

S J R

15

SENATE COMMITTEE REPORT

FURTHER

2/3/89

DATE TURNED INTO OFFICE 2-7-89

Mr. President:

TRANSPORTATION Committee considered SJR 15

Promotion of international tourism and the international movement of cargo through the Alaska International Airport System.

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS SJR 15 (ITT)) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signature]

Paul Gruber

Pat Faurot

Debra Labrenkamp

[Handwritten signature]

 Chairman signature and recommendation

Committee Backup attached

Original sponsors: Uehling, Pearce,
Szymanski, et al.

1 IN THE SENATE

BY THE SENATE SPECIAL COMMITTEE ON
INTERNATIONAL TRADE AND TOURISM

2 CS FOR SENATE JOINT RESOLUTION NO. 15 (ITT)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 Supporting bilateral aviation agreements
6 to better promote international tourism
7 and the movement of cargo through the
8 Alaska International Airport System.

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

10 WHEREAS the international movement of cargo and passengers along air
11 routes available for service by Alaska airports is increasing and will
12 continue to increase over the foreseeable future; and

13 WHEREAS Alaska, with its unique geopolitical position is a national
14 resource with an inimitable opportunity to service intercontinental, inter-
15 national, and domestic flights; and

16 WHEREAS Alaska's airports have developed world-class facilities for
17 the smooth, efficient, and cost-effective handling of tremendous volumes of
18 international passenger and cargo traffic; and

19 WHEREAS more than 1,700,000 passengers and 7,100,000,000 pounds of
20 cargo flying between Europe and Asia traveled through the Alaska Inter-
21 national Airport System in 1988; and

22 WHEREAS Alaska's efforts to attract international visitors are greatly
23 hampered by unnecessary limitations on landing rights, visas, and interna-
24 tional carriers flying domestic routes; and

25 WHEREAS an aviation bilateral committee has been established in the
26 Alaska Department of Transportation and Public Facilities to coordinate
27 state action in support of efforts to expand international visitation and
28 use of the Alaska International Airport System; and

29 WHEREAS the United States is currently involved in negotiations to
S

1 secure new bilateral aviation agreements with countries likely to pursue
2 air travel opportunities in Alaska if allowed; and

3 WHEREAS the United States government is currently working to establish
4 a more positive international air travel system that is likely to benefit
5 Alaska; and

6 WHEREAS technological developments, including production of the Boeing
7 747-400, make transpolar travel possible without refueling stopovers in
8 Alaska; and

9 WHEREAS these technological developments may have negative effects on
10 Alaska's ability to directly serve international markets;

11 RE IT RESOLVED that the Alaska State Legislature strongly encourages
12 the United States Department of State and Department of Transportation to
13 continue to support Alaska's efforts to address the opportunities existing
14 in the international air travel market through the ongoing bilateral
15 aviation agreement negotiations; and be it

16 FURTHER RESOLVED that the Alaska State Legislature strongly urges the
17 Governor to continue to ensure that all departments of state government
18 work cooperatively to advance Alaska's interests in international aviation
19 bilateral agreements.

20 COPIES of this resolution shall be sent to James A. Baker, III, Secre-
21 tary of State; Samuel K. Skinner, Secretary of Transportation; and to the
22 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and
23 the Honorable Don Young, U.S. Representative, members of the Alaska delega-
24 tion in Congress.

1 IN THE SENATE

BY UEHLING, PEARCE,
SZYMANSKI, STURGULEWSKI,
KELLY, FRANK, *Fahmke*

2 SENATE JOINT RESOLUTION NO. 15

3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - FIRST SESSION

*Put Fah
on Blue
Back*

5 Relating to the promotion of interna-
6 tional tourism and the international
7 movement of cargo through the Alaska
8 International Airport System.

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

10 WHEREAS the international movement of cargo and passengers in markets
11 directly served by Alaska is increasing and will continue to increase over
12 the foreseeable future; and

13 WHEREAS Alaska, with its matchless geographical position represents a
14 unique national asset and has an inimitable opportunity to service inter-
15 continental, international, and domestic flight service; and

16 WHEREAS Alaska's efforts to attract international visitors are greatly
17 hampered by unnecessary limitations on landing rights, visas, and interna-
18 tional carriers flying domestic routes; and

19 WHEREAS the United States Department of State has demonstrated a
20 willingness to support Alaska's efforts to attract additional international
21 visitors and air traffic through enhanced attention to Alaska in the most
22 recent United States bilateral aviation agreement proposal; and

