

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

February 28, 2006

1:34 p.m.

**MEMBERS PRESENT**

Senator Charlie Huggins, Chair  
Senator John Cowdery, Vice Chair  
Senator Gene Therriault  
Senator Hollis French

**MEMBERS ABSENT**

Senator Albert Kookesh

**COMMITTEE CALENDAR**

SENATE BILL NO. 266

"An Act relating to commemorative license plates celebrating Alaska's 50th anniversary as a state; and providing for an effective date."

MOVED CSSB 266(TRA) OUT OF COMMITTEE

SENATE BILL NO. 304

"An Act relating to the privileges of airport parking shuttles and to fees or charges imposed on a person who is not a lessee or holder of a privilege to use the property or a facility of an airport."

HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 266

SHORT TITLE: COMMEMORATIVE PLATES: STATEHOOD ANIV.

SPONSOR(s): SENATOR(s) STEVENS G

02/03/06	(S)	READ THE FIRST TIME - REFERRALS
02/03/06	(S)	TRA, FIN
02/28/06	(S)	TRA AT 1:30 PM BUTROVICH 205

BILL: SB 304

SHORT TITLE: AIRPORT PARKING SHUTTLES/AIRPORT CHARGES

SPONSOR(s): TRANSPORTATION

02/21/06	(S)	READ THE FIRST TIME - REFERRALS
02/21/06	(S)	TRA, FIN

02/28/06

(S)

TRA AT 1:30 PM BUTROVICH 205

**WITNESS REGISTER**

Senator Gary Stevens

Alaska State Capitol

Juneau, AK 99801-1182

**POSITION STATEMENT:** Sponsor of SB 266

Duane Bannock

Division of Motor Vehicles

Department of Administration

PO Box 110200

Juneau, AK 99811-0200

**POSITION STATEMENT:** Answered questions regarding SB 266

Gail Phillips, Chairperson

Alaska Statehood Commission

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 266

Ryan Makinster, Legislative Aide

Senator John Cowdery

Alaska State Capitol

Juneau, AK 99801-1182

**POSITION STATEMENT:** Introduced SB 304

Mike Neely, Regional Vice President

Diamond Parking Service

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 304

John Torgerson, Deputy Commissioner

Department of Transportation & Public Facilities

3132 Channel Dr.

Juneau, AK 99801-7898

**POSITION STATEMENT:** Answered questions regarding SB 304

John Barsalou, Property Director

Ted Stevens Anchorage International Airport

International Airport Road

Anchorage, Alaska

**POSITION STATEMENT:** Answered questions regarding SB 304

John Steiner, Assistant Attorney General

Transportation Division

Department of Law

PO Box 110300

Juneau, AK 99811-0300

**POSITION STATEMENT:** Answered questions regarding SB 304

Dan Coffey, Attorney

Representing Diamond Parking Services

Anchorage, Alaska

**POSITION STATEMENT:** Commented on SB 304

#### **ACTION NARRATIVE**

**CHAIR CHARLIE HUGGINS** called the Senate Transportation Standing Committee meeting to order at [1:34:42 PM](#). Present were Senators Hollis French, John Cowdery, Gene Therriault, and Chair Charlie Huggins.

#### **SB 266-COMMEMORATIVE PLATES: STATEHOOD ANIV.**

[1:35:19 PM](#)

CHAIR HUGGINS announced SB 266 to be up for consideration.

SENATOR GARY STEVENS, bill sponsor, introduced SB 266. It is meant to be a part of the statewide celebration marking the 50<sup>th</sup> anniversary of Alaska Statehood. In the spirit of celebrating the landmark anniversary, the Alaska Statehood Celebration Commission has recommended that the state issue a commemorative license plate. The bill gives the Division of Motor Vehicles (DMV) statutory authority to issue a special license plate. The Commission will be responsible for determining the design and color of the plate, which will be issued between January 1, 2007 and December 31, 2009.

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SENATOR COWDERY moved to adopt CSSB 266 version F as the working document before the committee. Hearing no objections, the motion carried.

CHAIR HUGGINS asked the sponsor to explain the fiscal note.

SENATOR GARY STEVENS said it was an \$81,000 note and a representative from the DMV was prepared to explain it.

