR36. TRANSPORTATION COSTS IN THE BRISTOL BAY AREA ARE AT AN ALL TIME HIGH. ALTHOUGH WE ARE ENJOYING A REDUCED FARE PRESENTLY, THIS IS A TEMPORARY AND TIMELY FIXED RATE. IN A COUPLE OF WEEKS, WE AGAIN, WILL HAVE TO PAY THE INFLATED SCHEDULED RATES WHICH, FIRSTLY MAKES TRAVEL BY SMALL CHARTER AIRLINES MORE ATTRACTIVE WHICH IS PLACING MORE OF A RISK TO TRAVELERS. SMALL PLANES ARE MORE SUSCEPTIBLE TO THE HARSH WEATHER AND TERRAIN CONDITIONS BETWEEN THE ANCHORAGE AND BRISTOL BAY AREA.

SECONDLY, TRAVEL BETWEEN ANCHORAGE AND OUR AREAS IS COMPARED TO TRAVEL COAST TO COAST OUTSIDE. MANY PEOPLE ARE LIMITED TO TRAVEL OUTSIDE THE METROPOLITAN AREA BECAUSE OF THE HIGH COST OF AIRFARE LIMITING THE AVAILABILITY AND ACCESS TO LESS EXPENSIVE PRODUCTS FORCING US TO PAY THE HIGH COST LOCALLY. WE ARE A CAPTIVE AUDIENCE AND AT THE MERCY OF THESE AIR PIRATES.

TO: HOUSE TRANSPORTATION COMMITTEE
REPRESENTATIVE CATO, CHAIR, REPRESENTATIVES DAVIS,
FURNACE, HERRMANN, MARROU
PIGNALBERI, SHULTZ

REPRESENTATIVES WALLIS AND THOMPSON

FROM: BILLIE BENEDICT, BOX 10019, DILLINGHAM, AK.

RE:

I WOULD LIKE TO FULLY SUPPORT REPRESENTATIVE HERRMANN'S, THOMPSON'S AND WALLIS' LEGISLATION FOR LOOKING INTO AIR FARES TO RURAL ALASKA AREAS. IN CHOOSING TO LIVE IN ISOLATION, WE WERE AWARE OF THE SACRIFICES. HOWEVER, THE HIGH AIR FARES ARE NOT ONLY AN INCONVENIENCE WHICH PREVENTS US FROM TAKING VACATION OUTSIDE OUR AREA, BUT MOST OF US LEFT FAMILIES BEHIND FROM WHOM WE ARE CUT OFF. ALSO, CONSIDER THE COST TO THE STATE FOR THESE AIR FARES WHEN STATE WORKERS AND WORKERS FROM STATE FUNDED ORGANIZATIONS TRAVEL. THE COST IN OUR COMMUNITY ALONE IS INCREDIBLE. I WOULD LIKE TO SEE SOMETHING POSITIVE DONE TO INCLUDE US IN THE REST OF THE WORLD.

*
* DELIVER TO: JPOM
*
* ORIGINAL
* SENT: 01/28/86 TIME: 16:14
* FROM: DOROTHY LARSON
* SUBJECT: HCR 36 POM
* PRINT DATE: 01/28/86 TIME: 16:40
*

TO: HOUSE TRANSPORTATION COMMITTEE MEMBERS
REPRESENTATIVES CATO, CHAIR, REPRESENTATIVES DAVIS,
FURNACE, HERRMANN, AND MARROU,
PIGNALBERI AND SHULTZ

REPRESENTATIVES WALLIS AND THOMPSON

SENATOR FRED ZHAROFF, ALASKA STATE SENATE

FROM: SUE FLENSBURGER, BOX 174, DILLINGHAM, AK., 842-2666

RE: HCR36-RELATING TO AIRLINE TRAVEL

BRISTOL BAY REGION IS ACCESSIBLE TO THE REST OF ALASKA BY AIR AND WATER ONLY. THE COMMERCIAL AIRLINES SERVING OUR REGION HAVE EXCESSIVE FARES CREATING AN ECONOMIC HARDSHIP. AN AUTHORIZED INVESTIGATION INTO THIS SITUATION IS WARRANTED. A MEANS OF ALLEVIATING INSURANCE PROBLEMS FOR AIR TAXIS ALSO DESERVES CONSIDERATION AND ATTENTION.

