

From: Concepcion, Chris
Sent: Thu, 17 Jul 2025 20:51:55 +0000
To: Matesic, Hannah (OST)
Subject: Annex VI - Air Service Restrictions to the Northern Mariana Islands
Attachments: 2025-02-05 - DOT Sec Duffy - Annex VI.pdf, CNMI One Pager and Additional Information.pdf, 2025-02-26 Duffy - annex vi response.pdf
Importance: High

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Hi Hannah:

Pleasure meeting you and Secretary Duffy yesterday! Per the brief exchange between Congresswoman King-Hinds and the Secretary, I've attached the letter sent 2/5/2025 and the response we received on 2/26/2025. As outlined in her correspondence, the suspension of Annex VI has had a disproportionately negative impact on the Commonwealth of the Northern Mariana Islands (CNMI), which are highly dependent on international air service to support economic activity, tourism, and connectivity. While we wait for further action from the DOT, the economic conditions in the CNMI continue to worsen. I've included a short write-up outlining the context and urgency of the situation on the ground.

Given the direct and urgent impact this matter has on the CNMI economy and its people, the Congresswoman respectfully requests that the DOT exercise full compliance with Annex VI and lift the ongoing restrictions on flights between China and the CNMI.

We welcome any opportunity to provide additional information or coordinate a discussion between the Congresswoman and relevant DOT officials to further convey the importance of this issue. Thank you again for your time and consideration. We look forward to your response.

Best,

Christopher A. Concepcion

Communications Director

Office of Congresswoman Kimberlyn King-Hinds (MP-00)

U.S. House of Representatives

425 Cannon House Office Building

Washington, DC 20515

(b)(6)

chris.concepcion@mail.house.gov

king-hinds.house.gov



Congress of the United States
House of Representatives
Washington, DC 20515-5201

February 5, 2025

The Honorable Sean Duffy
Secretary
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Secretary Duffy:

Congratulations on your confirmation as Secretary of the U.S. Department of Transportation. Your life of service to our country has been of great significance, and I appreciate the leadership and experience you bring to the Department at this critical time for our nation's transportation networks.

I write to urge the Department of Transportation exercise full compliance with Annex VI, Article 6 of the U.S.-China Air Transport Agreement and lift the ongoing restrictions on international air service between the People's Republic of China and my district, the Commonwealth of the Northern Mariana Islands (CNMI).¹ These restrictions conflict with the terms of the bilateral agreement, which explicitly exempted the CNMI from limitations on the number of designations or frequencies of scheduled air services. The failure to adhere to this provision has placed a severe and unnecessary strain on the economic recovery of my district.

The CNMI is a U.S. Territory with striking similarities to rural communities across America. The Americans living in my district are proud citizens of this country but face unique challenges due to our distance from major U.S. urban centers, reliance on a single industry for employment, limitations of our transportation infrastructure, and pronounced vulnerabilities to federal policy decisions. Just as rural communities in states like Wisconsin depend on agriculture and manufacturing as economic lifelines, the CNMI's economy is singularly dependent on tourism.

Prior to the COVID-19 pandemic, international visitors accounted for 42 percent of total economic activity and directly supported 25 percent of all household income in the CNMI.² Today, tourism arrivals remain 57 percent below pre-pandemic levels.³ The economic impact has been devastating to businesses and individuals across my district.

¹ U.S. Department of State. *U.S.-China Air Transport Agreement of July 9, 2007*. Available at <https://2009-2017.state.gov/e/eb/rls/othr/ata/c/eh/114749.htm>

² U.S. Bureau of Economic Analysis. *Gross Domestic Product for the Commonwealth of the Northern Mariana Islands, 2021 & 2022*. (November 21, 2024). Available at <https://www.bea.gov/sites/default/files/2024-11/engdp1124.pdf>

³ Marianas Visitors Authority. *Commonwealth of the Northern Mariana Islands: Visitor Arrival Statistics*. Available at https://drive.google.com/file/d/14BWnd71A2WQxj_Kx_yfRatvaIv4C9G1/view?usp=sharing

The decline in Chinese tourism has been a primary driver of this economic decline. Between 2015 and 2020, travelers from China represented 40 percent of annual arrivals to the CNMI, diversifying the region's visitor base, expanding exports from my district, and stabilizing the local economy. Since 2021, that figure has plummeted to 8 percent, leaving the CNMI heavily dependent on a single market—South Korea. This overreliance has made the economy particularly vulnerable to external shocks, as demonstrated by the Jeju Air Flight 7C2216 crash on December 29, 2024,⁴ which led to widespread cancellations and further economic instability.

