

HJR

67

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HJR 67

Title: Air Flights Russian Far East
 Sponsor: House Transportation Committee
 Requestor: House Transportation Committee

Dept. Affected: Legislature
 BRU: _____
 Components: _____
 Serial #: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0					
Travel	0					
Contractual	0					
Supplies	0					
Equipment	0					
Land & Structures	0					
Grants, Claims	0					
Miscellaneous	0					
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund	0					
Federal Fund	0					
Other	0					
TOTAL	0	0	0	0	0	0

POSITIONS:

Full-Time	0					
Part-Time	0					
Temporary	0					

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Prepared by: Peter Ecklund
House Transportation Committee
Peter Ecklund, Chairman

Date: 4/14/98
 Phone: 465-3424
 Phone: _____

HJR 67 will have no monetary effect on the
Alaska Legislature

Alaska State Legislature

Committees:

Transportation, Chairman

Resources

Economic Development

Rules

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Representative William K. Williams

SPONSOR STATEMENT

HOUSE JOINT RESOLUTION 67 AIR FLIGHTS RUSSIAN FAR EAST

HJR 67 urges the U.S. Department of Transportation to negotiate renewal of the bilateral agreement to retain the mandatory stopover in Anchorage for transpacific flights between the Russian Far East and the U.S. The current bilateral agreement is due to expire in May of 1998.

It is important to continue mandatory stopovers of Russian air carriers to preserve the position of Anchorage as the American gateway to the Russian Far East.

In addition to close historical and cultural ties between the people of Alaska and the people of the Russian Far East, the state has established agreements with many Russian cities and territories to help with their transition into a market-based economy. Discontinuation of direct Alaskan air service would severely hamper these efforts.

Further, absent the agreement, Anchorage International Airport could see additional decline in international air traffic and local jobs.

In short, continuation of mandatory Russian stopovers in Anchorage is good for the state and good for the developing economies of the Russian Far East. To that end, I urge your swift passage of HJR 67.

MEMORANDUM

State of Alaska

TO: Deborah B. Sedwick
Commissioner

DATE: Monday, April 13, 1998

THRU: Priscilla Wohl *Priscilla Wohl*
Trade Program Manager

TELEPHONE NO: 269-6118

FROM: Patricia Ecker *Patricia Ecker*
Trade Specialist

SUBJECT: Retention of the Mandatory
Anchorage Stopover for
Russian Air Carriers

Peter Eckland of the House Transportation Committee called last week to request background on the U.S./Russia aviation talks scheduled for this month. He was specifically interested in the retention of the mandatory Anchorage stopover for Russian Air Carriers. The Alaska House of Representatives is considering a resolution to urge support of the retention. This memo covers what we have discussed in the past and will serve as a response to Mr. Eckland.

The U.S./Russia aviation talks in Washington, D.C. this month will focus on several issues, prime among them Russia's dislike for the mandatory Anchorage stopover for Russian air carriers. Other issues for the U.S. and its carriers are codesharing privileges and new air routes that Russia is not currently allowing.

This round of U.S./Russia talks have been ongoing for some time; the November 1997 meeting was not regarded as successful and the outlook for conclusion of a new agreement does not look good for the this month's session of the talks. Each session of talks has been particularly contentious ever since the U.S. and Russia negotiated the first post-*glasnost* aviation agreement.

The existing requirement for the mandatory Anchorage stopover applies to all Russian carriers operating on Pacific Routes between the Russian Far East (R.F.E) and the United States. The U.S. carrier operating regularly scheduled service on this route, Alaska Airlines, already operates its West Coast/Russian Far East flights with an Anchorage stopover. Alaska Airlines operates same plane service up the West Coast to Anchorage and over to the R.F.E. The effect of the mandatory stopover is to provide Anchorage with a higher level of service to the R.F.E. than might otherwise be expected for a community of this size. The mandatory stopover also ensured a level playing field for Alaska Airlines, a carrier that does not currently have long range aircraft in its fleet. Reeve Aleutian operates service to the R.F.E. that originates in Anchorage.

There are many beneficiaries of this mandated Anchorage stopover by Russian air carriers: 1) the people of Alaska (more trade and tourism, more frequent service, airport jobs), 2) Anchorage International Airport (rates and fees), and 3) Airport businesses and service providers (ground handlers, fuel providers, duty free operators, crew accommodation providers, etc.). Unfortunately, the numbers of arriving and transiting passengers on Russian carriers have been decreasing over the past five years. The first flurry of post-*glasnost* travel appears to have receded. Also, there is a trend that more of the passengers who are traveling choose to transit Anchorage to reach Seattle or San Francisco for shopping or business.

In 1993 and again in 1995, the U.S. and Russia held aviation talks. The Alaska Governor's Office, Alaska's Congressional Delegation and Anchorage International Airport actively lobbied the United States Department of Transportation (USDOT) to retain the mandatory Anchorage

stopover and were successful. The stopover was retained in the agreement.

In 1997, the Russians put in writing that their number one priority for a new agreement would be the removal of the mandatory Anchorage stopover. In September of 1997 I discussed the U.S./Russia aviation agreement directly with Assistant Secretary of USDOT Charles Hinnicutt who is responsible for international aviation policy recommendations for the United States. Governor Knowles subsequently wrote USDOT Secretary Slater in October 1997 to bring home the message that retention of the mandatory stopover is Alaska's number one priority. The Congressional delegation has also delivered to USDOT the message that the mandatory stopover is essential for Alaska.

There are U.S. carriers who would like to see the mandatory stopover removed so that they could enjoy certain air routes and codesharing privileges that Russia is currently (and unfairly) withholding.

To sum up, the bipartisan efforts of the Governor's Office and the Congressional Delegation have proven effective in the past. At the same time, there is more pressure on USDOT than ever before to remove the mandatory Anchorage stopover, so any additional signal of support is welcome and helpful. Introducing the proposed resolution before the Alaska House of Representatives. The Governor's Office and the Congressional Delegation are continuing to play key roles in keeping this important stopover alive.

The general opinion is it will be difficult for the U.S. and Russia to reach agreement in this month's round of talks. The talks are likely to continue for at least one more additional round.

Cc

Morton V. Plumb, Director, Anchorage International Airport

Impact of Eliminating Mandatory Russian airlines' stopover in Anchorage on Anchorage International Airport

Jobs: Aeroflot/Alaska Air and support: 10-15 jobs
 Indirect jobs: 3-5 jobs

Rates and fees and Duty Free revenues
 to Airport (Aeroflot and Alaska Airlines): see attached sheet

Flights affected:

Loss of 3-4 weekly flights between ANC and Russia, replaced by non-stop flights from Seattle or elsewhere in the Lower 48.