

ALABAMA LEGISLATURE COMMITTEES 1909-1900  
3819 HTRA SJR 26 - SJR 30 693

INTRODUCTION OF BILLS (Senate)(cont'd)

Rights of SENATE BILL NO. 140, by Senators Elvason, Ziegler, Vic  
the Terminally Fischer, Sackett, Abood and Sturgulewski. Would allow any com-  
Ill petent adult to execute a declaration directing that life-  
sustaining procedures be withheld or withdrawn if the declarant's  
condition is determined to be terminal and the declarant is not  
able to make treatment decisions.

Declaration must be signed and witnessed by two adults not related  
to the person. It may be revoked at any time by the person making  
it. Establishes that a patient who has executed a declaration has  
the right to make decisions regarding use of life-sustaining  
procedures as long as the patient is able to do so. The  
declaration of a woman known to be pregnant is given no effect as  
long as it is probable that the fetus could develop to the point of  
live birth.

A doctor who is unwilling to comply with a terminally ill patient's  
decision to withdraw life-support system must take all reasonable  
steps to transfer the patient to another doctor. Failure to do so  
is a class A misdemeanor. Same applies to a health facility that  
is unwilling to comply.

A doctor that acts in accordance with a patient's declaration is  
granted immunity from civil or criminal liability. Establishes  
that death resulting from withholding or withdrawal of  
life-sustaining procedures under a declaration does not, for any  
purpose, constitute a suicide or homicide. Does not affect  
insurance policies.

Does not provide for an effective date (becomes law 90 days after  
signed).

Introduced February 7 and referred to Health, Education & Social  
Services and Judiciary.

Highway SENATE BILL NO. 141, by Senator Coghill. Would direct the  
Rights-of-Way state to relinquish its claim to more than a 33-foot right-  
(relinquish- of-way along certain state highways.  
ment by state)

Purpose in Sec. 1 is "to release certain highway rights-of-way  
claimed by the state that are causing economic hardship and  
physical and mental distress to persons who hold title to land  
under a reservation to the state ..." under certain federal laws.

Would remedy past oversights and mismanagement of land transfers by  
the state and federal governments in failing to properly record  
government easements for highway rights-of-way on land patented to  
homesteaders.

In several instances the State has appropriated property for  
highway expansion projects claiming a 150-foot right-of-way on  
either side of highways. Property owners have argued that since  
the 33-foot right-of-way was published by the federal government in  
the Federal Register, it is valid even though it wasn't properly  
recorded. The trials courts in Alaska have backed those owners up,  
but all decisions have been reversed by the state Supreme Court who

INTRODUCTION OF BILLS (Senate)(cont'd)

SB 141 (cont'd)

ruled in favor of the state's right to appropriate the lands without compensation to landowners.

Effective immediately.

Introduced February 8 and referred to Transportation and Resources.

Municipal Code  
Revision

SENATE BILL NO. 142, by the Rules Committee by request of the Governor. Comprehensive rewrite of Title 29, the Municipal Code. Effective January 1, 1986. Identical to HB 72.

Introduced February 8 and referred to Community & Regional Affairs, Judiciary and Finance.

In his message transmitting the bill to the Senate for consideration, Governor Sheffield stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill revising the municipal code (AS 29).

An identical bill, HB 72, was introduced in the House on January 16, 1985. At the request of the Alaska Municipal League, I am introducing this bill in the Senate today so that both houses of the Legislature can work on it concurrently.

The bill was modeled on the committee substitute prepared last session by the House Finance Committee as CSHB 172(Fin). There is one significant difference between former CSHB 172 (Fin) and this bill with regard to home rule municipalities. Rather than allowing second class cities to move to home rule status in a single step, as sec. 5 of HB 172 and CSHB 172(Fin) had provided, this bill retains the requirement that second class cities become first class cities before voting for home rule, as AS 29.13.010 -- 29.13.080 currently provide.

This bill makes many uncontroversial improvements to our municipal code and I urge its prompt consideration and passage.

State Aid for  
School  
Construction

SENATE BILL NO. 143, by Senators Fahrenkamp and Ferguson. Establishes a "School Construction Grant Account" consisting of money received by the state from general obligation bonds sold for purposes of school construction. The state could appropriate funds from the account to school districts.

A city or borough school district that receives a grant from the account must repay the state 10% of the grant within three years. Regional Educational Attendance Areas (in the unorganized borough) must use its federal P.L.-874 funds (federal in-lieu-of-tax money) to repay the state.

Does not provide for an effective date (becomes law 90 days after signed).

Introduced February 8 and referred to Health, Education & Social Services and Finance.

# Alaska State Legislature

SENATOR  
JOHN B. "JACK" COGHILL  
Chairman

Senator Jan Faiks—Vice Chairman  
Senator Mitch Abood  
Senator Paul Fischer  
Senator Joe Josephson



POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4921

## Senate Committee on Transportation

May 1, 1985

### MEMORANDUM

To: Committee members  
From: Committee staff *Jm*  
Re: SJR 26 Background information

This afternoon, the committee is scheduled to take up SJR 26, which represents the next logical step in the process begun by SB 141. As the members will recall, SB 141 would require the State to relinquish its right to certain highway rights-of-way created by the federal government through a series of public land orders (PLOs) in the late 40s and 50s.

After two hearings in this committee, it became apparent that the administration was totally opposed to the concept of relinquishment, partly because the Federal Highway Administration (FHWA) had indicated that it would not participate in funding to repurchase the rights-of-way. SJR 26 asks that Congress direct the Department of Transportation through FHWA to participate in this funding.

When the committee last heard SB 141, FHWA presented a comparison of the differences they saw between PLO rights-of-way, and those created by the Act of 1947 (later extinguished). Their interpretation - that the PLO rights-of-way are not precipitated on the 1947 Act - is also that of the State Supreme Court and of DOT/PF, but it is substantially different from that of the proponents of SB 141. They contend that the PLOs were issued by the Interior Department to clarify and define the rights-of-way reserved under the 1947 Act. The Supreme Court disagreed with this interpretation, maintaining that the PLO's were authorized by an Act of 1932, which gave the Interior Department general road-building and maintenance powers in Alaska.