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DUANE BANNOCK, Director, DMV, identified himself for the record. He said the Department of Administration (DOA) is pleased with the bill. He spoke to the fiscal note and explained that one year ago the DMV brought back "The Last Frontier" plate. They

made a long-term commitment with the supplier to reduce the cost of the plates unaware that they would be changing the standard plate. As a result the DMV made a buy designed to last the division through the end of fiscal year 2007. The fiscal note reflects the fact that they would need to purchase additional plates for the commemorative license plates. The DMV intends to mothball "The Last Frontier" plates but will bring them back in 2010.

Generally the DMV makes an annual request for license plates but they did not do that in the FY07 budget because of the long-term agreement made with the supplier. There is no change in revenue specific to the plate as it would be a standard issue plate and the customer would not pay for it. He offered to answer questions.

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CHAIR HUGGINS asked for clarification of when the plates would be issued.

MR. BANNOCK said the actual dates of issuance would be January 2, 2007 to December 31, 2009.

CHAIR HUGGINS clarified that the fiscal note reflects the purchase of the commemorative license plates.

MR. BANNOCK agreed. The DMV will have extra inventory as a result. The bill authorizes them to use the plates they have already purchased in 2010 when the commemorative plates issuance is completed and so they will be financially ahead of the game in the future years.

SENATOR COWDERY asked Mr. Bannock to explain what happens to the revenue that the DMV takes in.

MR. BANNOCK informed the committee that the DMV is projected to take in \$62 million dollars annually. Of that, \$12 million is collected at the behest of several local governments through the motor vehicle registration tax statute. Approximately \$50 million dollars is returned to the state's general fund against the budget of approximately \$11 million dollars.

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SENATOR FRENCH asked the exact date of the 50<sup>th</sup> anniversary of statehood.

SENATOR GARY STEVENS said the state is celebrating January 1, 2009 as the formal date of statehood.

SENATOR FRENCH asked Mr. Bannock whether people would be able to purchase "The Last Frontier" plate after January 1, 2007.

MR. BANNOCK said yes. It would cost \$30 dollars.

SENATOR FRENCH asked the recourse if the designer brings forth a plate that people do not like. He asked the reason that legislators aren't able to see the design before signing off on the bill.

MR. BANNOCK conceded that people have complained about standard issue plates before but that the Alaska license plate has recently won an award for best design. He guaranteed that the Committee would create a plate that everyone would like.

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CHAIR HUGGINS asked Mr. Bannock the process to reach the design conclusion.

MR. BANNOCK deferred the question to a representative from the Commission.

CHAIR HUGGINS asked whether a person visiting from another country could purchase the commemorative plate.

MR. BANNOCK said yes, for three dollars.

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SENATOR FRENCH asked the reason that a person would have to pay \$30 for "The Last Frontier" plate but only three dollars for the commemorative plate.

MR. BANNOCK explained the three-dollar plate could not be placed on a vehicle and was for display purposes only.

SENATOR FRENCH asked the size of the plate for purchase.

MR. BANNOCK said they were the same size but it would have the word "sample" emblazoned across it.

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GAIL PHILLIPS, Chairperson, Alaska Statehood Celebration Commission, testified in support of the bill and promised to help design a plate that will be appropriate for everyone.

CHAIR HUGGINS asked whether the public could see the design before the plate goes to production.

MS. PHILLIPS said yes. She said the statehood celebration logo would be unveiled on March 7, although the Commission has not yet decided whether the logo would be used on the plate.

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SENATOR COWDERY moved CSSB 266(TRA) out of committee with individual recommendations and attached fiscal notes. Hearing no objections, the motion carried.

**SB 304-AIRPORT PARKING SHUTTLES/AIRPORT CHARGES**

[1:55:03 PM](#)

CHAIR HUGGINS announced SB 304 to be up for consideration.

RYAN MAKINSTER, Staff to Senator John Cowdery, introduced SB 304. Under Alaska law, vehicles that deliver people to the airport fall under one of the following categories: courtesy vehicles, taxis and limos, shuttles and buses, or tour passenger vehicles. A fee is charged for what is essentially curbside service. AS 02.15.090 requires the fees charged to be reasonable and uniform for the same class of service. At presently the rates charged by the Department of Transportation (DOT) varies from \$50 to \$1,000 per year.

In early 2005, the DOT proposed regulations, which would charge "off-airport valet services" a tax equal to eight percent of their gross revenues. This change would constitute a drastic shift from the statutory language. While hotel courtesy vehicles are charged \$50 per vehicle per year, the regulation would charge free parking shuttles eight percent of gross sales or a \$250 annual minimum. The two services are essentially the same class and require the same amount of accommodations on the part of the airport.

