

**ALASKA STATE LEGISLATURE**  
**HOUSE TRANSPORTATION STANDING COMMITTEE**

February 7, 2008

1:11 p.m.

**MEMBERS PRESENT**

Representative Kyle Johansen, Chair  
Representative Mark Neuman, Vice Chair  
Representative Anna Fairclough  
Representative Craig Johnson  
Representative Wes Keller  
Representative Mike Doogan  
Representative Woodie Salmon

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

OVERVIEW: STATE AVIATION

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to report

**WITNESS REGISTER**

FRANK RICHARDS, Deputy Commissioner  
of Highways & Public Facilities  
Office of the Commissioner  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

**POSITION STATEMENT:** Provided an overview of statewide aviation.

JESSE VANDERZANDEN, Manager  
Fairbanks International Airport (FIA)  
Department of Transportation & Public Facilities  
Fairbanks, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation titled  
"FAIRBANKS INTERNATIONAL AIRPORT."

JOHN PARROTT, Deputy Director  
Ted Stevens Anchorage International Airport (TSAIA)

Department of Transportation & Public Facilities  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation titled "Ted Stevens Anchorage International Airport."

CHRISTINE KLEIN, Deputy Commissioner of Aviation  
Office of the Commissioner  
Department of Transportation & Public Facilities  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions.

### **ACTION NARRATIVE**

**CHAIR KYLE JOHANSEN** called the House Transportation Standing Committee meeting to order at [1:11:01 PM](#). Representatives Neuman, Johnson, Keller, Salmon, Doogan, and Johansen were present at the call to order. Representative Fairclough arrived as the meeting was in progress.

Overview: State Aviation

[1:11:11 PM](#)

CHAIR JOHANSEN announced that the only order of business would be an overview of state aviation.

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FRANK RICHARDS, Deputy Commissioner of Highways & Public Facilities, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), directed the committee's attention to the PowerPoint titled "Department of Transportation & Public Facilities Rural Airports Update." He began by informing the committee that DOT&PF is the largest owner of publicly owned airports within the state. There are approximately 30 airports owned by cities, villages, and other agencies, such as the Department of Natural Resources (DNR). Practically every village in the state has an airport, although many have substandard runway length. Therefore, the department is trying to address those airports with substandard runway lengths by lengthening them to the minimum standard of 3,300 feet. The department's annual operating budget for rural airports is \$28 million and its capital budget is \$173 million. The primary source of the capital funds is the Federal Aviation Administration (FAA). Referring to page 4 of the presentation, Mr. Richards highlighted that Alaska's rural airports have very

unique operations. The department is the largest airport operator in the U.S. Furthermore, there are sometimes very challenging wildlife conditions as depicted by the photo of the polar bear on the tarmac in Barrow. In a rural system, most of the communities are maintained under contract with a local individual. Those contracts are for the individual to utilize state equipment to keep the runway free of snow and ice and to grade the runway in the summer. Those contracts, on average, amount to about \$12,000 per year per individual.

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CHAIR JOHANSEN asked if those individuals make their own capital investments in equipment.

MR. RICHARDS clarified that the state, utilizing the FAA funds, purchases the equipment and the equipment storage building. Therefore, the individual is hired just to operate the state-owned equipment. Furthermore, the state provides the lights, the lighting parts, and the electricity to operate the lights.

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REPRESENTATIVE NEUMAN asked if maintenance and plowing for these rural airports is subcontracted out to an individual or company.

MR. RICHARDS specified that it's a one-year bid with four years of annual renewal. He referred to them as low-bid contracts to private contractors for most of the rural airports. In total there are about 170 private contracts. He related that if no individual comes forward, then DOT&PF works with the community to maintain the local airport.

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MR. RICHARDS, returning to his presentation, informed the committee that in the rural system there are also certificated airports. Those are airports that receive aircraft with more than 30 passenger seats, which is essentially Alaska Airlines and ERA Aviation. Mr. Richards related that since Southwest Airlines went long at Midway Airport in Chicago due to breaking action, the FAA has required that turbine-driven aircraft only land when there is fair breaking conditions on paved surfaces. Therefore, it requires more effort at the state-owned airports receiving jet traffic to clear snow and ice advance of the landing. The aforementioned is proving to be more of a challenge as it just went into play in the last year. He then

noted that [the department] is providing increased levels of service at some of the busier airports, such as Nome, Bethel, Dillingham, Petersburg, and Wrangell. With the help of the legislature, the department was able to obtain additional operating funds for those airports over the last couple of years.