The attached material contains correspondence researched after the court decision, which generally supports the contention that the Alaska Road Commission did not have adequate right-of-way reservation powers, based upon the 1932 Act, and therefore needed the 1947 Act and its consequent PLOs.

For further background on this issue, the members are asked to refer to their files on SB 141.

SJR 26

SENATE JOINT RESOLUTION NO. 26 by Senator Coghill,

Relating to the payment of just compensation to landowners for certain rights-of-way across land in Alaska,

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

## INTRODUCTION AND REFERENCE OF SENATE BILLS

SB 301

SENATE BILL NO. 301 by Senator Josephson, entitled:

"An Act relating to participation of municipalities and political subdivisions in the Public Employment Relations Act."

was read the first time and referred to the State Affairs Committee and the Community and Regional Affairs Committee.

SB 302

SENATE BILL NO. 302 by Senator Josephson by request, entitled:

"An Act relating to the power of violent crimes compensation board and placing the executive director in the partially exempt service."

was read the first time and referred to the State Affairs Committee.

SB 303

SENATE BILL NO. 303 by Senator Coghill, entitled:

"An Act removing the limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain."

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

SB 304

SENATE BILL NO. 304 by the Judiciary Committee, entitled:

"An Act establishing sport-fishing guide licenses."

was read the first time and referred to the Labor and Commerce Committee and the Finance Committee.

SB 305

SENATE BILL NO. 305 by the Finance Committee, entitled:

"An Act setting a maximum cost for salaries and benefits for state employees and for certificated employees of regional educational attendance areas; prohibiting the use of state revenue to fund increases in compensation for employees of school boards; and providing for an effective date."

was read the first time and referred to the State Affairs Committee and the Finance Committee.

## CONSIDERATION OF THE CALENDAR

## SECOND READING OF SENATE BILLS

SB 252

SENATE BILL NO. 252 (registration to vote and to applications for a ballot) was read the second time.

Senator Faiks moved and asked unanimous consent for the adoption of the Finance Committee Substitute and new title offered on page 940. Without objection, CS FOR SENATE BILL NO. 252 (FIN) (applications for absentee ballots) was adopted.

CS FOR SENATE BILL NO. 252 (FIN) was read the second time.

Senator Halford moved and asked unanimous consent that CS FOR SENATE BILL NO. 252 (FIN) be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 252 (FIN) was read the third time.

REPORTS OF STANDING COMMITTEESSJR 26

The Transportation Committee has considered SENATE JOINT RESOLUTION NO. 26 (relating to the payment of just compensation to landowners for certain rights-of-way across land in Alaska) and reports it back as follows: Cato (Chairman), Pignalberi, Davis, Furnace, Herrmann and Shultz recommend do pass. A zero fiscal note was attached.

SJR 26 was referred to the Rules Committee for placement on the calendar.

SB 348

The Labor and Commerce Committee has considered SENATE BILL NO. 348 (making a special appropriation for the 1986 Iditarod sled dog race; effective date) and reports it back as follows: Boucher recommends do pass; Navarre (Chairman), Hanley, Pearce, Collins and Davis have no recommendation; Koponen signed no recommendation "more information needed".

SB 348 was referred to the Finance Committee.

HB 224

The Rules Committee has submitted a zero fiscal note on HOUSE BILL NO. 224 (relating to mandatory use of safety devices).

HB 224 appears on today's calendar.

HB 255

The Health, Education & Social Services Committee has considered HOUSE BILL NO. 255 (authorizing a Department of Health and Social Services to enter into agreements concerning the care and custody of native children), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 255 (HESS) (same title) and reports it back as follows: Koponen and Gruenberg (Co-chairs), Hurley, Taylor, Thompson and Hanley recommend do pass; Pettyjohn has no recommendation. A zero fiscal note and Letter of Intent were attached.

The Letter of Intent signed by Koponen and Gruenberg (Co-chairs), appears below:

HB 255

House Health, Education & Social Services Committee  
Letter of Intent  
for  
CSHB 255(HESS)

"It is the intent of the Health, Education and Social Services Committee in passing CSHB 255 (HESS) that this bill would not empower the Department of Health and Social Services to recognize the legal jurisdiction of tribal courts whose authority has not been legally established yet, nor would it permit DHSS to agree to limit the jurisdiction of the state courts. That power is constitutionally vested in the legislature."

HB 255 was referred to the Finance Committee.

HB 314

The Labor & Commerce Committee has considered HOUSE BILL No. 314 (extending the termination date of the Alaska Public Utilities Commission; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 314 (L&C)

"An Act relating to the Alaska Public Utilities Commission Act; and providing for an effective date."

and reports it back as follows: Navarre (Chairman), Davis, Bouche; and Koponen recommend do pass; Pearce and Collins signed "do not pass as amended"; Hanley has no recommendation.

Three fiscal notes appear in House Journal Supplement No. 96.

HB 314 was referred to the Finance Committee.

SSHB 570

The Resources Committee has considered SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 570 (relating to state forest management), recommends it be replaced with COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 570 (Resources) (same title) and reports it back as follows: Shultz (Co-chairman), Cato, Pearce, Thompson and M.W. Miller recommend do pass; Wallis signed "do not pass unless amended"; Herrmann and Sund have no recommendation. A zero fiscal note was attached.

SSHB 570 was referred to the Finance Committee.



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

10/31/89  
Date

SJR

209



U.S. Department of  
Transportation

Office of the Secretary  
of Transportation

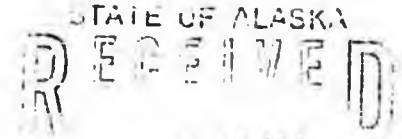
Assistant Secretary

400 Seventh St., S.W.  
Washington, D.C. 20590

APR 10 1986

APR 17 1986

Honorable Stephen McAlpine  
Lieutenant Governor  
State of Alaska  
Pouch AA  
Juneau, AK 99811



LIEUTENANT GOVERNOR

Dear Lt. Governor McAlpine:

Thank you for your letter enclosing resolutions 32 and 33 of the Fourteenth Alaska State Legislature. Resolution No. 32 supports continuation of essential air service with large aircraft to Cordova, Yakutat, Petersburg, Wrangell and Gustavus; and resolution No. 33 supports permitting Korean Air Lines to provide service to Anchorage.