23 WHEREAS Alaska's airports have developed world-class facilities for
24 the smooth, efficient, and cost-effective handling of tremendous volumes of
25 international passenger and cargo traffic; and

26 WHEREAS technological developments, including the new Boeing 747-400,
27 may make transpolar travel possible without refueling stopovers in Alaska,
28 so that it is crucial that the United States make it advantageous for
29 international air carriers to use Alaska's airports to the greatest extent

1 possible for passenger and cargo operations; and

2 WHEREAS more than 4,400,000 passengers and 7,100,000 pounds of cargo
3 flying between Europe and Asia traveled through the Alaska International
4 Airport System in 1988; and

5 WHEREAS an aviation bilateral committee has been established in the
6 Alaska Department of Transportation and Public Facilities to coordinate
7 state action in support of efforts to expand international visitation and
8 use of the state's international airport system; and

9 WHEREAS the United States is currently involved in bilateral aviation
10 negotiations with countries likely to pursue air travel opportunities in
11 Alaska if allowed;

12 BE IT RESOLVED that the Alaska State Legislature strongly encourages
13 the United States Department of State to continue its ongoing efforts to
14 address the opportunities and inequities existing in the international air
15 travel market through bilateral aviation agreement negotiations.

16 COPIES of this resolution shall be sent to James A. Baker, III, Secre-
17 tary of State; and to the Honorable Ted Stevens and the Honorable Frank
18 Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative,
19 members of the Alaska delegation in Congress.
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Senator Rick Uehling

Downtown, Elmendorf, Northeast Anchorage



MEMORANDUM

Co-Chairman, Senate Finance Committee
International Trade & Tourism Committee
State Affairs Committee

To: Senator Lloyd Jones
Chairman, Senate Transportation

From: Senator Rick Uehling
Co-Chairman, Senate Finance *R. Uehling*

Subject: CSSJR 15, relating to the support of bilateral
aviation agreements, et. al.

Date: February 2, 1989

I would appreciate your scheduling CSSJR 15 (SITT) for a hearing before the Senate Transportation Committee at the earliest possible time next week.

This resolution will have the effect of expressing legislative support for the ongoing state and federal effort to secure advantageous arrangements for Alaska's International Airports in international bilateral aviation agreements.

I have enclosed backup materials for CSSJR 15 (SITT) for your committee files. Please call my office if there is additional information I can provide for you.

Thank you for your consideration.

RU/ma

attachments

Attachments:

- A. Description of Economic Impacts if Threatened Transpolar Overflights Take Place
 - Letter to Alaska International Airport Tourism Marketing Council
- B. Statistics Illustrating the Movement of Cargo Through the Alaska International Airport System
 - Anchorage International Airport
 - Fairbanks International Airport
- C. Polar Projection of Alaska's Location Relative to Other International Air Centers
- D. Description of Purpose and Structure of Alaska's Aviation Bilateral Committee (ABC)
- E. Summary of Recent Events Involving Bilateral Aviation Agreement Negotiations
 - Memo from Gina Marie Lindsey to Commissioner Hickey

Mr. Walter Hickle, Jr.
President
Alaska International Airport
Tourism Marketing Council
P.O. Box 104979
Anchorage, Alaska 99510

January 13, 1989

Dear Mr. Hickle,

The economic impact to the Alaska International Airport System and to the total economy of the State of Alaska due to the so-called "overflights" of our airports is great. The opening of Soviet airspace to Europe/Asia flights has negatively impacted the operations of the Alaskan airports. The planned operation by many major international carriers of new long-range aircraft such as the Boeing 747-400 series would most definitely mean fewer flights transitting Alaska as well.

Two international passenger carriers that are among the heaviest users of Anchorage International Airport, Japan Airlines and Lufthansa, have announced future plans for their Anchorage stations. Lufthansa will be eliminating passenger service through Anchorage in the summer of 1989. Anchorage's largest air carrier, JAL, has announced plans to reduce their passenger flights down to 4 a week by 1991, from the current 17 flights per week.

We calculate the loss to the State's economy caused by the elimination of these carrier's flights alone to equal approximately \$136,960,000 per year by 1991. This estimate includes the following components:

-AIAS Revenues		\$ 10,700,000
-Operations	\$2,900,000	
-Concession	7,800,000	
-State of Alaska General Fund		1,500,000
-Gasoline Tax	1,500,000	
-Non-Airport Revenue Losses		124,760,000
-concession	77,160,000	
-indirect impact	47,600,000	

		\$136,960,000 per year
		=====

Attached are the computations that support this estimate. These figures represent only the announced flight losses of two major international carriers and add up to a loss of about thirty percent of our international passenger flights.