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MR. RICHARDS, referring to page 5 of the PowerPoint, highlighted the regional boundaries of the airports in the state. As related on page 6 of the presentation, DOT&PF faces the following operational challenges: increasing federal regulations and requirements, escalating construction and operating costs, and environmental issues. Page 6 includes a photo of the Sitka Airport, for which DOT&PF is currently working through an environmental impact statement (EIS) so that Sitka can build out a runway safety area. He explained that a runway safety area is an area about 250 feet off the center line [of the runway] and about 1,000 feet off each end. To build out 1,000 feet of material is going to cost hundreds of millions of dollars. The aforementioned won't occur because the FAA has capped [what it will provide] for runway safety area improvements to about \$35 million.

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REPRESENTATIVE NEUMAN inquired as to how DOT&PF determines to which airports the federal funds will go.

MR. RICHARDS informed the committee that the FAA has said that all certificated airports will meet runway safety area standards by 2013. The FAA has made efforts to provide additional funds to Alaska to cover additional expenses, and therefore discretionary funds beyond the annual entitlement funds have been provided. He noted that the state has to go through a practicability analysis utilizing FAA standards, which determines whether the full-blown safety requirement is expended or not.

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REPRESENTATIVE JOHNSON inquired as to the repercussions for airports that don't meet the 2013 deadline for runway safety area standards.

MR. RICHARDS stated that the state is on track to meet the FAA guidelines by 2013. However, DOT&PF is in discussions with the FAA regarding two airports on the Dalton highway for which the traffic doesn't seem to warrant the runway safety area standards. He related his belief that the FAA would be hard-pressed to pull the certificate from the state.

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REPRESENTATIVE JOHNSON asked then if the department will be dumping 800 feet of rock 1,000 feet in the water at Sitka.

MR. RICHARDS replied no. He explained that after the practicability study, the [FAA funds] for the Sitka Airport was capped at about \$35 million. He related his understanding that there will be a 200-300 feet extension of the runway at Sitka. In further response to Representative Johnson, Mr. Richards confirmed that Sitka will be exempted from the 1,000-foot requirement. So long as the practicability study has shown what can be reasonably done for the money provided, the [FAA] will accept that as meeting the standard even if it's less.

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REPRESENTATIVE SALMON informed the committee that many of the communities that aren't on a river system have problems related to bringing fuel. In fact, it's problematic when fuel barrels or tanks can't be left on the airport [property] when there aren't fuel tankers. He emphasized the need for DOT&PF to address the aforementioned.

MR. RICHARDS acknowledged the challenges related to the inability of barges transporting fuel to reach certain areas. However, the challenge with folks leaving fuel tanks and drums at the airports is that sometimes they start leaking and it becomes the state's responsibility. Furthermore, those situations become safety issues for which the FAA, during its inspections, comes down on the airport operator, DOT&PF, to not have unregulated tanks stored on airport property.

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REPRESENTATIVE SALMON suggested creating a pit area in which the fuel can be stored so that the leaks can be contained. He opined that this is a fairly simple problem to resolve, yet no attempt has been made to solve it.

MR. RICHARDS recalled that the Red Devil Airport had a situation in which there was a header pipe [at the airport]. The problem at that particular airport was the flooding and erosion as well as the potential fuel contamination from the pipeline. He offered to speak with Representative Salmon regarding this matter. However, he pointed out that currently the capital improvements spent on Alaska's rural airports are predominately FAA funds. He said that to his knowledge the state hasn't built fuel systems and tanks utilizing FAA funds.

REPRESENTATIVE SALMON remarked then that [communities in such situations] are faced with breaking the law.

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CHAIR JOHANSEN related his observation that the operating budget includes a couple hundred thousand in general fund dollars to cleanup some of "this stuff." He then inquired as to DOT&PF's interaction with the Department of Environmental Conservation (DEC) and its charge to keep the environment clean.

MR. RICHARDS said that DOT&PF has a good working relationship with DEC, especially with regard to contamination found on state lands where there is no known entity that created the contamination. The aforementioned becomes the state's responsibility to clean it up. He informed the committee that DOT&PF has access to some of those DEC funds to address some of those situations. However, as outlined in DOT&PF's budget, the cleanup needs far exceed what DEC has available to provide DOT&PF. He noted that abandoned cars and fuel tanks are left [on airport property] from parties long gone and the department is left responsible.