We appreciate the positions of the state on these issues, and we will give them careful consideration in any actions we take. At this time, I would like to outline the present circumstances regarding these matters for your information.

Regarding the essential air service issue, I would like to point out that the President's budget would eliminate the essential air service program beginning with FY 1987. Our dealings on this issue, therefore, depends upon the outcome of the budget deliberations which will occur over the next few months.

Essential air service at Cordova, Yakutat, Petersburg, Wrangell and Gustavus is currently being provided with B-727/B-737 aircraft by Alaska Airlines with an annual federal subsidy of \$1,973,000. Alaska Airlines was selected to provide this service through December 31, 1986. This date corresponds to the requirement in the Civil Aeronautics Board Sunset Act of 1984 that service to these communities be provided with aircraft having more than 60 seats through December 31, 1986.

As required by Congress, the Department submitted a report on January 17, 1986, addressing the feasibility of providing essential air transportation to these five communities with 60-seat or smaller aircraft. Based on our conclusion that the air transportation needs of the five communities could be provided with smaller aircraft and that such service could be operated without subsidy or with substantially reduced subsidy, we recommended that essential air service for these communities be allowed to be provided with any size aircraft.

Since Alaska Airlines' rate term is due to expire at the end of the year, if the program is maintained, we would have to take steps before then to process an essential air service case for continuing service to these communities. In accordance with our normal procedures, we would issue an order requesting all carriers interested in providing the service to file proposals, with subsidy requests if necessary. We would consider proposals with any size aircraft, but we would no longer be required to select only aircraft with more than 60

Honorable Stephen McAlpine (2)

seats. Our procedures for processing these cases also allow for civic party comments on all proposals and subsidy requests. In addressing the level and type of service to be provided at the communities, we would give careful consideration to the civic parties' views, the economics of the service, the reliability of the applicants, the required level of subsidy and all other relevant information.

Regarding the issue of Korean Air Lines (KAL) obtaining traffic rights to Anchorage, negotiations on a number of issues are now in progress between the United States and Korea. One of the issues is Korea's request for additional traffic rights to U.S. cities, including Anchorage. Although we appreciate the State of Alaska's desire for additional service at Anchorage, there are several reasons why it would be extremely difficult for the United States to grant KAL additional traffic rights at this time.

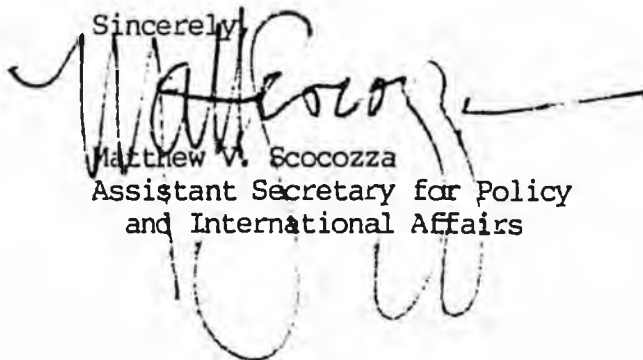
First of all, the United States remains concerned over the failure of Korea to satisfactorily resolve many "doing business" issues that have been raised in connection with the operations of U.S. carriers in Korea. These entail such matters as the right of U.S. carriers to perform their own ground handling of inbound cargo at Seoul's Kimpo International Airport. Although we cannot "pay" for the resolution of these problems since they involve the denial of rights to which U.S. carriers are already entitled, we are pleased with Korea's recently demonstrated willingness to address these issues.

It must also be noted, however, that in considering additional rights for Korea, we must take into account the current imbalance of benefits favoring Korea. KAL derives about three times as much revenue as U.S. carriers from services operated under the U.S.-Korean aviation agreement.

Resolution No. 33, which you enclosed, requests that the President ratify a 1980 Memorandum of Understanding (MOU) between the United States and Korea. This Memorandum affirmed a requirement in the U.S.-Korea aviation agreement that Korea provide, by March 22, 1981, facilities enabling U.S. carriers to perform their own ground handling at Kimpo. Korea did not provide these facilities and therefore it is the position of the United States Government that Korea did not meet the terms of the 1980 MOU and that the 1980 document is no longer operative. Under these circumstances, it would not be appropriate for the U.S. Government to ratify the 1980 MOU.

I hope this information is helpful. If we may be of any further assistance, please let me know.

Sincerely,



Matthew V. Scocozza  
Assistant Secretary for Policy  
and International Affairs



**ALASKA STATE CHAMBER OF COMMERCE**

310 Second Street  
Juneau, Alaska 99801  
(907) 586-2323

HAND DELIVERED

February 10, 1986

Representative Bette Cato  
Pouch V  
Juneau, AK 99811

Re: House Transportation Committee hearing February 11 on SJR 29

Dear Bette:

Unfortunately, I will be in Anchorage at the time of this hearing but want you and the Transportation Committee to know the Alaska State Chamber of Commerce strongly endorses SJR 29.

Please convey this to members of the committee.

Thank you.

Cordially,

A handwritten signature in dark ink, appearing to read 'George Krusz', written over a horizontal line.

George Krusz  
President

GK/rb

DON YOUNG  
CONGRESSMAN FOR ALL ALASKA

WASHINGTON OFFICE  
2331 RAYBURN BUILDING  
TELEPHONE 202-225-3765

COMMITTEES:  
INTERIOR AND INSULAR  
AFFAIRS  
MERCHANT MARINE AND  
FISHERIES  
POST OFFICE AND  
CIVIL SERVICE



Congress of the United States  
House of Representatives  
Washington, D.C. 20515

January 24, 1986

DISTRICT OFFICES

701 G STREET, BOX 5  
ANCHORAGE, ALASKA 99513  
TELEPHONE 907/271-5978

BOX 10, 101 12TH AVENUE  
FAIRBANKS, ALASKA 99701  
TELEPHONE 907/456-0210

401 FEDERAL BUILDING  
P.O. BOX 1247  
JUNEAU, ALASKA 99802  
TELEPHONE 907/586-7400

501 FEDERAL BUILDING  
KETCHIKAN, ALASKA 99902  
TELEPHONE 907/225-6880

RT. 1, BOX 1808  
KENA, ALASKA 99811

BOX 177  
KODIAK, ALASKA 99616

P.O. BOX 1550  
NOME, ALASKA 99762

The Honorable Bette Cato  
Chairman  
House Transportation Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Bette:

I am writing with regard to State Senate Joint Resolution 29, which requests the U.S. Department of Transportation to continue to require jet service to the communities of Cordova, Yakutat, Petersburg, Wrangell, and Gustavus, Alaska.