The overflight plans of Air France, British Airways, China Airlines, Iberia Airlines, KLM, Korean Airlines, Sabena, Scandinavian Air Systems, and Swissair are not known at this time. The \$140,000,000 amount quoted above therefore represents what we believe to be the most conservative estimate of the possible negative effects to the economy and to AIAS and State General Fund revenues. A doubling of overflight losses to sixty percent of our current international flights is possible and would mean a loss to the state economy of approximately \$280,000,000 per year, \$20,000,000 loss of AIAS revenues, and \$3,000,000 in State General Fund revenues.

International airline and concession fees constitute fully sixty percent of the revenues of the International Airport System. The direct and indirect contributions of the international carriers keep costs down for all other operators, whether it be domestic airlines with flights to and from the Lower 48, commuter carriers, or businesses and individuals that lease tie-down spaces for small aircraft. It is therefore important to many Alaskans in Anchorage, Fairbanks and throughout the state that international flights through our airports continue at as high a level as possible.

As you are well aware, major airport marketing efforts began in earnest in November of 1987. While the Department of Transportation and Public Facilities has professionally managed and expanded the Anchorage and Fairbanks International Airports for many years, until last year there were no concerted efforts to market the airports. When the AIAS development team was created in November, 1987 we immediately did an analysis of the resources and strengths of the System. Two major directions for development seemed best to pursue: increased hub operations for international air cargo and international destination tourism. Alaska's major strength is its strategic location which means our major growth potential is in international markets.

With the Federal Express facility well under construction and cargo activity growing quickly, successful attainment of our first goal seems quite probable even in the short term. International destination tourism, however, remains a much more elusive target.

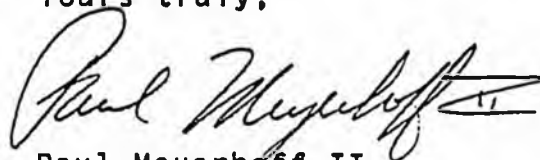
At an Anchorage Convention and Visitors Bureau event in Anchorage during the early summer of 1988, Governor Cowper announced a major new initiative to promote international tourism. The Governor's "Japanese Tourism Initiative" contains three major components: Increased development of Alaska visitor destinations, acquiring blocks of Alaska Destination airline seats, and increased promotion in Japan for Alaska travel opportunities. The Airport System heartily endorses the Governor's plan. We feel that successful completion of the plan is one of the keys to keeping a high level of international flights into our state.

While the Airport System continues to pursue the goal of attaining blocks of Alaska destination airline seats, we do not feel we should have a direct role in the development of Alaska destinations or in the promotion of Alaska travel opportunities. AIAS did fund \$140,000 in Japanese promotional efforts out of the FY88 AIAS Marketing monies, but we saw, and continue to see, our involvement as only a means to get tourism marketing efforts quickly expanded in Japan. We feel the Division of Tourism is the appropriate state agency to be in charge of this effort.

We wholeheartedly endorse your group's efforts to promote international destination tourism in Alaska. We understand quite clearly that failure to develop this relatively untapped market could mean a major drop in revenues to AIAS and the State General Fund and a catastrophic drop in economic activity within our state. Increased funding and focused planning for international tourism promotion is a move critical to retaining international passenger flights.

Please let us know what we can do to continue to assist you in your efforts.

Yours truly,



Paul Meyerhoff II
Executive Director

cc: D. Randy Simmons, DOT&PF Deputy Commissioner
Marketing Advisory Committee

ECONOMIC IMPACT OF OVERFLIGHTS
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I. LATEST ANNOUNCED AIRLINE OVERFLIGHT PLANS

A. Japan Airlines

Latest JAL plan shows flights through Anchorage will decrease from the current 17 round trip flights per week to 4 round trip flights per week in 1991

Result: A loss of 13 round trips per week or 1,352 flights per year.

B. Lufthansa

Planned complete elimination of passenger flights through Anchorage starting in July 1989. Lufthansa had 577 flights during FY1988.

Result: A loss of 577 flights per year.