The U.S.-China Air Transport Agreement was negotiated with a clear understanding of the CNMI's unique circumstances, and Annex VI was specifically designed to ensure uninterrupted air service to the territory in circumstances exactly like the one we see today. The ongoing restrictions imposed under DOT's Part 213 Orders⁵ have undermined this agreement, creating unnecessary barriers to economic recovery and disregarding a longstanding federal commitment to the CNMI.

For these reasons, I urge the Department of Transportation to comply with Annex VI, Article 6 of the U.S.-China Air Transport Agreement and establish unrestricted scheduled air service between China and the CNMI. Adhering to this agreement is essential to rebuilding the local economy, supporting American businesses and workers, and upholding the commitments made in U.S. foreign and transportation policy.

Thank you for your attention to this critical matter. I look forward to working with you to ensure that federal transportation policies reflect the needs of all U.S. communities, including those in the territories.

Sincerely,



KIMBERLYN KING-HINDS
Member of Congress

⁴ Daisuke Wakabayashi. *Jeju Air's Problems Mount After Crash that Killed 179 People*. New York Times. (January 5, 2025). Available at <https://www.nytimes.com/2025/01/05/business/jeju-air-south-korea-crash.html>

⁵ DOT. Orders 2020-5-4, 2020-6-1, 2020-6-3, 2020-8-6, 2023-5-6, 2023-8-10, 2023-10-9, and 2024-2-21.

Nature of the Collapse in the Commonwealth of the Northern Mariana Islands

The CNMI's economic infrastructure is on the verge of collapse. Major businesses face permanent closure. Hotels report average occupancy rates of just 28.57%, far below break-even thresholds. Federal pandemic-era support is expiring, removing a critical buffer. Without swift intervention, government revenues will shrink to unsustainable levels, debt will increase, and the CNMI will be pushed to the brink of insolvency. The economic failure of a U.S. territory in the Pacific would have profound strategic, humanitarian, and fiscal implications.

Tourism is the primary engine of economic activity in the Commonwealth of the Northern Mariana Islands. Before the COVID-19 pandemic, tourism spending accounted for 54% of all consumer expenditures, and exports of services made up 39% of the CNMI's GDP.

While there were signs of recovery in recent years, tourism arrivals in 2024 remained 53% below 2019 levels. In 2025, that fragile rebound has reversed: year-to-date arrivals have declined an additional 28.3%, signaling a renewed and destabilizing contraction. This collapse has been accompanied by steep losses across nearly every major economic indicator:

- Tourism arrivals dropped 67%, from 653,150 in 2017 to 215,543 in 2022/23
- Total business revenue declined by 51%, from \$3.62 billion to \$1.77 billion
- Annual payroll fell 19.4%, while employment contracted by more than a third (22,813 to 14,488 jobs)
- Accommodation and food service revenues declined 59%, and retail sales dropped 26%
- Most dramatically, tourist spending plummeted by 96.7%, falling from \$1.9 billion to just \$62.9 million

These figures reflect the compounded effects of a prolonged crisis. Between 2019 and 2022, exports of services fell by 51%, driven by collapsing visitor revenues. Since 2022, business closures have accelerated, employment has eroded, and the private sector has hollowed out. A 2024 survey shows that 20% of CNMI residents are planning to leave, underscoring the demographic risk of continued economic failure.

Collapse of Air Access

The sharp downturn in tourism is being driven by a collapse in airlift:

- South Korea, which represented 75% of arrivals in 2024, has seen visitor numbers fall 32.8% year-to-date in 2025.
- Monthly air seats dropped from 24,528 to just 10,500, a 57% reduction, after Jeju Air and Asiana cut service and the number of operating carriers fell from five to two.