In the past, Senator Stevens, Senator Murkowski and I have been successful in maintaining subsidized jet service to Southeast Alaska. However, due to the tremendous fiscal pressures caused by Gramm-Rudman the chances for maintaining this program beyond December 31, 1986, appear doubtful.

In the meantime, I will continue to consult with the Department of Transportation regarding the future of this program. Additionally, I will be available to discuss the subject with you in more detail when I travel to Juneau in February.

With best regards,

Sincerely,

A handwritten signature in dark ink, appearing to read "Don Young".

DON YOUNG  
Congressman for All Alaska

*PS Bette  
Hope to see you soon  
in Juneau - I'll be there around  
Feb 9-11.*

# Alaska State Legislature

SENATOR  
ROBERT H ZIEGLER, SR  
307 BAWDEN STREET  
KETCHIKAN ALASKA 99901

WHILE IN JUNEAU  
POUCH V  
JUNEAU ALASKA 99811

January , 1986



Senate

JAN 29 1986

MEMBER  
SENATE JUDICIARY COMMITTEE  
SELECT COMMITTEE ON LEGISLATIVE ETHICS  
WESTERN STATES LEGISLATIVE  
FORESTRY TASK FORCE  
EXECUTIVE COMMITTEE  
WESTERN LEGISLATIVE CONFERENCE  
COUNCIL OF STATE GOVERNMENTS  
ALTERNATE MEMBER  
NATIONAL CONFERENCE OF STATE LEGISLATURES  
STATE AND FEDERAL ASSEMBLY  
COMMITTEE ON  
FEDERAL TAXATION TRADE AND ECONOMIC DEVELOPMENT

Representative John Sund  
Representative Robin Taylor  
Alaska State Legislature  
Juneau, Alaska

Dear John and Robin:

SJR 29 passed the Senate unanimously on January 27th. I have annexed to the resolution some backup data which Guy assembled for us, together with other backup material.

I am unaware of any reason why Representative Cato wouldn't schedule the bill for a hearing in the near future, although there obviously isn't any hurry.

A caveat is in order: There are two young men here in town whose names are, if recollection serves me, Bob Jacobsen and Ed Cahill. Apparently they don't like the resolution because they feel that one of these days, at some unknown date in the future, they might want to start a new airline which would feature the utilization of Convairs. This aircraft wouldn't do the trick, and I told them I didn't much care for their screwing around with the resolution which merely requests los federales to continue to provide the same essential air service to the affected towns that they have in recent years.

In other words, these dudes are trying to do unprovoked good for an airline which is still on the drawing boards.

Nobody is against free enterprise, and if they ever come to us with a going concern, then consideration can be given to their plight.

Regards,

A handwritten signature in black ink, appearing to be "R. Ziegler", written in a cursive style.

Robert H. Ziegler, Sr.

Enclosures

cc: ✓ Representative Cato w/enc

TO: SENATOR ZIEGLER  
SUBJECT : SJR 29 Maintenance of existing essential air service  
S.E. Alaska

1. THIS IS VERY IMPORTANT The resolution does not deal with the question of essential air service, rather, it requests that the level of essential air service be maintained/ie rather than using smaller aircraft, the continued use of 727s' and 727-100s'
2. The convair 580 has a passenger capacity of only 50 persons. Its freight capacity with 22 passengers is only 7,000 lbs. Without any passengers, the freight capacity is only 16,000 lbs.
3. 737 passenger capacity.....111 persons  
freight capacity 30,000 lbs.
4. 727-100. Passenger capacity 110  
freight capacity 40,000lbs
5. 727-200 Passenger capacity..137  
freight capacity 50,000lbs plus
6. Under the Seair proposal, there is no provision to serve the lower forty-eight. Only Southeast service.
7. The capacity of the Convair 580 is not enough for passengers throughout the area and with passengers certainly not enough to include freight hauling. Whereas, the existing jet service can handle both freight and passengers. Even in Gustavus, there is a need for freight service...bringing supplies in and shipping seafood to Juneau and to the lower forty-eight.
8. Both freight and passenger traffic require rapid air service that can only be provided by jet aircraft with a larger all-around carrying capacity than the Convair 530.



U.S. Department of  
Transportation  
Office of the Secretary  
of Transportation

400 Seventh St., S.W.  
Washington, D.C. 20590

October 29, 1985

Honorable William Privette  
Mayor  
P. O. Box 531  
Wrangell, Alaska 99929

1 85  
COPY BY [unclear]  
ALASKA

Dear Mayor Privette:

By Order 85-5-89, the Department of Transportation requested carriers interested in providing essential air service to Cordova, Yakutat, Petersburg, Wrangell and Gustavus, Alaska, to file service proposals, with subsidy requests if necessary. The Department's request was prompted by the impending end of Alaska Airlines' rate term for serving these communities on September 30, 1985.

Essential air service for each point, as established by Civil Aeronautics Board Order 80-1-167, requires seven round trips per week with large aircraft (over 60 seats). Off-peak season service at Gustavus requires only two round trips per week with small aircraft (up to 10 seats). The designated hubs for essential air service are as follows:

<u>Eligible Point</u>	<u>Designated Hub</u>
Cordova	Anchorage
Yakutat	Anchorage or Juneau
Petersburg	Juneau or Ketchikan
Wrangell	Juneau or Ketchikan
Gustavus	Juneau

Order 80-1-167 stated that although a certain size of aircraft was indicated in the essential air service determinations for points in Alaska, the Board would be willing to rely on operations with different size aircraft to meet the essential air service requirements provided that the number of frequencies were adjusted accordingly to provide sufficient capacity.

With respect to Cordova, Petersburg, Wrangell, Yakutat and Gustavus, however, Congress has directed us to rely only on large aircraft to meet the essential air service requirements unless the state agrees to service with smaller aircraft. This Congressional requirement is effective through December 31, 1986. In view of this requirement, we requested proposals for the period October 1, 1985, through December 31, 1986.