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The purpose of the bill is to clarify the law with regard to charging off-airport businesses, and reflects the sentiment that the DOT should set rates based on use and not on percentages of gross revenue.

SENATOR COWDERY asked Mr. Makinster whether all entities that bring passengers to the airport are subject to fees.

MR. MAKINSTER pointed out that included in the committee packets is a breakdown of the fee rates. The only people currently charged the eight percent fee are off-site car rental companies with a valet service. Other vehicles are charged a different rate depending on the service they provide. A hotel that picks up and drops off customers is charged an annual \$50 fee per vehicle and a company that stores a car for a week could be charged according to the gross sales of up to eight percent.

SENATOR COWDERY asked the fee for long-term parking.

MR. MAKINSTER did not know.

SENATOR THERRIAULT speculated it was \$7 a day off-site and \$11 a day long-term.

SENATOR COWDERY noted there were several levels of parking at the airport with different rates.

MR. MAKINSTER clarified that the bill was specific to entities outside the airport altogether.

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CHAIR HUGGINS stated for clarification that the bill was to require a uniform system for similar services.

MR. MAKINSTER agreed. He pointed out that commercial vehicles require the same amount of accommodation from the airport but, under the DOT proposal, would be charged drastically different rates.

SENATOR COWDERY asked whether the airlines have a position on the bill.

MR. MAKINSTER speculated they would be fairly neutral but he has not heard from them.

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SENATOR FRENCH asked whether the schedule in the bill packet reflected current rates.

MR. MAKINSTER said yes.

SENATOR COWDERY asked how a scheduled bus service differed from an off-airport shuttle.

MR. MAKINSTER noted it was a different type of service and not similar enough to fall under the same fee structure.

CHAIR HUGGINS commented that landing fees make up a majority of the funds that go into airport expansion projects.

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MIKE NEELY, Regional Vice President, Diamond Parking Service, testified in favor of SB 304. The location of Diamond Parking is at the former Spenard Community Dump and through a trade agreement they were able to take possession of the dump and have it developed as a parking facility with a cost of approximately \$12 million dollars. The reason for the exorbitant cost is because of the significant environmental issues, such as methane gas emissions.

The difference between scheduled bus service and Diamond shuttles is that Diamond operates totally on-demand. People drive to the facility and a bus picks them up and takes them to the airport. Conversely when they return, they call Diamond to pick them up and drop them off at their vehicle. Diamond Parking sells service, he said, and not parking. They are open 24 hours a day and they employ 25 people. The annual payroll is approximately \$500,000. Diamond pays an annual fee of \$500 each vehicle and with five buses brings the cost of doing business at the airport to \$2,500 year.

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CHAIR HUGGINS asked Mr. Neely whether he had any objection to the current charges.

MR. NEELY said no.

SENATOR FRENCH noted that, according to the fee schedule, Diamond should be classified as an off-airport shuttle and should only be charged \$500 for the first vehicle and \$50 each after that.

MR. NEELY said he thought they were classified as a shuttle bus and was not aware of the fee schedule.

CHAIR HUGGINS clarified that the intent of SB 304 was to ensure uniformity of the fee schedule.

MR. NEELY added the \$500 per vehicle cost was comparable to that of other airports, such as Spokane. In addition to the ramp pass, the airport is looking for a business activity permit and

that is where the eight percent comes in. The eight percent would mean that Diamond would have to pay \$120,000 for the current year.

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MR. NEELY said when the percentage fee was first broached to Diamond Parking they attempted to propose a fee structure that seemed more commiserate with the usage of the airport, such as a flat fee per vehicle that comes into the Diamond Parking Services lot. The proposal was that a flat fee of 70 cents would be imposed on each vehicle and that money would be turned over to the airport. The airport came back requesting 70 cents per car per day, which in effect is a gross tax, he said.

Diamond Parking also operates in Salt Lake City where they charge on a per bus trip to the airport. Each commercial vehicle has a transponder attached to it that gets tallied each time it goes through the airport gate. At the end of the month the airport sends a bill to the company. Diamond Parking offered to install that equipment at the Ted Stevens Anchorage International Airport at the cost of the company. Their fees would be deducted from that cost to the break-even point where they would start paying the monthly charges according to the invoice. The airport rejected the proposal and is insisting on a percentage fee, which Diamond Parking protests.

CHAIR HUGGINS clarified that currently Diamond Parking was paying \$2,500 annually but that DOT's proposition would cause them to sustain a charge of up to \$120,000 a year.