As of May 2025, all direct flights from China have ceased, following delays in Electronic Travel Authorization (ETA) processing under the newly launched EVS-TAP program. In total, CNMI has seen a loss of 18,176 monthly air seats from the market compared to pre-pandemic levels.

Yet, Chinese arrivals had been rebounding prior to the suspension, with a 41% increase year-to-date, underscoring the market potential lost due to administrative delays. Japan arrivals are down 43%, compounding the impact.

Quick Facts

	2017	2022/24	% Change
Tourism Arrivals	653,150	237,498	▼ 63%
Total Employment	22,813	14,488	▼ 36.5%
Total Business Revenue	\$3.616B	\$1.771B	▼ 51%
Annual Payroll	\$419.5M	\$338.3M	▼ 19.4%
Retail Sales	\$460.4M	\$340.45M	▼ 26%
Accommodation & Food Services	\$335.1M	\$137.7M	▼ 59%
Tourist Spending	\$1.9B	\$62.9M	▼ 96.7%

- One of only two international brand hotels (Hyatt Regency Saipan) closed permanently
- One of only two Korean airlines servicing the CNMI announced the suspension of flights in the summer months of 2025, further reducing total air seats by 28%.
- Asiana airlines, after servicing the CNMI for over 30 years, terminated service in 2024 and eliminated 4,956 monthly air seats.
- In June 2025, the Kensington Hotel, CNMI's largest, announced temporary closure, eliminating 9% of room stock
- Kanoa Resort announced it will not renew its lease, cutting another 6.2%
- World Resort and Pacific Islands Club have announced layoffs and reduced hours, placing an additional 16% of hotel room inventory at risk
- DFS Saipan Ltd., a subsidiary of Louis Vuitton Moet Hennessy and the largest retail outlet in the CNMI, closed in April 2025, alongside the CNMI's only movie theater (Regal Cinemas)
- Since January 2024, over 110 businesses and nonprofits have shut down—7% of all business establishments

Airline	Route	# Monthly Air seats	Status
United Airlines	Guam	5,976	Continuing
Jeju Air	Incheon	5,292	Continuing
Jeju Air	Incheon	5,292	Terminated
Jeju Air	Pusan	3,780	Terminated
Asiana Airlines	Incheon	4,956	Terminated
T'Way Air	Incheon	5,208	Suspending Service
Hong Kong Airlines	Hong Kong	2,080	Suspending Service
Hong Kong Express	Hong Kong	2,976	Terminated
Beijing Captial Airlines	Hangzhou	2,320	Terminated
Sichuan Air	Shanghai	4,800	Terminated
Sichuan Air	Guangzhou	2,400	Terminated
China Eastern Airlines	Beijing	3,600	Terminated



THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

February 26, 2025

The Honorable Kimberlyn King-Hinds
U.S. House of Representatives
Washington, DC 20515

Dear Representative King-Hinds:

Thank you for your letter congratulating me on my confirmation as the Secretary of the U.S. Department of Transportation (DOT) and regarding the ongoing restrictions on international air service between the People's Republic of China and the United States imposed under the Department's Part 213 Orders. As you are likely aware, the Commonwealth Ports Authority of the Northern Mariana Islands (CPA) has applied for an exemption from the Department's Part 213 Order for scheduled passenger flights between China and the Commonwealth of the Northern Mariana Islands. A copy of the application may be found on the Docket at DOT-OST-2020-0052-0152. As the application is currently pending before the Department, I cannot comment on its merits. Please be assured, however, that we are giving full and careful consideration to CPA's request.

As is our standard practice, I will place a copy of your letter and this response in Docket DOT-OST-2020-0052 as a communication outside the record of this case. You may track the progress of this case and view the publicly available documents filed in the docket by accessing the Federal Docket Management System at www.regulations.gov and searching for Docket DOT-OST-2020-0052.

Thank you, again, for your kind words and sharing your views on this matter. If I can provide further information or assistance, please reach out or contact Hannah Matesic, Deputy Assistant Secretary for Congressional Affairs, at (202) 366-4573 or via email at hannah.matesic@dot.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'S.P. Duffy', is written over the word 'Sincerely,'. The signature is stylized with large, sweeping loops.

Sean P. Duffy