We are writing to the State and the civic officials of each of these communities to advise them of the status of the case at this time and to request their positions and comments on certain issues, as discussed below.

We received proposals to serve all five communities from Alaska Airlines and SEAIR Alaska Airlines. Alaska Airlines proposes to continue to provide its existing service pattern with B-737 and B-727 aircraft. SEAIR proposes to provide service with Convair 580 aircraft, which would require the agreement by the State in order for us to consider it. SEAIR filed two proposals. The first proposal involves one daily round trip operated over a linear route, Anchorage-Cordova-Yakutat-Juneau-Petersburg-Wrangell and return. The carrier requests an annual subsidy of \$577,620 for this proposal. SEAIR's second proposal involves turnaround service between Anchorage and Cordova; Juneau and Yakutat and Juneau and Petersburg/Wrangell. SEAIR requests an annual subsidy of \$437,902 for this proposal. SEAIR's proposals do not indicate specific schedules for Gustavus. However, the carrier has indicated that it intends to serve the point.

SEAIR has indicated that it does not want to hold a rate conference unless the State agrees to considering service with the Convair aircraft. As a first issue, therefore, we have requested the State's position on whether or not we should consider proposals with this equipment. If the State agrees to consider SEAIR's service proposal, we would hold a rate conference with the carrier.

We have concluded a rate conference with Alaska Airlines for its proposal, and the carrier has agreed to provide the service outlined in its proposal through December 31, 1986, for an annualized subsidy rate of \$1,973,000.

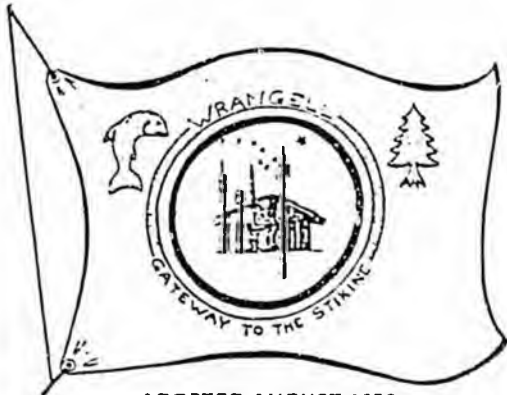
In the event that the State does not agree to consider SEAIR's proposal, we would appreciate receiving your comments on Alaska Airlines' proposal and subsidy request for our consideration in making a decision in the case. Upon receipt of your comments, we plan to submit a recommendation to the Assistant Secretary on Alaska Airlines' proposal and subsidy request.

If the State agrees to considering SEAIR's proposal, we would hold a rate conference with SEAIR and afford Alaska Airlines an opportunity to amend its subsidy request. Following the completion of those procedures, we would advise you of the final service and subsidy requests and ask for your comments on the final proposals.

In order to complete this case as expeditiously as possible, we would appreciate receiving your response by November 15, 1985. An original and five copies of your response should be sent to William C. Boyd, Chief, Service Analysis Division I, S-63, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590. A copy of your comments should also be sent to each carrier. If you have any questions, please contact Bernard Calure of my staff at (202) 426-9813 or Dick Steinman of our Alaska field office at (907) 271-5146.

Sincerely,

*William C. Boyd*  
William C. Boyd, Chief  
Service Analysis Division I  
Office of Essential Air Service



# CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2381

November 13, 1985

Mr. William C. Boyd, Chief  
Service Analysis Division I, S-63  
United States Department of Transportation  
400 Seventh Street South West  
Washington, D.C. 20590

Dear Mr. Boyd:

In response to yours of October 29, 1985, requesting our position regarding the proposal from SEAIR Alaska Airlines, I am enclosing a copy of my original letter to Mr. John V. Coleman of your office. The letter, dated July 5, 1985, clearly outlines our position on the essential air service issue. All of the parties listed as receiving copies of the original letter have gone on record as supporting our position.

In your current correspondence you indicate that SEAIR proposes service with Convair 580 aircraft for daily round trip service from Anchorage to Wrangell and points in between. SEAIR's proposal, as outlined in your letter, gives me cause for great concern for a number of reasons.

There is no mention of service south to Seattle via Ketchikan or to other points in the lower 48. The Convair 580 has marginal passenger capacity for our peak seasons and would be totally inadequate to meet the freight demands of Wrangell, let alone the additional demands of cities to our north. This past year we shipped 600,000 pounds of seafood to markets in the lower 48 states plus an additional 200,000 pounds of miscellaneous freight and mail for a total of 800,000 pounds. An increase of approximately 375,000 pounds in a two year period. Wrangell Forest Products, our major employer, is dependent on commercial jet service to and from the lower 48 for parts, technical personnel and Pacific Rim customers. Eight thousand passengers arrived from the south in 1985, the majority of which were tourists.


Our economic survival hinges on adequate air service. If we are unable to properly serve our timber, fishing, and tourism industries,

CITY OF WRANGELL, ALASKA

Mr. William C. Boyd, Chief  
November 13, 1985  
Page Two

it will cause an economic catastrophe. Please consider these points carefully during your negotiations.

Sincerely,



William B. Privett  
Mayor

WBP:fv

Enc.

cc: Congressman Donald E. Young  
Senator Ted Stevens  
Senator Frank Murkowski  
Governor Bill Sheffield  
Commissioner Loren Lounsbury  
SEAIR Alaska Airlines  
Alaska Airlines



ADOPTED AUGUST 1972

# CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2331

July 5, 1985

Mr. John V. Coleman, Director  
Office of Essential Air Service  
U.S. Department of Transportation  
400 Seventh Street South West  
Washington, D.C. 20590

Dear Mr. Coleman:

As an addendum to the enclosed Civic Part Questionnaire, the following letter will explain in more explicit detail the importance of continued commercial jet service to the City of Wrangell.

Wrangell is a city of 2,376 people located on the northern tip of Wrangell Island in Central Southeast Alaska. There are no roads to Wrangell. It is accessible only by air or water. The entire economy of Wrangell is dependent on these two modes of transportation, relying heavily on commercial jet service, our only high speed access to the major markets of Anchorage, Juneau, and the lower 48 states. Most of the people coming to Wrangell, as a destination point, for business or pleasure, travel by commercial jet.