SENATOR COWDERY asked Mr. Neely the average number of people on his shuttle during an average trip to the airport.

MR. NEELY responded it was three people.

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SENATOR COWDERY asked the average fee charged to their customers.

MR. NEELY stated Diamond Parking fees were based on less than what the airport charges and it is \$8 a day. The average length of stay is 7 days and the average ticket is \$50. By comparison, the airport charges \$11 per day in the garage and \$9 per day in long-term parking.

CHAIR HUGGINS asked for clarification whether Diamond Parking's offer to install the electronic tally equipment at the airport would cover all commercial vehicle traffic.

MR. NEELY said it could tally all commercial vehicles and would allow the airport to expand its revenue base.

CHAIR HUGGINS asked whether any other airports where Diamond Parking operates charges in the vicinity of \$120,000 per year.

MR. NEELY said no.

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JOHN TORGERSON, Deputy Commissioner of Aviation, DOT, testified that he was appointed his current position on November 21, 2005 and so adopted the problem before the committee. The issue was immediately appealed by Diamond Parking and is currently in the process of getting a hearing officer to review the decision.

[2:23:11 PM](#)

MR. TORGERSON said he has heard the issue characterized as the government attempting to gouge the private sector but the airport supports many businesses in and around the facility. He said the percentage fee being talked about has been tested in other jurisdictions in the United States and seems to be fair and constitutional. He suggested that the airport fees help pay the bills at the airport and if the percentage fee does not go into effect, the landing fees would have to be raised.

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MR. TORGERSON continued the situation is not unique to the Ted Stevens Anchorage International Airport and most likely would happen in Fairbanks. He expressed concern about the fiscal impact on the rental car businesses and other leaseholders.

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MR. TORGERSON said he has not called any of the airport tenants to get their input and suggested that none of the airlines are aware of the bill. Monday is the annual meeting with representatives from all the airlines to deal with signatory issues mainly.

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MR. TORGERSON said it was the intent of the airport that anyone picking up customers at the airport would be subject to the eight percent fee. The airport is a billion dollar asset, he said, and signatory airlines have signed off the okay with an

increase in landing fees if there is not another place to collect it from. Airport parking fees have been recognized across the nation as something that should be added to the pot to reduce the landing fees.

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SENATOR COWDERY asked Mr. Neely the impact that the bill would have on the landing fees.

MR. TORGERSON said that was hypothetical since the Diamond Parking case was under administrative appeal. The airport operating funds are currently at about \$55 million dollars and it will go up due to the bonds that were just sold. The terminal rent is close to \$50 per square foot for tenants such as coffee shop vendors.

The impact that the bill has will end up going back to the airport tenants because of the agreement that the state does not make money. The state does not lose money on the airport and the airport does not supply the state with any excess revenues and the airport does not ask the state for general funds to run the operation. It is all carried on the back of the signatory airlines and others that they can charge, he stated.

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SENATOR FRENCH asked Mr. Torgerson the reason off-airport parking should be treated differently than others with similar uses, such as taxicabs, tour buses and limousines.

MR. TORGERSON said as soon as Diamond Parking opened, revenue at the airport went down by over \$1 million dollars. The fee based on percentages of revenue is in response to the realization that anyone could come in and cherry-pick certain types of businesses off of the airports. The Ted Stevens Anchorage International Airport currently has the lowest landing fees in the nation and they want to keep them down. Additionally, 80 percent of the landing fees that are paid are by cargo planes and not passenger planes and so the cost gets passed on to the cargo industry and they don't generally use parking lots and terminals.

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SENATOR COWDERY asked whether any cargo companies were in opposition of the bill.

MR. TORGERSON speculated they did not know about the bill.

SENATOR COWDERY asked whether everyone who brings passengers to the airport were subject to the fee.

MR. TORGERSON said yes unless prohibited by law, such as courtesy buses.

SENATOR COWDERY asked Mr. Torgerson what the fee is for the Alaska Railroad.

MR. TORGERSON did not know.

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CHAIR HUGGINS stated that the committee supported selling bonds to expand the airport last year but there wasn't any testimony dealing with how to amortize the cost of doing business. He expressed a preference for making the fees consistent all around and expressed concern that the government would be looking at a company's books to determine their gross revenues.

MR. TORGERSON suggested that further testimony on the issue would be welcome.