C. Total Announced Overflight Plans

Japan Airlines	1,352 flights per year
Lufthansa	577 flights per year

	1,929 total flights per year

D. Announced Overflights as a Percentage of Existing International Passenger Flights

Announced Overflights	1,929
divided by:	
Total FY88 Flights (est.)	5,900
	= 33% total loss of flights

II. AVERAGE DIRECT REVENUE TO AIAS AND STATE PER FLIGHT
 -typical landing of B747-200
 -international passenger flight

Landing Fee:	775,000 lbs.	(\$.72/1000 lbs.)	=	\$	558.00
Fuel Flowage:	32,000 gal.	(\$.02/gal.)	=		640.00
State Oil Tax:	32,000 gal.	(\$.025/gal.)	=		800.00
Docking Fee:					287.00
Federal Inspection Service Fee:					20.00

average total revenues per landing \$2,305.00
 =====

A. Direct AIAS Fees

Landing Fee \$	558.00
Fuel Flowage	640.00
Docking Fee	287.00
F.I.S. Fee	20.00

\$1,505.00/flight x 1929 flights = \$2,903,145
 =====

or approximate total estimated losses of \$2,900,000.
 =====

B. State General Fund

State Oil Tax \$800.00/flight x 1929 flights = \$1,543,200
 =====

or approximate total estimated losses of \$1,500,000.
 =====

III. CONCESSION REVENUES TO AIAS PER FLIGHT
 -Duty Free shop, restaurants, currency exchange

A. Total FY88 North Terminal (International) Concession
 Revenues (to AIAS)

Marriott:	\$	185,000.00
Forex:		79,217.44
Duty Free:		17,000,786.00
Alaskana:		135,541.61
David Green:		645,558.76
Meat & Seafood:		1,156,972.41

\$19,203,074.00

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B. Average Concession Revenues to AIAS Per Flight

\$19,203,074.00
divided by 5,900 (est.) FY88 Flights
= \$3,254.75 per flight

C. Estimated Losses to Concession Revenues to AIAS From
Announced International Passenger Flight Losses

\$3,254.75/flight x 1,929 flights = \$6,278,412.70

NOTE: The flights that are starting to "overfly"
Anchorage primarily have Japanese travellers on board.
Since the average Japanese traveller spends
considerably more money at duty free shops world-wide
than travellers from other countries, we have added a 25%
factor above the \$6,278,412.70 figure to reflect the fact
that many of the duty free shop's "best" customers are
now starting to "overfly" Alaska.

\$6,278,412.70 x 1.25 ("Japanese Factor") = \$7,848,015.80
or approximate total losses of \$7,800,000.

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IV. AVERAGE REVENUES TO AIRPORT OPERATORS PER
INTERNATIONAL PASSENGER FLIGHT

A. These figures include revenues from the following
organizations:

-duty free shops, restaurants, flight kitchens, ground
handlers and airlines (fuel purchases, crew hotel and
transportation costs, salaries and overhead for
staffs, etc.)

B. Previous analysis has shown these costs to be
approximately \$40,000/flight.

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C. Estimated direct losses to the Alaskan economy from
the loss of these international passenger flights:

\$40,000/flight x 1,929 flights = \$77,160,000 less of
airport operators' revenues.

D. Estimated indirect losses to the Alaskan economy from the loss of these airport operator revenues:

NOTE: To determine the indirect impact of the \$77,160,000 direct impact, we used a RIMS II Multiplier of .6174.

\$77,160,000 (direct) x .6174 (multiplier) = \$47,638,584
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or approximately \$47,600,000.
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E. Estimated total losses to the Alaskan economy from the loss of these airport operator revenues:

Direct Losses	\$ 77,160,000	
Indirect Losses	47,600,000	

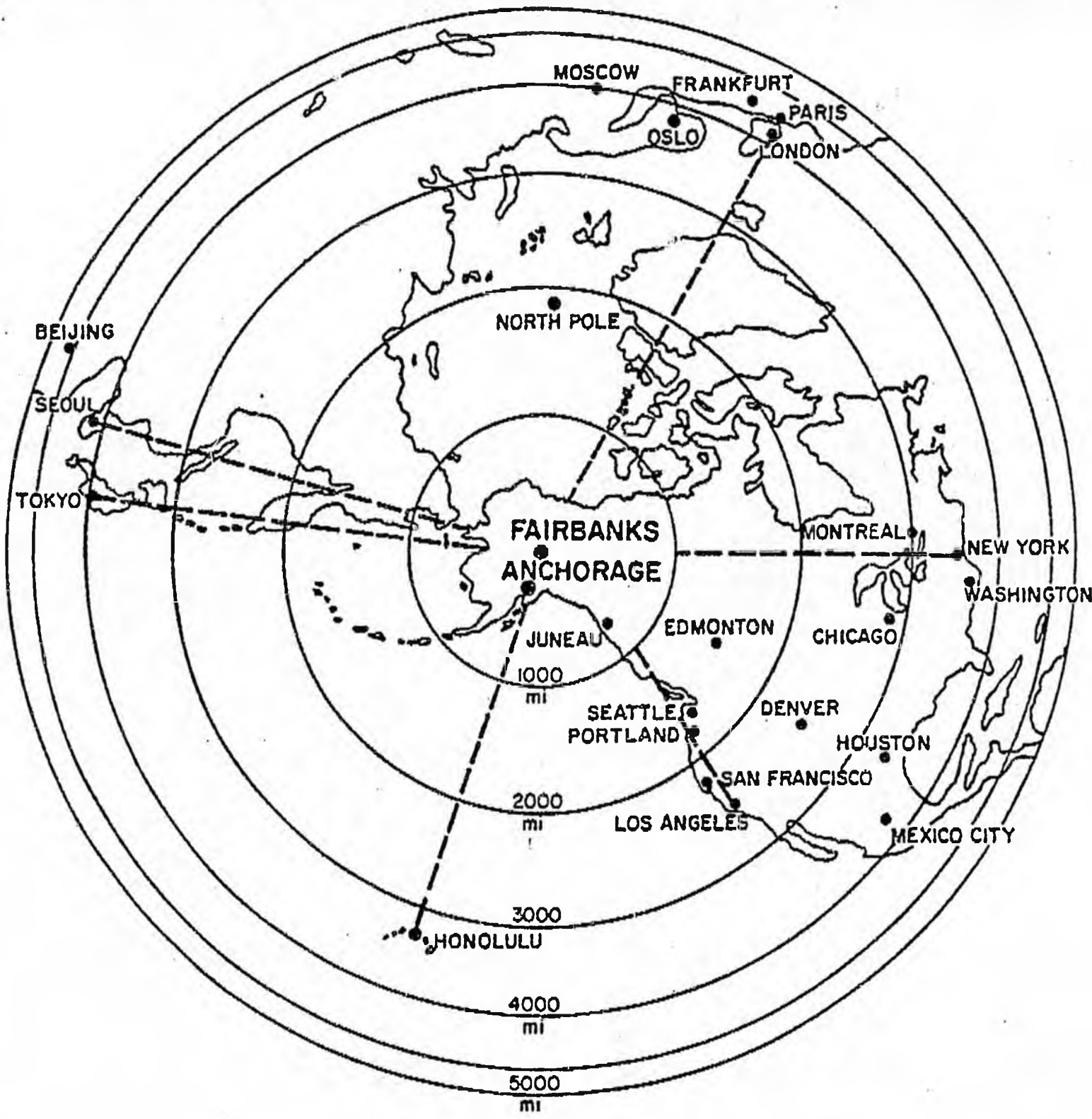
	\$124,760,000	
	=====	

V. LOSS TO THE STATE'S ECONOMY

We calculate the loss to the State's economy caused by the elimination of these carrier's flights alone to equal approximately \$140,000,000 per year by 1991. This estimate includes the following components (rounded off):

-AIAS Revenues		\$ 10,700,000
-Operations	\$2,900,000	
-Concession	7,800,000	
-State of Alaska General Fund		1,500,000
-Gasoline Tax	1,500,000	
-Non-Airport Revenue Losses		124,760,000
-concession	77,160,000	
-indirect impact	47,600,000	