The majority of our fly-in tourist trade would be unable or unwilling to come here if the only means available was by light aircraft, either scheduled or charter, for a variety of reasons. Limited vacation time, cumbersome scheduling, inadequate seating and luggage space, high cost, or just plain fear of flying in a light aircraft. The loss of scheduled jet service would be devastating to the Visitor Industry of Wrangell.

The Fishing Industry relies heavily on scheduled jet service to transport their product to markets in the lower 48 states. Four of the five seafood processors located in Wrangell deal exclusively in fresh or frozen product that is shipped by air to select markets in the lower 48. Seafood is susceptible to rapid spoilage and rapid price fluctuation so it requires the speed, special handling and reasonable freight rates that commercial jet service provides. Jet service enables our processors to ship their products and have them arrive on time, in edible condition, and at a feasible cost. Without this service, they would be severely handicapped in servicing their markets properly. They would face the distinct possibilities of customer dissatisfaction, loss of revenue, and plant closure. The resulting domino effect would cause a drastic decline in Wrangell's fishing fleet because many fishermen would be forced to move to other ports in order to sell their product and others who were unable to move could be forced out of business.

CITY OF WRANGELL, ALASKA

John V. Coleman  
July 5, 1985  
Page Two

Timber, our major industry, is heavily reliant on commercial jet service for delivery of replacement parts, small equipment, executive travel, and outside technical help. A situation that would be considered a minor breakdown in the lower 48 where parts are readily accessible, could cause a shut-down at the Wrangell Mill for want of a small but essential part or the expertise of a specialist, if scheduled jet service was not available.

Wrangell's entire economy evolves around the ability to provide efficient transportation for the goods, services and people that are the life blood of our community. Therefore it is essential that the federal government continues their support of commercial jet operations into Wrangell to help assure the future economic survival of our City.

Sincerely,



William B. Privett, Major  
City of Wrangell, Alaska

WP:fv

cc: Congressman Donald E. Young  
Senator Ted Stevens  
Senator Frank Murkowski  
Governor Bill Sheffield  
Commissioner Loren Lounsbury  
Commissioner Richard Knapp

Enc.



ADOPTED AUGUST 1972

# CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929

(907) 874-2381

November 14, 1985

Senator Robert Ziegler  
307 Bawden  
Ketchikan, Alaska 99901

Dear Senator Ziegler:

Enclosed is a copy of Mayor Privett's letter to Mr. William C. Boyd, with accompanying pertinent correspondence.

We ask your continued support in our efforts to maintain our present level of commercial jet service. We are just now getting back to square one after the 1982-83 mill and cannery closures. If we are denied this vital transportation link to our markets, it will cause irreparable damage to our two major employers and the consequent loss of jobs would severely impact our economic base.

Sincerely,

  
Jim Gove  
Economic Development Director

JG:cd

Enclosure

STAFF

**HOUSE  
COMMITTEE REPORT**

(7)  
Date referred: 1/29/86

FURTHER REFERRALS:

DATE: 2-11-86

The TRANSPORTATION Committee has considered SJR 29

Relating to maintenance of essential air service to Cordova, Yakutat, Petersburg, Wrangell, and Gustavus, Alaska.

and recommends:

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

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

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

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

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

\_\_\_\_\_  
*W. Furness*  
\_\_\_\_\_  
*Abelmeid Herrman*  
\_\_\_\_\_  
*Dick Shultz*  
\_\_\_\_\_  
*Bette Cato*  
\_\_\_\_\_  
*Michael*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
*Arthur*  
\_\_\_\_\_  
*A.V.M. MARROU* Do No Pass  
*SOCIALISTIC INTERFERENCE IN MARKETPLACE*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Bette Cato*  
\_\_\_\_\_  
Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

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

**REQUEST**

Bill/Resolution No. : SJR 29  
 Title : Maintenance of Essential  
           Air Service

Sponsor : Ziegler  
 Requestor : Cato  
 Date of Request : 2-11-86

**FISCAL DETAIL**

Agency Affected : DOT&PF  
 BRU : \_\_\_\_\_

Components : \_\_\_\_\_

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

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

**FUNDING : (Thousands of Dollars)**

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

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

There is no fiscal impact to the Department of Transportation and Public Facilities, as the Resolution does not affect this agency.

Prepared by : Susan Fleischauer  
 Division : Office of the Commissioner

Approved by Commissioner : [Signature]  
 Agency : DOT&PF

Phone : 465-3900  
 Date : 2-12-86  
 Date : 2/13/86

Distribution (by Agency preparing fiscal note) :

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

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

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

**REQUEST**

Bill Resolution No. : SJR 29  
 Title : Relating to maintenance of essential air service to Cordova, Yakutat, Petersburg, Wrangell and  
 Sponsor : Ziegler  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : \_\_\_\_\_  
 BRU : \_\_\_\_\_  
 Components : \_\_\_\_\_

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

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

<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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**FUNDING : (Thousands of Dollars)**

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

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Prepared by : House Transportation Committee  
 Division : \_\_\_\_\_

Phone : 465-4858  
 Date : \_\_\_\_\_

Approved by ~~XXXXXXXXXX~~ Rep. Betty Carter by R.P.  
 Agency : \_\_\_\_\_

Date : 2/11/86

Distribution (by Agency preparing fiscal note):

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

# HOUSE JOURNAL

## ALASKA STATE LEGISLATURE

FOURTEENTH LEGISLATURE · SECOND SESSION

Juneau, Alaska

Monday

March 3, 1986

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### Fiftieth Day

Pursuant to adjournment, the House was called to order by Speaker Grussendorf at 11:08 a.m.

Roll call showed 36 members present. Representative Duncan had been previously excused from a call of the House today. Representatives Boucher and Hurley were excused due to illness. Representative M.W. Miller was absent.

The invocation was offered by the Chaplain, Reverend Milton S. Hunt of the Resurrection Lutheran Church. Representative Hanley moved and asked unanimous consent that the invocation be spread on the journal. There being no objection, it appears below:

"O Lord God, Creator of the Universe, we give You thanks for the snow which blankets the mountains, trees, buildings and vehicles this morning in Juneau.

Snow is also a symbol of how You come and cover our mistakes, errors and sins. In ancient days, You spoke through Isaiah saying: 'Though your sins be as scarlet, they shall become as white as snow.'