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JOHN BARSALOU, Property Director, Ted Stevens Anchorage International Airport, commented that John Steiner was best suited to clarify some of the issues raised so far.

JOHN STEINER, Assistant Attorney General, DOL, informed the committee that he was assigned primarily as the counsel to the International Airport System including Fairbanks and the Ted Stevens Anchorage International Airport. He said he could provide an historical and national perspective on the uniformity question.

Historically the airport system spreads the cost of running the airport to the users. Users include those who land on the runways and occupy space, as well as those that benefit from the market that is created by the airport, specifically rental cars and parking. As off-airport parking developed, it displaced revenue that was coming in.

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MR. STEINER said that other airports have the same fees based on percentages. For example, Memphis charges off-airport parking businesses eight percent, San Jose charges eight percent, and Kansas City charges ten percent to name a few. It is considered a necessary and appropriate part of revenue, he said.

On the issue of conformity, when the airport parking garage opened, the leasing people advised the developer that off-airport rental cars would begin to be charged a usage fee. The airport saw the shuttles being provided by the hotels as different because riding that service was more linked to the hotels and did not necessarily have a parking connection.

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MR. STEINER said parking is considered the connection between the service being provided by the airport and the actual use of it by the customer. The airport is integral to the operation of off-site parking services and that is not the case for hotels and other types of transportation providers.

SENATOR THERRIAULT said he has been to airports where there is a walkway connecting an airport to a hotel. He asked whether the airport levies a different charge to on-site hotels.

MR. STEINER said he did not know.

SENATOR COWDERY asked whether the airport charges hotels a separate tax or fee on the revenue they receive from their business.

MR. STEINER said no, except for the ground transportation fee that was discussed earlier.

SENATOR COWDERY asked how SB 304 would affect the Fairbanks Airport.

MR. TORGERSON said it would affect both airports the same since they are under the same agreement.

SENATOR THERRIAULT noted there is no off-site parking in Fairbanks.

MR. TORGERSON speculated there was talk about it and there are off-site car rental agencies that the airport is collecting a fee from.

SENATOR FRENCH advised Mr. Steiner that it sounded like he was saying that any company that competes with the airport would be made to pay extra if the airport determines that they lose revenue.

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MR. STEINER responded there have been cases where that competition factor has been acknowledged as a legitimizing factor. The primary thing is not the competition; it is the degree of relationship between the service that the air carriers provide and the opportunity that is being taken advantage of by the operators.

SENATOR FRENCH contended that there are restaurants and gift shops located near the airport and they exist because of the traffic in and out of there. He questioned whether the airport would begin to charge them fees simply due to their proximity to the airport.

MR. STEINER responded that there was a degree of separation there. He said rental cars and parking is the particular issue at the airport. They have been tested judicially many times and each time the court has found the charge acceptable.

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CHAIR HUGGINS expressed a hesitation to be a part of a government that stifles business. He reiterated his concern that a business such as Diamond Parking would see their fees explode from \$2,500 per year to \$120,000 per year because of the flat gross sales provision when hotels, who often advertise as a parking facility would not sustain the same fees.

MR. STEINER said the hotels that advertise as airport parking would fall under the regulation and would not necessarily be immune to the proposition. He suggested that the fees would get passed on to the hotel customers anyway.

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DAN COFFEY, attorney representing Diamond Parking Services, testified in support of the bill. He advised the committee that he owned a car rental company up until a year ago and so has a unique perspective. He said he wanted to debunk the myth of a long history of the tax on off-airport car rental companies. It was first tried in 1993 and the Legislature stopped it but a few years later it passed. The amount of revenue received from off-airport car rental companies is de minimus at best, he stated. They are basically used for local insurance replacement or travelers looking for low cost.

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MR. COFFEY said he has repeatedly suggested different methods of collecting fees other than imposing a gross receipts tax and that he and Mr. Steiner have an opposite conclusion of what the

law requires. The law requires that fees must be reasonable and uniform for the same class.

[3:00:32 PM](#)

MR. COFFEY said Diamond Parking Services is being unlawfully singled out and being asked to pay a huge amount of money for providing a convenience to the public and having the temerity to compete with the airport. Additionally, the airport has summarily rejected every alternative suggested to them, be it a per-trip fee, a per-capita fee, or the installation of an electronic transponder used to count the cars.

[3:02:26 PM](#)

CHAIR HUGGINS held the bill in committee.

There being no further business to come before the committee, Chair Huggins adjourned the meeting at [3:03:31 PM](#).