		\$136,960,000 per year
		=====



**GLOBAL PROJECTION CENTERED ON
ANCHORAGE AND FAIRBANKS
ALASKA**

FISCAL YEAR

P. 2
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Year	Passengers In	Passengers Out	Total In - Out Passengers	Through Passengers	Total All Passengers	Freight In (lbs.)	Freight Out (lbs.)	Total Freight (lbs.)	Revenue Landing	Jets
1957 thru 1964	952,539	1,000,576	1,953,115	574,487	2,527,602	120,260,537	224,141,581	344,402,118	76,250	
1965	189,451	195,335	384,786	152,003	536,789	20,627,935	32,097,259	52,725,194	10,349	4,145
1966	213,380	219,047	432,427	216,648	649,075	20,762,213	37,394,229	58,156,442	11,584	4,721
1967	268,557	269,459	538,016	414,809	952,825	22,400,979	49,776,762	72,177,741	15,783	7,590
1968	331,726	357,516	689,242	418,732	1,107,974	25,980,908	75,573,582	101,554,490	18,892	9,992
1969	391,050	424,314	815,364	648,821	1,464,185	30,526,580	50,137,204	80,663,784	23,099	15,135
1970	426,248	433,163	859,411	807,722	1,667,133	32,241,373	60,865,051	93,106,424	25,104	18,070
1971	413,735	420,249	833,984	778,211	1,612,195	36,618,783	60,493,202	97,111,985	23,307	17,825
1972	451,455	461,777	913,232	654,681	1,567,913	44,026,537	65,937,427	109,963,964	27,596	20,875
1973	478,895	488,624	967,519	633,111	1,600,630	39,638,120	70,230,262	109,868,382	26,201	19,006
1974	540,877	551,947	1,092,824	796,045	1,888,869	60,786,732	83,642,968	144,429,700	27,939	19,397
1975	700,161	712,433	1,412,594	880,472	2,293,066	90,331,365	111,884,498	202,215,863	34,607	22,799
1976	857,162	870,024	1,727,186	804,762	2,611,948	106,702,662	155,280,054	261,982,716	38,448	25,528
1977	945,048	962,392	1,907,440	936,032	2,843,472	94,276,412	162,304,099	256,580,511	42,945	24,791
1978	955,628	979,636	1,935,264	976,059	2,911,323	99,358,565	162,669,378	262,027,943	47,350	26,150
1979	995,780	1,018,568	2,014,348	1,166,400	3,180,748	103,589,738	155,885,827	259,475,565	47,413	26,046
1980	990,517	1,007,535	1,998,052	1,267,474	3,265,526	95,800,920	157,068,269	252,869,189	44,782	25,388
1981	1,059,823	1,073,088	2,132,911	1,456,894	3,589,805	119,343,401	186,479,723	305,823,124	51,230	26,392
1982	1,165,305	1,177,717	2,343,022	1,503,206	3,846,228	118,323,615	181,394,276	299,717,891	57,311	31,326
1983	1,263,720	1,295,433	2,579,153	1,425,082	4,004,235	130,138,571	191,784,538	321,923,109	62,300	32,115
1984	1,328,793	1,335,646	2,664,439	1,372,679	4,037,118	134,684,627	187,725,215	322,409,842	71,785	36,797
1985	1,467,831	1,471,494	2,939,325	1,561,172	4,500,497	140,821,197	198,091,335	338,912,532	76,404	38,793
1986	1,491,413	1,507,603	2,999,016	1,634,829	4,633,845	117,496,348	182,887,953	300,384,301	72,034	37,556
1987	1,369,793	1,359,127	2,728,920	1,627,554	4,356,474	106,525,079	178,377,886	284,902,965	73,846	40,547
1988	1,349,644	1,371,500	2,721,144	1,706,831	4,427,975	116,067,500	192,277,003	308,344,503	74,715	41,002