Most Gracious Heavenly Father, forgive us our blunders and our sins. We recognize that sometimes with good intentions we have ended up with what later turned into bad results. Forgive us our sins of commission. Also, cover our failures to act when we might have acted. For we human beings have such limited time and sometimes we have neglected someone we wish we would not have neglected. And there never seems to be enough money for all the good projects to help the poor and the weak. During this Christian Lenten season, forgive us our sins of omission.

Guide us to make definitive language in our legislation and to boldly make clear decisions on the matters before us. Fill us with new vigor that we may tackle with energy the course that is ahead.

We pray in the name of the bringer of forgiveness and new life, Jesus Christ. Amen."

The Pledge of Allegiance was recited

#### CERTIFICATION OF THE JOURNAL

Representative Clocksin moved and asked unanimous consent that the journal for the 47th, 48th and 49th days and House Journal Supplement No. 92 be approved as certified by the Chief Clerk. There being no objection, it was so ordered.

#### MESSAGES FROM THE GOVERNOR

##### SJR 29

A message dated February 28, 1986, was read stating the Governor has signed the following resolution and is transmitting the engrossed and enrolled copies to the Lieutenant Governor's office for permanent filing:

SENATE JOINT RESOLUTION NO. 29  
Relating to maintenance of essential air service to Cordova, Yakutat, Petersburg, Wrangell, and Gustavus, Alaska.

Legislative Resolve No. 32

#### MESSAGES FROM THE SENATE

A message dated February 28, 1986, was read stating the Senate has approved the following citation and it is transmitted for consideration:

Honoring - Anderson High School 1986  
Girls Basketball Team, AA State  
Champions  
by Senator Coghill and Representative Shultz

The citation was referred to the Rules Committee for placement on the calendar.

HCSSB 187(2d-Jud)

HCSSB 187(2d Jud) was read the third time.

The question being: "Shall HCSSB 187(2d Jud) pass the House?" The roll was taken with the following result:

HCSSB 187(2D JUD)

Yeas: 36 Adams, Binkley, Cato, Clocksin,  
Collins, Cotten, Davis, Duncan,  
Frank, Fuller, Goll, Gruenberg,  
Grussendorf, Hanley, Herrmann,  
Hurley, Jenkins, Koponen, Larson,  
Marrou, Miller.M.M., Miller.M.W.,  
Navarre, Pearce, Pettyjohn,  
Phallips, Pignalberi, Pourchot,  
Rieger, Ringstad, Shultz, Sund,  
Srymanski, Taylor, Uehling,  
Willis

Nays: 3 Furnace, Martin, Thompson

Excused: 1 Foucher

Absent: 0

And so, HCSSB 187(2d Jud) passed the House.

Representative Clocksin moved and asked unanimous consent that the roll call on the passage of the bill be considered the roll call on the effective date clause.

Representative Martin objected and withdrew his objection. There being no further objection, the effective date clause was adopted.

Representative Martin gave notice of reconsideration of his vote on HCSSB 187(2d Jud).

SECOND READING OF SENATE RESOLUTIONSSJR 29

SENATE JOINT RESOLUTION NO. 29 (relating to maintenance of essential air service to Cordova, Yakutat, Petersburg, Wrangell, and Gustavus, Alaska) was read the second time with the Transportation Committee report (page 2085).

SJR 29

Representative Clocksin moved and asked unanimous consent that SJR 29 be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

SJR 29 was read the third time.

The question being: "Shall SJR 29 pass the House?" The roll was taken with the following result:

SJR 29

Yeas: 22 Adams, Binkley, Cato, Clocksin,  
Collins, Duncan, Fuller, Goll,  
Gruenberg, Grussendorf, Herrmann,  
Hurley, Koponen, Miller, M.M.,  
Navarre, Pignalberi, Pourchot,  
Rieger, Shultz, Sund, Szymanski,  
Taylor

Nays: 15 Davis, Frank, Furnace, Hanley,  
Jenkins, Marrou, Martin,  
Miller, M.W., Pearce, Pettyjohn,  
Phillips, Ringstad, Thompson,  
Uehling, Wallis

Excused: 1 Boucher

Absent: 2 Cotten, Larson

And so, SJR 29 passed the House.

Representative Navarre gave notice of reconsideration of his vote on SJR 29.

LEGISLATIVE CITATIONS

Representative Clocksin moved and asked unanimous consent that the House approve the citations on the calendar. There being no objection, the House approved the following citations:

In Memoriam - Terry D. King

which was referred to the Chief Clerk for transmittal to the Senate; and

Honoring - Delta Junction High School,  
Girls Basketball Team

which was sent to enrolling.



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

10/31/89  
Date

SJR

50

SJR 30

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

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

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

*FOREIGN*

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

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

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

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

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

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

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

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

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

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

Voting record:

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

Senate Floor - Yeas	16
Nays	0
Absent	3
Excused	1

The 1980 MOU has not been ratified.

**HOUSE  
COMMITTEE REPORT**

Date referred: 2/3/86

FURTHER REFERRALS:

DATE: 2-18-86

The TRANSPORTATION Committee has considered SJR 30

Relating to passenger service by Korean Air Lines in Anchorage.

and recommends:

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

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

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

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

SIGNING DO PASS:

Bette Cato  
Dink Shultz  
Adelheid Herrmann  
W.M. MARROW  
Walter G. ...  
Mike ...  
M. L. ...

SIGNING OTHER RECOMMENDATIONS:

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

Bette Cato  
Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

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

**REQUEST**

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

**FISCAL DETAIL**

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

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

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

<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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**FUNDING : (Thousands of Dollars)**

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

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Prepared by : Amy Daugherty  
 Division : House Transportation Committee

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

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

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

Distribution (by Agency preparing fiscal note) :

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

Do NOT  
DISTRIBUTE

SJR 30

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

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

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

Foreign

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

SENATE RESOLUTION NO. 30

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

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

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

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

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

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

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

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

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

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



Loren H. Lounsbury, Commissioner

1/28/86  
Date

3. Needs of Direct Service between Korea and Anchorage

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

## ANCHORAGE TRAFFIC RIGHT FOR KOREAN AIR

### 1. Status of Traffic Right at Anchorage

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

### 2. Operating Status at Anchorage

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

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

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

KOREAN AIR

January 24, 1986

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

ATTN: Ms. Elizabeth Ziegler

Dear Ms. Ziegler:

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

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

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

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

Sincerely yours,



Lee Steiner  
Manager  
Government Affairs  
American Regional Office  
KOREAN AIR

Enclosure

:ls

## Executive Summary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I. INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### B. Total Market Statistics

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

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

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

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

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

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

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

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

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

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

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

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

1. The 1978 Memorandum of Understanding.

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

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

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

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

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

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

2. Modification of the 1978 MOU.

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

3. Fifth Freedom rights.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V. CONCLUSION

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

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

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

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## KOREA IS THE SECOND LARGEST TRANSPACIFIC PASSENGER MARKET

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

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

Source: USDOT/I&NS.

