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JAL PROPOSAL FOR RYUKYUS INTER-ISLAND AIR SERVICE SELECTED

Naha, Okinawa, March 31 -- The proposal of Japan Air Lines for operation of the Ryukyus inter-island scheduled air service presently operated by Air America, has been selected, the U.S. Civil Administration of the Ryukyu Islands (USCAR) announced today. The new air service will become effective as soon as appropriate arrangements can be completed, estimated to be on or about July 1, 1967.

JAL's proposal includes the formation of a joint company with Ryukyuan business partners. Majority ownership and management control will be retained initially by JAL. The airline will establish a training program to develop a local capability in all phases of commercial airline management and operation. At an appropriate date in the future, following a sufficient period of development training and experience, JAL agrees to consider the transfer of actual management to the local business enterprise.

Aircraft to be employed initially will be U.S. Convair 240's on the Sakishima routes and British Dehavilland Herons or U.S. Beechcraft H-18's on the Kume Jima and Minami Daito routes. The latter smaller aircraft will be replaced by the larger aircraft as soon as current airfield improvements are completed.

The selection was made from among competing proposals submitted by Air America, Aloha Airlines, and JAL. Proposals were solicited by USCAR in June 1966. A new franchise was considered necessary when the indication was given by the present air carrier that under the existing fare and tax structure it faced certain difficulties. Consideration was also given to the long standing desires of Ryukyuan enterprises to participate in the operation of the local airline service.

Today's announcement represents the culmination of a long period of review and evaluation by U.S. authorities which was complicated by legal and jurisdictional problems involving the eligibility of some of the proposals under existing law.

On Feb. 13, 1967, President Johnson issued an executive order which granted the U.S. High Commissioner of the Ryukyu Islands full authority for the regulation of civil aviation operating between points in the Ryukyu Islands and permits the licensing of either U.S. or non-U.S. owned carriers for domestic air service within the Ryukyus. Under new aviation legislation issued by the High Commissioner, the formation of a Ryukyuan company utilizing non-U.S. registered aircraft and airmen and Ryukyuan ownership participation, becomes possible.

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The factors which led to the very close decision in favor of JAL were primarily economic. Despite the existing GRI tax on airline tickets and the low air fare schedule, JAL agreed to retain the present fare schedule if necessary for a period of at least two years, JAL was considered to have extensive organizational, technical and financial resources adequate to insure financial stability of the new airline through its development period.

The inter-island air service in the Ryukyus has long suffered economic and financial difficulties because of rising costs and inadequate fare revenues despite high load factors. Present fares are the same as established in 1954 when inter-island air service was first started. The economic stability of the inter-island carriers has also been seriously hampered by twenty percent Government of the Ryukyu Islands (GRI) air travel tax, which is the highest in the world, and by the sub-standard airfield facilities which have prevented maximum use of modern aircraft capabilities. USCAR has requested GRI for early legislative action to remove or substantially reduce the present air travel tax. Recently the GRI removed all taxes on inter-island maritime fares, cut land transportation taxes by fifty percent, and granted substantial fare increases for inter-island ships and for buses and taxis.

A program of airfield improvements on the outer-islands is now underway with financing provided from U.S. sources. The GRI is responsible for the maintenance of these airfields in a safe operating condition.

The U.S. Air Force is contracting to provide a modern communications and radio navigation system to insure the safety of inter-island commercial flights. On Okinawa, however, efforts to improve the safety of aerial navigation need the support of Ryukyuan people and Government authorities, particularly with respect to the planned VORTAC radio navigational facility near Kyan in southern Okinawa.

The advent of the new air service on or about July 1, the new aviation legislation applicable to the Ryukyus, and the programs for continued improvement of airfields and radio navigation facilities will mark the beginning of an entirely new phase in the progressive development of commercial civil aviation in the islands. With the steady increase in inter-island air travel between the islands, commercial aviation has become a major factor in the advancement and development of the Ryukyuan economy and cultural society.

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Extract from OKINAWA NEWS HIGHLIGHTS
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USCAR TO SEEK GRI COOPERATION FOR FLIGHT SAFETY FACILITIES (Times) -

USCAR Public Works Department Director Harrington W. COCHRAN has emphasized on two occasions that the present local air service facilities are poor, air transportation tax is high and there is urgent need to establish VORTAC facilities at Kyan, Itoman to insure flight safety. There is still no prospect for the construction of the VORTAC facilities because of the landowners' opposition and the High Commissioner's judgement is awaited. However, the need for such facilities has become urgent, especially since Japan Air Lines will start an inter-island air service shortly. This matter was taken up last week at the liaison meeting between Civil Administrator WARNER and Deputy Chief Executive KOHAGURA and it is believed that USCAR will seek the positive cooperation of the GRI in this regard.