FAIRBANKS INTERNATIONAL AIRPORT
CALENDAR YEAR STATISTICS

Year	** Passengers **					** Freight **			Revenue Landings	Jet Landings
	In	Out	Total In-Out	Transit	Total All	In	Out	Total		
1957	41,750	45,328	87,578		87,578	5,962,499	13,680,413	19,642,903	5,241	
1958	42,754	42,569	85,323		85,323	5,558,924	12,406,376	17,965,300	4,641	
1959	47,436	50,601	98,037		98,037	7,050,789	20,456,903	27,507,692	5,913	
1960	53,783	57,566	111,349		111,349	7,204,129	20,046,607	27,250,736	6,117	
1961	73,818	67,767	141,585		141,585	8,135,523	20,452,143	28,587,666	6,278	
1962	60,541	61,589	122,130	11,864	133,994	7,266,690	17,545,453	24,812,143	5,036	
1963	62,724	65,923	128,647	9,139	137,786	8,164,022	19,928,034	28,092,056	4,810	
1964	67,917	68,961	136,878	15,718	152,596	10,738,365	20,191,226	30,929,589	4,544	397
1965	73,108	72,011	145,119	7,774	152,893	10,597,086	18,920,292	29,517,378	3,352	362
1966	76,358	75,240	151,598	3,136	154,734	11,282,908	22,365,840	33,648,748	3,812	463
1967	97,530	99,952	197,482	3,709	201,191	12,823,370	17,846,366	30,669,736	4,984	1,027
1968	116,504	119,473	235,977	6,075	242,052	12,830,701	27,638,908	40,469,609	8,338	1,050
1969	157,345	157,710	315,055	24,802	339,857	25,336,566	215,166,073	240,522,639	22,663	3,796
1970	154,964	168,031	322,995	70,473	393,468	28,868,790	92,606,296	121,555,086	14,841	4,956
1971	137,277	142,695	279,972	77,230	357,202	25,741,056	92,575,093	118,316,949	10,856	5,072
1972	150,507	149,491	299,998	53,628	353,626	32,818,688	80,352,479	113,171,167	9,145	4,459
1973	139,781	142,073	281,854	49,629	331,483	26,319,584	67,529,036	93,848,620	8,189	4,157
1974	206,696	231,978	438,674	42,245	480,919	45,880,230	365,369,760	411,249,990	25,416	5,159
1975	320,315	333,270	653,585	8,286	661,871	47,931,240	312,473,064	360,404,304	25,990	7,047
1976	360,547	365,223	725,770	1,163	726,933	41,092,500	146,447,309	187,539,809	20,610	6,707
1977	280,166	276,157	556,323	2,304	558,627	38,688,440	114,166,044	152,854,484	16,242	5,503
1978	246,262	256,861	503,123	10,272	513,395	40,106,231	116,382,482	156,488,713	13,643	5,507
1979	227,372	235,206	462,578	425	463,003	24,901,590	95,412,195	120,313,785	13,148	7,003
1980	221,194	226,291	447,485	555	448,040	26,771,439	105,136,500	131,908,019	14,345	7,899
1981	249,832	249,101	498,933	1,663	500,596	35,630,135	116,067,656	151,697,791	16,172	8,313
1982	285,937	289,711	575,648	18,017	593,665	29,061,682	81,476,951	110,538,635	15,608	8,589
1983	285,944	287,872	573,816	28,479	602,295	27,081,372	63,946,339	91,027,711	15,090	8,002
1984	293,367	296,237	589,604	24,683	614,292	23,475,659	47,252,969	70,728,628	16,061	8,943
1985	274,921	270,826	545,747	46,742	592,489	14,981,160	36,183,723	51,164,883	14,274	5,941
1986	259,259	255,665	514,924	44,915	559,839	10,114,119	41,012,765	51,126,884	15,071	6,632
1987	243,207	244,391	487,598	38,543	526,141	10,244,507	37,524,470	47,768,977	13,744	5,361
1988	251,753	253,956	505,709	39,792	545,501	14,732,247	40,785,068	55,517,315	15,195	5,905

MEMORANDUM

State of Alaska P.5

TO: Mark Hickey
Commissioner

DATE: December 6, 1988

Randy Simmons
Deputy Commissioner
Budget & Finance

FILE NO: 413C

THRU:

Paul Meyerhoff II
Executive Director
AIAS

TELEPHONE NO: 266-1616

SUBJECT: Trip Report -
Luxembourg & Japan
Bilaterals

FROM: Gina Marie Lindsey
Development Manager
AIAS

I was in Washington D.C. 11/29 - 11/30 to discuss Luxembourg and Japan bilateral aviation negotiations with federal government representatives, Alaska congressional staffers, Cargolux, and their legal representatives. The following is a summary of the meetings Eric Ostrovsky, and I had and an update of the bilateral status relative to Luxembourg, Japan, and Alaska's interests.

LUXEMBOURG:

Eric Ostrovsky and I met with Ted Kronmiller and Steve Lachter of Patton, Boggs & Blow and five Cargolux representatives on Monday. Cargolux currently has five gateways and three frequencies per week approved by the U.S. government through an informal permit -- no formal bilateral. Cargolux wants several additional gateways (possibly Alaska and Huntsville, AL) and additional frequencies (at least one more through Seattle) established in a formal bilateral. They knew negotiations would be tough and were asking for support from Alaska, Huntsville, and Seattle to help DOT and State consider the airport and regional economic benefits accruing to gateways receiving Cargolux service.

Eric and I met subsequently on Monday with DOT (Patrick Murphy, Ed Oppler, and Susan McDermott) and State (Jeff Shane and Michael Goldman). Their position appeared quite fixed against either additional gateways or frequencies essentially because Luxembourg has nothing the U.S. carriers want and, in the face of that, the existing permit is quite liberal. We presented Alaska's interest, discussed the fact that an Alaska gateway is not analogous to lower 48 gateways and should not be assumed to be. By virtue of our strategic position, and lack of major origin-destination market, our opportunities for expanding and diversifying our economy lie in exploiting that geographic location. Major expansion in movement of people and goods will be by air. Alaska must have help from the federal government to assure the overall economic benefits to our area are

considered important when evaluating reciprocal value of aviation bilateral rights -- air carrier benefits are not the only benefits that should be factored into the equation.