KOREA IS THE SECOND LARGEST TRANSPACIFIC PASSENGER MARKET

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

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

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

Source: USDOT/IBHS.

KOREA IS THE FOURTH LARGEST TRANSPACIFIC AIR CARGO MARKET

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

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

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

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

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

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

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

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

- ROK Carrier

Honolulu  
Los Angeles  
New York (JFK)

-USA Carriers

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

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

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

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

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

(One way basis per week)  
Spring, 1985

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

1/ Northwest Airlines service to start June 6.

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

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

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

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

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

TABLE 8

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

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

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

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

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

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

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

Week Ending	Flag	Weekly Scheduled Seats			Percent of Total
		To/from USA	In/out SEL beyond SEL	Total	
03/18/78	ROK	5,878	-	5,878	48.2
	USA	6,304	-	6,304	51.8
	Total	12,182	-	12,182	100.0
03/18/79	ROK	7,064	-	7,064	47.3
	USA	7,880	-	7,880	52.7
	Total	14,944	-	14,944	100.0
03/18/80	ROK	10,814	-	10,814	51.9
	USA	8,952	1,072	10,024	48.1
	Total	19,766	1,072	20,838	100.0
03/18/81	ROK	10,269	-	10,269	50.1
	USA	7,880	2,364	10,244	49.9
	Total	18,149	2,364	20,513	100.0
03/18/82	ROK	9,750	-	9,750	48.8
	USA	7,880	2,364	10,244	51.2
	Total	17,630	2,364	19,994	100.0
03/18/83	ROK	13,038	-	13,038	64.8
	USA	4,720	2,364	7,092	35.2
	Total	17,758	2,364	20,130	100.0
03/18/84	ROK	12,820	-	12,820	45.1
	USA	10,906	4,720	15,634	54.9
	Total	23,726	4,720	28,454	100.0
03/18/85	ROK	13,378	-	13,378	43.9
	USA	13,152	3,940	17,092	56.1
	Total	26,530	3,940	30,470	100.0
05/18/85	ROK	15,750	-	15,750	40.1
	USA	16,960 1/	6,592 1/	23,552	59.9
	Total	32,710	6,592	39,302	100.0

1/ Includes NW service LAX-SEL-MNL effective June 6, 1985.

Source: Official Airline Guides, Worldwide Edition March, 1978-1985

TABLE 10

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

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

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

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

Source: CAB Forms 41.

TABLE 10A

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

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

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

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

REVENUE PASSENGERS ENPLANED BY U.S. CARRIERS  
1980 - 1984

Scheduled Service

City						Percent Growth
	1980	1981	1982	1983	1984	1980 - 1984
Tokyo	846,665	904,434	1,042,333	1,323,790	1,520,882	79.6%
Hong Kong	294,726	277,625	267,483	354,008	388,503	31.8
Manila	126,791	154,358	169,096	206,575	211,645	66.9
Seoul	118,881	131,346	140,302	167,811	199,265	67.6
Osaka	160,918	160,982	154,166	163,985	173,948	8.1
Taipei	107,944	110,353	115,714	139,038	145,965	35.2
Sydney	106,481	105,650	96,678	110,814	111,153	4.4
Auckland	77,581	75,588	64,060	80,133	84,734	9.2
Singapore	44,156	40,780	41,914	64,303	67,772	53.5
Melbourne	27,350	26,137	24,254	26,401	27,853	1.8
Oklnawa	35,382	25,943	25,468	24,781	10,075	(40.9)
Shanghai	0	4,156	5,670	7,198	15,481	272.5 <sup>1/</sup>
Peking	0	8,040	8,168	9,082	12,076	50.2 <sup>1/</sup>
Kuala Lumpur	0	0	0	0	0	0.0
Handi, F.I.	29,919	19,791	16,276	13,357	0	(100.0)
Total	1,976,794	2,053,191	2,180,390	2,691,276	2,977,352	50.6%

<sup>1/</sup> Percent growth 1981-1984.

Source: CAB Forms 41.

TABLE 11

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

TONS REVENUE FREIGHT ENPLANED BY U.S. CARRIERS  
1980 - 1984

Scheduled Service

City						Percent Growth
	1980	1981	1982	1983	1984	1980 - 1984
Tokyo	81,033	90,039	97,597	149,747	224,303	176.0%
Taipei	34,343	35,501	39,897	50,255	78,561	128.8
Hong Kong	32,776	31,632	35,249	60,890	74,067	128.4
Seoul	13,647	14,912	16,572	26,543	25,416	86.2
Osaka	10,682	11,366	11,136	16,061	23,978	124.5
Singapore	2,355	2,104	3,477	8,076	12,522	431.7
Manila	3,231	3,861	4,894	6,811	11,295	249.6
Sydney	4,920	4,709	7,378	6,346	7,247	47.3
Auckland	8,372	7,434	9,207	6,612	7,083	(15.4)
Kuala Lumpur	179	336	620	1,126	4,391	2,353.1
Nandi, F.I.	886	415	944	463	4,598	419.0
Melbourne	1,373	2,447	4,350	2,552	3,492	154.3
Peking	0	282	264	528	548	94.3 <sup>1/</sup>
Shanghai	0	161	358	250	221	37.3 <sup>1/</sup>
Okinawa	51	83	28	56	25	(51.0)
Total	193,848	206,082	231,971	344,324	478,547	146.9

<sup>1/</sup> Percent growth 1981-1984.

Source: CAB forms 41.