*
* DELIVER TO: JPOM *
*
* ORIGINAL *
* SENT: 01/28/86 TIME: 16:06 *
* FROM: LIOKOD *
* SUBJECT: KODIAK POM *
* PRINT DATE: 01/28/86 TIME: 16:32 *
*

TO: REPRESENTATIVES CATO, DAVIS, FURNACE, HERRMANN, MARROU,
PIGNALBERI, SHULTZ

FR: NANCY GROSS, MANAGER
CITY OF UNALASKA
P.O. BOX 89
UNALASKA, ALASKA 99685
PH: 581-1251

RE: HCR 36 - INTRASTATE AIRLINE TRAVEL

UNALASKA SUPPORTS HCR 36. THREE CARRIERS NOW SERVE US AND THE
TICKETS HAVE GONE UP. WE WOULD LIKE TO KNOW WHY.

 *
 * DELIVER TO: JPOM *
 * *
 * *
 * ORIGINAL *
 * SENT: 01/29/86 TIME: 09:38 *
 * FROM: DOROTHY LARSON *
 * SUBJECT: HCR36-POM *
 * PRINT DATE: 01/29/86 TIME: 09:39 *
 * *

TO: HOUSE TRANSPORTATION COMMITTEE MEMBERS
 REPRESENTATIVES CATO, CHAIR; DAVIS, FURNACE,
 HERRMANN, MARROU, PIGNALBERI, AND SHULTZ
 REPRESENTATIVES WALLIS AND THOMPSON
 SENATOR FRED ZHAROFF, ALASKA STATE SENATE

FROM: SHELLEY FARLER, BOX 10018, DILLINGHAM, AK. 99576

RE: HCR36, AIRLINE TRAVEL

PLEASE PASS HCR36 OUT OF YOUR COMMITTEE, AIR FARES ARE EXTREMELY HIGH WHEN TRAVELING FROM RURAL ALASKA TO THE LARGER CITIES. STUDY SHOULD BE CONDUCTED TO DETERMINE WHY THIS IS SO.

TO: HOUSE TRANSPORTATION COMMITTEE MEMBERS,
 REPRESENTATIVES CATO - CHAIR, DAVIS, FURNACE,
 HERRMANN, MARROU, PIGNALBERI, SHULTZ
 REPRESENTATIVES WALLIS AND THOMPSON
 SENATOR FRED ZHAROFF, ALASKA STATE SENATE

FROM: KEN HARPER, DILLINGHAM, AK. 99576

RE: HCR36 - AIRLINE TRAVEL

URGE PASSAGE OF HCR36 TO STUDY THE TARIFFS THAT ARE CHARGED RURAL ALASKANS TO TRAVEL. WE PAY HIGH PRICES TO TRAVEL WITHIN THE STATE. WHY IS IT CHEAPER TO TRAVEL TO THE LOWER 48 THAN TO TRAVEL INTRASTATE?

*
* DELIVER TO: JPOM *
* *
* *
* ORIGINAL *
* SENT: 01/29/86 TIME: 09:05 *
* FROM: DOROTHY LARSON *
* SUBJECT: HCR36-POM *
* PRINT DATE: 01/29/86 TIME: 09:08 *
* *

TO: HOUSE TRANSPORTATION COMMITTEE
REPRESENTATIVES CATO, CHAIR, DAVIS, FURNACE
HERRMANN, MARROU, SIGNALBERI, SHULTZ
REPRESENTATIVES WALLIS AND THOMPSON

SENATOR ZHAROFF, ALASKA STATE SENATE

FROM: DAVE FISHER, BOX 10201, DILLINGHAM, 99576

RE: HCR36, AIRLINE TRAVEL

URGE SUPPORT OF HCR 36 CONCERNING INTRASTATE AIRLINE TRAVEL.
COST OF TRANSPORTATION TO RURAL AREAS IS PROHIBITIVE COMPARED TO
TRAVEL OUT OF THE STATE. URGE CONSIDERATION THAT THESE AIR FARES
BE STUDIED.