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CHAIR JOHANSEN asked if the Wrangell and Ketchikan projects are similar to the earlier-described Sitka project.

MR. RICHARDS replied yes. In further response to Chair Johansen, Mr. Richards confirmed that those projects weren't requested from the communities or DOT&PF. He explained that DOT&PF has always said that it would rather buildup an airport with a runway less than 2,000 to 3,000 feet in order to provide safer access to those communities rather than building to the safety area requirements of the FAA. The FAA understood that argument and acquired additional funding in order for the state to build to the new standards. Mr. Richards pointed out that

the aforementioned is additional funds that came to the state that may not have otherwise.

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MR. RICHARDS, in response to Chair Johansen, explained that when DOT&PF judges its projects, they are based on need and the safety improvements that would be achieved. "So, there's no identification of previous monies put forward to an airport project that would sway the decision whether or not to go forward with the project," he said.

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MR. RICHARDS, continuing his presentation, related that with the federal reauthorization of the airport improvement program DOT&PF is seeking oversight of the EIS for the state. Currently, the FAA has that responsibility and thus FAA provides funds to the state to make an improvement on a state asset, but the oversight of the EIS is directed by the FAA not the state, as the airport owner. Therefore, the state is seeking that oversight authority through the reauthorization so that the state will control its own destiny.

CHAIR JOHANSEN asked if that will be reflected in the operating budget. He recalled that when the state did primacy with DEC, it cost a fair amount of money while providing more flexibility.

MR. RICHARDS said that it'll be similar to what occurred with the Federal Highway Administration (FHWA), for which one staff position was added. He noted that Alaska was one of five states with that ability due to the reauthorization of the highway bill. Therefore, the department is moving forward with that one additional staff member. In further response to Chair Johansen, Mr. Richards confirmed that the aforementioned staff position is a [position control number] PCN within DOT&PF.

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CHAIR JOHANSEN asked if the aforementioned position will be a permanent full-time position once the state has received EIS oversight.

MR. RICHARDS said that his goal would be that the existing staff at DOT&PF who had gone through the process with the FHWA would essentially be able to do the same thing with the FAA.

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MR. RICHARDS then informed the committee that the other regulator DOT&PF deals with on a daily basis is the Transportation Security Administration (TSA). One of the challenges with TSA is that it doesn't bring money to the table when it imposes security requirements through regulations. Another difficulty with regard to airport security is that the state has three federal security directors, and therefore there's the potential for three different perspectives on the security regulations that must be followed. Moreover, the requirements continue to expand. Referring to page 8, Mr. Richards highlighted the increased cost of construction in Alaska.

MR. RICHARDS then turned to page 9 regarding rural dust. The problem is that the airports and roads in villages are sources of dust so severely that several villages in the Northwest have complained about the dust levels to the Environmental Protection Agency (EPA) and DEC. There have been instances in which air quality standards have been exceeded due to dust. If the EPA identifies that the dust levels and air quality standards are continually being exceeded, rural Alaska could be designated as a non-attainment area. The aforementioned means that federal transportation funds could ultimately result in the EPA directing how those funds are spent. Therefore, the state would have to take care of dust control in the rural communities, which would require the paving of the airports, roads, and even four-wheeler trails. He characterized the aforementioned as a looming threat. Therefore, DOT&PF is working with DEC. In this year's capital budget DOT&PF has a request for some small equipment and dust palliative to apply to the rural airports and roads in the communities in the Northwest. This could potentially avoid federal oversight and retain the ability to spread the money where [DOT&PF] feels it's most needed.

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CHAIR JOHANSEN remarked that he was glad to hear that when the department takes care of the airports it does so for the roads as well. He then inquired as to the cost of bringing equipment to perform these tasks in rural Alaska.

MR. RICHARDS answered that DOT&PF intends to model a Nome nonprofit organization, Kawerak, Inc. That nonprofit has received money over the years through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for

Users (SAFETEA-LU) to address issues of road transportation in the villages. The nonprofit purchased a six-wheeler and constructed a trailer with an applicator bar that is 10 feet [in length]. The aforementioned is air transportable in a CASA aircraft and thus it as well as the dust palliative can be shipped to communities. [The dust palliative] was applied in approximately 19 communities in the region. If funds are received, the department would give funds to [Kawerak, Inc.] to [apply the dust palliative with the six-wheeler] to more communities and have more of the same equipment to utilize in more communities.