On Tuesday we met with Jaimie Boucher (Murkowski), Jeff Smith (Young), and Wally Burnett (Stevens). Jaimie's major concern centered on whether reciprocal rights would be available to U.S. carriers if they wanted to serve Luxembourg and determining if there would be competitive damage to a U.S. carrier by granting the Alaska gateway to Cargolux. We made it clear to all staffers that Cargolux has made no commitment to Alaska. Apparently several calls were made late Tuesday and early Wednesday which had the net effect of "turning up the heat" on DOT and State.

On Wednesday the U.S. offered to substitute Huntsville and Alaska for New York and Houston (2 Cargolux gateways currently not served), but no additional frequencies, refused formal bilateral status but assured permit renewal in two years when it expires (assuming there's no change in company ownership). The Luxembourg government refused this because the gateway substitution was worth nothing without additional frequencies, and the conditional permit renewal was a right they already have. The U.S. discouraged Luxembourg from coming to the table again soon, but Steve Lachter estimates talks to be requested and scheduled in 3-6 months. In the meantime, Eric will stay in contact with Patton, Boggs and Blow. We have indicated a willingness to develop more definitive economic benefits information but need more specific plans from Cargolux in order to do this. My sense is that some quantifiable data will have to be presented before there is much hope of softening the U.S. position.

JAPAN:

While Luxembourg was the most immediate concern, Eric and I spent as much or more time on Japan. The new U.S. proposal modifies the two paragraphs setting parameters for new gateway selection so Alaska could now compete, however, we could never realistically compete successfully with other candidate U.S. gateways.

There is, however, a new paragraph specific to Alaska which allows either country to designate a carrier or carriers to start turnaround Alaska service. There appears to be no practical difference between this and gateway designation except there could be no "beyond" rights in Japan which may limit the growth potential of the route but does not appear critical for our purposes.

The Japanese have agreed to talks December 7-9. Now that the Alaska proposal is in the U.S. platform we must assure it stays there and does not become a "throw-away". Eric will be getting a copy of the U.S. position to the Congressional delegation so they know specifically what to push for should they choose to do so.

The sixth freedom issue could present a bit of a quandary to the State. Apparently Japan has agreed to 3 flights/week for Tigers' sixth freedom cargo. Tigers initially agreed but now says no: they contend they already have unlimited rights so why settle for less than that and then have to trade additional benefits for more sixth freedom frequencies in the future.

The U.S. has not yet responded on Japan's offer of three and is currently determining how to respond. They requested an Alaska position if we have one to share. The dilemma is that while we may agree with Tigers philosophically, rejection of the three frequencies could stall progress on other issues including the potential turnaround passenger right. It is not imperative that we take a position, but if we do it should be soon.

Jeff Shane feels the U.S. proposal is "very heavy" for the Japanese and has no assurances talks will make much progress after the Japanese see it.

/so .

cc: Aviation Bilateral Committee
Chris Birch, Airport Manger, FIA
Paul Meyerhoff II, Executive Director, AIAS
D.C. Ruff, Airport Manager, AIA
Marketing Advisory Committee

PURPOSE:

The Aviation Bilateral Committee (ABC) has been established as a state policy coordination group with respect to aviation bilateral agreements and negotiations between the U.S. and various foreign governments. State aviation bilateral policy shall be reviewed and discussed by the ABC, and approved by the DOT&PF Commissioner.

MEMBERSHIP:

Commissioner of DOT&PF and/or his designee-
as Chairperson.

Deputy Commissioner, Budget & Finance, DOT&PF

Executive Director - AIAS

Development Manager - AIAS

Commissioner of Commerce and/or his designee.

Governor's Office - Special Counsel State/Federal
Relations.

Director - Office of International Trade

Governor's Office - Special Staff Assistant for
DOT&PF.

ABC ROLES AND RESPONSIBILITIES:

- The committee will review and comment on draft state policy as relates to aviation bilateral agreements and negotiations.
- Evaluate changes and modifications to state aviation bilateral policy.
- Identify changes in existing aviation bilateral agreements necessary to attract and accommodate additional business opportunities to benefit the state.
- Serve as a clearinghouse for information regarding changes
- Draft or review correspondence to appropriate federal officials and Congressional delegation
- Monitor any active aviation bilateral negotiations ABC deems important to the interests of the state
- Maintain contact with appropriate parties in Washington, D.C.
- Advocate state policy, as necessary, in appropriate Congressional, federal agencies, and other forums.