TO: HOUSE TRANSPORTATION COMMITTEE MEMBERS
REPRESENTATIVES CATO, CHAIR, DAVIS, FURNACE,
HERRMANN, MARROU,
SIGNALBERI AND SHULTZ

REPRESENTATIVES WALLIS AND THOMPSON

SENATOR ZHAROFF, ALASKA STATE SENATE

FROM: JOHANNA BOUKER, BOX 241, DILLINGHAM, ALASKA 99576
- PH 842-5433

RE: HCR36-RELATING TO AIRLINE TRAVEL

IT APPEARS MAJOR STRUCTURAL CHANGES WILL TAKE PLACE AMONG RURAL
CARRIERS DUE TO DEREGULATION. INSURANCE RATES ARE AT A
PREMIUM-ONE OF THE CAUSES FOR HIGH FARES. (LOWERING FARES MIGHT
CONSTITUTE HAZARD TO RURAL TRAVELERS IN CARRIERS ATTEMPT TO SAVE
ON MAINTENANCE COSTS, ETC..) MAJOR CARRIERS RATES BETWEEN CITIES
AND BUSH SHOULD BE STUDIED.

*
* DELIVER TO: JPOM *
* *
* *
* ORIGINAL *
* SENT: 01/29/86 TIME: 09:14 *
* FROM: DOROTHY LARSON *
* SUBJECT: HCR36-POM *
* PRINT DATE: 01/29/86 TIME: 09:14 *
* *

TO: HOUSE TRANSPORTATION COMMITTEE
REPRESENTATIVES CATO, CHAIR, DAVIS, FURNACE
HERRMANN, MARROU, FIGNALBERI, SHULTZ

REPRESENTATIVES WALLIS AND THOMPSON

SENATOR ZHAROFF, ALASKA STATE SENATE

FROM: LEE HOTCHKISS, BOX 10201, DILLINGHAM, AK. 99576

RE: HCR36-RELATING TO AIRLINE TRAVEL

PLEASE CONSIDER PASSAGE OF HCR36 TO UNDERTAKE A STUDY OF AIR
FARES TO RURAL ALASKA, WE LIVING OUT HERE KNOW THE AIR FARES
CHARGED ARE EXTREMELY HIGH. WHY IS IT CHEAPER TO GO FROM
ANCHORAGE TO THE LOWER 48 THAN IT IS FOR US TO GET TO ANCHORAGE?

TO: HOUSE TRANSPORTATION COMMITTEE MEMBERS
REPRESENTATIVES CATO, CHAIR, DAVIS, FURNACE,
HERRMANN, MARROU, FIGNALBERI, SHULTZ

REPRESENTATIVES WALLIS AND THOMPSON

SENATOR FRED ZHAROFF, ALASKA STATE SENATE

FROM: MARK LISAC, BOX 2818, DILLINGHAM, AK. 99576

RE: HCR36-AIRLINE TRAVEL

HOPE THAT YOU WILL CONSIDER HCR36 FAVORABLY. AIRLINE TRAVEL TO
RURAL AREAS NEEDS TO BE STUDIED AND REASONS GIVEN FOR THE
DISCREPANCY AND DIFFERENCES IN AIR TRAVEL FROM URBAN TO RURAL
AREAS VERSUS THE COST OF TRAVEL FROM OUR URBAN CENTERS TO LOWER
48 AND HAWAII.

*
* DELIVER TO: JPOM *
* *
* ORIGINAL *
* SENT: 02/11/86 TIME: 15:57 *
* FROM: LIODLG *
* SUBJECT: PUBLIC OPINION MESSAGE *
* PRINT DATE: 02/11/86 TIME: 15:57 *
* *

TO: HOUSE TRANSPORTATION COMMITTEE MEMBER:
REPRESENTATIVE CATO, CHAIR, REPRESENTATIVES DAVIS
FURNACE, HERRMANN
MARROU, PIGNALBERI, AND SHULTZ

SENATOR ZHAROFF

FROM: SHIRLEY CHAPMAN, P.O. BOX 442, KING SALMON, AK. 99613
PH 246-4442

RE: HCR 36: AIRLINE TRAVEL

AIRLINE RATES ARE SO HIGH MOST PEOPLE IN THE BUSH AREAS CAN'T AFFORD THEM.