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CHAIR JOHANSEN asked if this six-wheeler can be placed in any plane that can land at these airports.

MR. RICHARDS explained that a CASA aircraft has a rear tail that opens and on which the six-wheeler can be driven. He said that it's similar to the aircraft being used by the Air National Guard. In further response to Chair Johansen, Mr. Richards said that the CASA aircraft can be utilized at airports with 2,500-2,800 foot runways. Therefore, there will be a small number of communities in which the CASA aircraft can't land. He related his understanding that those runways in the Northwest Arctic Borough are large enough to handle a CASA aircraft.

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REPRESENTATIVE SALMON inquired as to how long the new dust application lasts.

MR. RICHARDS answered that Kawerak, Inc., started its dust applications two years ago and hopes it will last three to four years.

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REPRESENTATIVE SALMON recalled the product that was used 10-15 years ago. When it was applied to the runway, dust from the surrounding area would settle on it and dust would continue to be a problem.

MR. RICHARDS informed the committee that the product called EnviroClean is being used now. Several different dust palliatives are being tried as the makeup of the gravel determines how the dust palliative works.

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REPRESENTATIVE KELLER surmised that the department has done comparisons regarding the cost of asphalt as opposed to the use of EnviroClean. He then asked if there are any FAA requirements for a hard surface in a particular sized runway. He asked if [dust palliative] could be used on some of the state's larger runways instead of asphalt.

MR. RICHARDS confirmed that DOT&PF does a lifecycle cost on the dust palliative compared to pavement. The dust palliative is very beneficial. The FAA doesn't have a preference for the use of dust palliative or asphalt, and the department has left it up to the airport operator to make that decision.

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MR. RICHARDS, returning to his presentation, explained that the chart on page 10 illustrates the department's general fund operating budget. The white line shows the operating budgets for both highways and airports. The budget stayed fairly constant in the 1980s and 1990s, but started to increase in 2004. The legislature provided funds for [those increases], which he attributed primarily to the high cost of fuel and materials. Mr. Richards said that this chart also illustrates that even with the loss of buying power since 1983, larger, brighter, and wider airports have been constructed as well as more amenities and facilities with the highways. Therefore, DOT&PF is doing more with less, he opined.

MR. RICHARDS, referring to page 11 titled "DOT&PF Rural Airport Challenges," highlighted that DOT&PF faces challenges related to coastal storms and the impacts of flooding and erosion. The communities of Shishmaref, Kivalina, and Newtok are being severely impacted by coastal erosion. In fact, Newtok is looking to relocate to a new village site. The department is working with the Denali Commission and DCCED to help Newtok with that relocation effort.

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MR. RICHARDS moved on to page 12 titled "DOT&PF Rural Airports Needs for Future Funding." He informed the committee that the needs list for rural airports, primary and non-primary airports, totals \$955 million. He explained that primary airports are those with 10,000 or more enplanements while non-primary

airports are those airports with less than 10,000 enplanements. The needs include runway improvements, buildings, and equipment. The total amount of \$995 million is staggering, he said. As mentioned earlier, the funding predominantly comes from the FAA, which provides approximately 95 percent for eligible public airport development costs. The airport sponsor, the state, contributes the 5 percent match. However, all the operating costs are borne by the general fund. As related by page 14 titled "FFY'07 & '08 AIP Allocation," the State of Alaska has received in total about \$210 million of which \$173 million went to DOT&PF airports, including the Alaska International Airport System. Approximately \$123 million went to DOT&PF's Rural Airport System and \$50 million to DOT&PF's Alaska International Airport System. Although the fiscal year (FY) 2008 numbers will be very similar to the 2007 allocation, page 15 provides a comparison between the Anchorage International Airport System (AIAS) and DOT&PF's Rural System. Mr. Richards then directed attention to pages 16 and 17 titled "Recent Primary Airport Projects," which provides examples of where the funds are being spent. For example, \$34.6 million has been spent on the runway safety area and overlay. He then moved on to pages 18-21 titled "Recent Non-Primary Airport Projects" and noted that what were normally \$3-\$5 million relocation or reconstruction projects are now ranging \$10-\$15 million.

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REPRESENTATIVE SALMON drew attention to the Angoon Airport construction budget of \$30 million, and inquired as to the status of that project.

MR. RICHARDS responded that DOT&PF is starting the EIS for Angoon. The challenge is that Angoon Airport is surrounded by federal wilderness. Therefore, the department will have to work with the federal government to carve out space for the airport and construct connecting roads from the community to the airport. He said he anticipated that the EIS will take the normal three to four years to complete. Mr. Richards pointed out that the costs are quite large for the Yukon Kuskokwim Delta airports because everything must be imported. As the project list indicates, DOT&PF is accomplishing a lot in terms of upgrading airports to be safer facilities.

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MR. RICHARDS, returning to his presentation, continued with page 22 titled "The Future." In the future, Alaska's aircraft fleet

will likely change and thus the department is trying to anticipate those changes in order to provide the necessary airports in the future. Currently, DOT&PF has a proposal before it from the U.S. Postal Service to create more by-pass mail hubs. Therefore, additional hubs would be put into place, which would allow the mainline air carriers to fly directly from Anchorage to those new hubs to distribute the mail to those communities as well as surrounding communities. However, the challenge is that many of those airports are insufficient to accommodate those aircraft. The goal of the U.S. Postal Service to save several millions by creating these hubs would require the airport operator, DOT&PF, to expend tens of millions of dollars to upgrade the facilities to accommodate the airport as well as the cost to individual private carriers for infrastructure necessary to take the mail from the new hubs to other locations.

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MR. RICHARDS, in response to Representative Neuman, confirmed that the [cost] of by-pass mail could be shifted to the state. Therefore, DOT&PF has identified the cost to upgrade the specific airports to meet the needs of by-pass mail. The DOT&PF has also identified [to the federal government] that it has began a statewide aviation plan update, and thus it would behoove the U.S. Postal Service to talk to the airport operator in order to determine what funding mechanisms would be required to accomplish the goals of the U.S. Postal Service. He noted that there is great opposition by the air carriers to this by-pass hub system.

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MR. RICHARDS, concluding his presentation, pointed out that the air cargo security regulations are ever expanding, and thus in the rural systems there have to be designated security areas specific to each air carrier. The aforementioned is mainly a burden on the air carriers due to the special provisions required for those who handle freight.

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REPRESENTATIVE DOOGAN inquired as to what types of aircraft can utilize rural airports with runways 3,300 feet in length.

MR. RICHARDS answered that the following aircraft: Navajo, Cherokee, 207s, 208s, new Caravans, and small twins can utilize

such airports. He characterized them as small six- to nine-passenger seat aircraft. In further response to Representative Doogan, Mr. Richards confirmed that with the addition of a runway, taxiway, and apron, DOT&PF provides equipment to maintain that infrastructure and constructs an equipment storage building. Primarily, a small grader, loader with a bucket, and a push plow are provided.

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REPRESENTATIVE DOOGAN surmised then that there won't necessarily be any other building or general use fuel storage facilities. Representative Doogan questioned what makes this an airport rather than a runway.

MR. RICHARDS clarified that although terminals aren't being created, there will be runway lights. Furthermore, depending upon the traffic loads there will possibly be visual aides. Mr. Richards informed the committee that a large number of global positioning system (GPS) approaches have been put in place. Therefore, there isn't the same ground-based infrastructure necessary as in the past.

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REPRESENTATIVE DOOGAN related his understanding then that an individual landing at one of these airports wouldn't be able to refuel because there is no facility to do so. Therefore, he surmised that in such cases, the individual would have to land at a regional hub airport that has fueling capabilities.

MR. RICHARDS replied yes. He then pointed out that many of the rural airports don't have any aircraft that reside there. The rural airports are primarily the access and egress points for community members to receive food stuffs, reach medical facilities, and commute between the villages.

REPRESENTATIVE DOOGAN surmised then that some sort of air service will be using these runways, and thus the ability to refuel isn't as important as a situation in which there is a fleet of private aircraft.

MR. RICHARDS replied yes, adding that he understood Representative Salmon to be referring to the ability to receive fuel for heating oil as well as for snow machines, not necessarily aviation fuel.

REPRESENTATIVE SALMON confirmed that to be the case.

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MR. RICHARDS, in further response to Representative Doogan, reiterated that reconstruction/relocation to bring these airports up to the standard desired by DOT&PF would cost \$10-\$15 million. However, some airports cost less and others considerably more. For example, the airport in Lime Village is estimated to cost in excess of \$24 million.