50M

February 11, 1984

Adelheid Herrmann

Pouch V

Juneau, AK 99811

Dear Representative Herrmann:

I have lived in Naknek for the past 11 years and have seen airline prices and air freight rates go up steadily.

We now have two "competing" airlines and three freight haulers all charging to the penny the same rate. For the price of a round trip ticket to Anchorage I could go to Seattle from Anchorage, five times the distance.

Southeast Alaska gets subsidized transportation via the Marine Highway. Most people of the state can at least drive to major shopping areas. We only have the choice of air transportation.

This means that all food, household goods and the like needed for living have to come by air and transportation of a family to Anchorage is not a matter of jumping into a car but buying seat fare for each.

Hopefully you can look into this matter.

Kurt Jaehning

Kurt Jaehning

Naknek AK 99822

Low air fares extended to Anchorage

11/3/85
Anch. Daily News

Daily News staff and wire services

The low Thanksgiving air fares being offered in the Lower 48 were extended Tuesday to travelers from Anchorage.

Western Airlines announced Tuesday it will offer \$158 round-trip "Turkey fares" from Anchorage to anywhere Western flies in the continental United States.

Travel must take place on Nov. 28, 29 and 30, and the return flight must begin by noon on Nov. 30, according to Rachel Cavitt, sales manager for Western Airlines in Alaska.

Tickets also must be purchased within three days of reserving the seat and they are non-refundable. The last day to purchase tickets is Nov. 26, Cavitt said.

"This is definitely just for the impulse traveler," said one Anchorage travel agent. "But it's just about the cost for two people to go out and have a fancy dinner and drinks."

The Turkey fare offers up to 85 percent savings on some of Western's tickets, Cavitt said.

Western flies to numerous West Coast cities and other destinations across the country including Salt Lake City, Boston, New York, Washington D.C. and Texas.

The Turkey fare is less than half the cost of an ultimate supersaver fare to Los Angeles, which now is about \$398.

Two more airlines joined in the Thanksgiving fare war Tuesday, and the carriers reported a surge of telephone queries and bookings for the steep discounts that are designed to fill empty holiday flights.

"It's been very heavy. There are some markets selling out rapidly," said Linda Johnson, spokeswoman for American Airlines. She said Florida routes were practically booked for the 60-hour period covered by American's offer.

United Airlines spokesman Chuck Novak said the number of phone calls to its reservation centers was up 50 percent. Jim Ewing, a spokesman for Delta Air Lines, said: "The volume of calls has increased drastically, I'd say by 15, 20 percent. We've got to put supervisors on the phones."

American was the first to offer the sharply reduced fares in a Monday announcement aimed at luring travelers who otherwise would stay home during Thanksgiving. United and Delta quickly followed with their own plans, and Northwest Airlines and Eastern Airlines announced sales 24 hours later.

American and Eastern are offering discounts of up to 95 percent on round-trips in the 48 continental states from Thanksgiving Day, Nov. 28, through noon Nov. 30, when passenger traffic traditionally is very light. Thanksgiving eve and the following Sunday have been heavily booked for months.

United matched American's offer on routes they both fly. United; American and Eastern require round-trip bookings and payment within three days of making reservations. Their sale deadline is Nov. 26 and tickets

For a New Stuyahok pair, it wasn't good day to fly

by Mitch Lipka
Times writer

After visiting her sick son in an Anchorage hospital, all Annie Gumlickpuk wanted to do was go home to the Bristol Bay village of New Stuyahok.

It all seemed simple enough and it had been done time and time before. All they had to do was get on a plane to Dillingham, catch a Bush plane up the Nushagak River and they would be home.

She and about 10 others boarded a SeAir flight Monday afternoon knowing there was good weather in Anchorage and good weather in Dillingham.

Bad weather is the bane of Bush flying — the major variable people there must learn to cope with.

Off went the SeAir flight and back it came. Mechanical difficulties, the passengers were told.

After a plane switch and more than a hour more on the ground, a second SeAir flight speeded down the runway for the 300-mile trip. Back it came.

Mechanical difficulties, they say.

That's when things began to get bad. Gumlickpuk and her elderly father-in-law, Johnuk Gumlickpuk were informed by

the carrier with the next flight out, AirPac, that their tickets would not be honored.

To make the situation still worse, Johnuk Gumlickpuk speaks only Yupik, and had to sit off to the side not understanding what was happening.

It seems that the \$163 weekender fare tickets the Gumlickpuks had purchased may only be used on the airline that issued them, even if that airline can't get them where they are going. The Gumlickpuks did not have the money on hand to buy \$100 one-way tickets for other carriers.

All things considered it's

probably just as well the Gumlickpuks didn't get on the AirPac flight because it too returned to Anchorage and was cancelled. The problem — mechanical difficulties, the passengers were told.

"I don't like being stuck here," Annie Gumlickpuk said. "If they had been courteous and at least put us up for our meals it would have at least made us feel better."

"We don't have to take somebody's room and board and all of that," said Irene Bonner, director of customer services for SeAir. An airline flying a plane with fewer than 60 seats

is not required to put up stranded passengers, she said.

"Most people who fly in Alaska understand the hassles with the weather conditions flying to these places," Bonner said. "We do accommodate them any way we can."

Bonner said ticket agents were not able to reach her Monday night, and if they would have, she would have given the Gumlickpuks a ticket on another airline.

"I've been flying all my life but this is the worst it has been," Annie Gumlickpuk said.

"We're so unlucky today," Johnuk Gumlickpuk said with

Annie translating. "And it's not our fault."

Janet Schichnes and her family managed to be aboard both SeAir planes and the AirPac plane that were brought back to Anchorage.

"We got on every plane but MarkAir got us here," she said for her Dillingham home this morning. "It's absolutely insane."

"It took us about seven hours to get from Anchorage to Dillingham (normally a one hour flight) and we don't even have our bags."

Repeated calls to AirPac were not returned.

STATE OF ALASKA THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

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

S. Transportation Feb. 25, 1985 3:30pm
H. C&RA March 18, 1985 3:00pm
H. Transportation Feb. 13, 1986 7:00AM
H. Transportation Jan. 29, 1986 7:00AM
S. Transportation April 30, 1986
S. Transportation Feb. 19, 1986 3:30pm
H. Transportation Jan. 30, 1986 7:00AM



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 9981

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

man Gorsuch
1985
our

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 each 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 rising, not growing. And airline fuel costs are steadily stabilizing, too. Some airlines, as we know, have negotiated union agreements to reduce labor costs. As I have noted above, we are in a deregulation era that is a supposed benefit to the consumer.

Assistance and advice would be very welcome, so that we in state government, working together, can bring down the cost of airplane travel, absent any justifications from the carriers showing good reasons why. Prior rates and recent increases have been good reasons why all the carriers are charging the same fares.

Sincerely,

Joe P. Josephson
Joe P. Josephson
State Senator

oren H. Lounsbury

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

RECEIVED

February 5, 1985

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

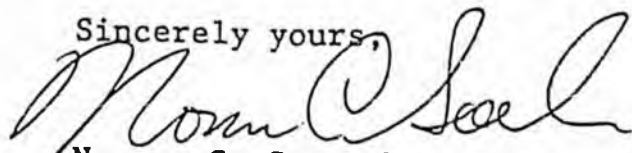
February 5, 1985
Page 2

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 my 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

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



OFFICE OF MINORITY WHIP

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

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?

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
5172 HTRA HB 525 - HCR 6

74

Mr. Bruce Kennedy
February 6, 1985
Page Three

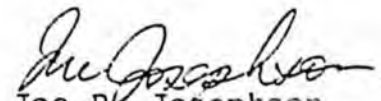
I am considering introducing legislation on this subject, and as a member of the Senate Transportation Committee, I have requested public hearings on this question. The Chairman of the Transportation Committee, I am informed, has scheduled such hearings.

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

JJ's copy ^{file} Air Fares

RECEIVED

FEB 22

Josephson,

MEMORANDUM

TO: Vince O'Reilly, Deputy Commissioner *Vince O'Reilly 2/13/85* DATE: February 12, 1985

FROM: Orhan M. Yildiz, Economic Analysis Section SUBJECT: Airline Industry

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 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 length 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 are 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.

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