The committee took an at-ease from [2:00:28 PM](#) to [2:04:11 PM](#)

[2:04:15 PM](#)

JESSE VANDERZANDEN, Manager, Fairbanks International Airport (FIA), Department of Transportation & Public Facilities, directed attention to the PowerPoint presentation titled "FAIRBANKS INTERNATIONAL AIRPORT." He then turned to the slide titled "Capital Improvements," which relates what has been done at the Fairbanks International Airport (FIA) over the past six years. On the general aviation side of the airport the runway was extended to 6,500 feet, a ski strip was installed, and the float pond was expanded. In fact, the gravel taken from the float pond was used to build the aforementioned two runways. In 2004-2006, the taxiway was rebuilt and it included de-icing pads. The de-icing pads provide the ability to isolate the glycol use to either end of the runway and in doing so cause remediation to be much less expensive. The cargo apron project should be completed this summer, and as with the old cargo apron it will have four positions. With regard to the airfield, the last project this summer is the main runway. This summer the existing taxiway will be readied to become an alternate runway on which planes can land in 2009. The aforementioned allows the rebuilding of the main runway.

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MR. VANDERZANDEN then addressed the terminal referring to the page titled "Terminal: Summary." The old terminal was approximately 143,000 square feet and the new one will be 152,000 feet. Furthermore, the new terminal will have a much better layout so there will be much more useable space. Although the initial budget was \$99.2 million, the current forecast is a budget of approximately \$93 million with a completion date of October 1, 2009. He then announced that the terminal rebuild is ahead of schedule. The official opening

date of the new terminal is May 7, 2008. The existing terminal will remain open as the baggage claim area is scheduled for demolition in the summer of 2008. The terminal will be completed in the spring of 2009 and then in the summer of 2009 the 1952 portion of the building will be demolished.

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MR. VANDERZANDEN, in response to Chair Johansen, confirmed that the FIA project is under budget and ahead of schedule. He then continued with his presentation, and directed the committee's attention to pages 31-32, which are renderings of the front view of the existing terminal and what it will look like upon completion of the rebuild.

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MR. VANDERZANDEN moved on to the page titled "Passenger Service - Domestic" and informed the committee that domestic passenger service has experienced steady growth over the past several years. He attributed the small dip in growth to [the terrorist attacks of September 11, 2001]. With regard to new service, he related that Delta Airlines came to the FIA in 2004 and is slated to expand service this year. Alaska Airlines expanded its service in 2007 when it added a couple of additional flights. In 2007 ERA Aviation, Inc., is new and provides three flights per day to Anchorage. In total, FIA has 15 flights per day to Anchorage. He then informed the committee that FIA was fortunate to obtain a small community air service development grant (SCASD) for approximately \$.5 million in order to attract additional airline service. In this case, it's direct service to Denver, Colorado.

MR. VANDERZANDEN, referring to the page titled "Passenger Service - International," said that international service has been successful for FIA, both in frequency and passenger numbers. He related that a [Japan Airlines] 747 deplaned the most passengers at once at Fairbanks, 392 passengers. Although the direct service to Frankfurt, Germany, by Condor/Thomas Cook hasn't experienced the meteoric growth of [Japan Airlines], it has provided steady growth.

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MR. VANDERZANDEN moved on to the page titled "Cargo," and opined that from the cargo standpoint it's not as good news. Fairbanks International Airport lost its Europe to Asia traffic,

predominantly because of the opening of the Russian airspace. From an economic standpoint it's difficult to impossible to compete with that. However, he noted that FIA serves as the primary diversion for Ted Stevens Anchorage International Airport (TSAIA). Mr. VanderZanden further opined that as a result of some of the cargo leaving FIA and the opening of the Russian airspace, there is room for growth as the airfield is currently underutilized. He likened FIA to TSAIA in that both have cargo transfer authority. Furthermore, Fairbanks is 9.5 hours from 90 percent of the northern industrialized hemisphere. Although as mentioned earlier FIA lost Europe to Asia traffic, some was picked up in 2006 with Volga-Dnepr Charters. He then informed the committee that two non-airfield revenue sources for airports are land revenue and concession revenue, both of which have increased.

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REPRESENTATIVE SALMON inquired as to why restaurants are placed inside the secure area.

MR. VANDERZANDEN explained that in the new terminal that will change.

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MR. VANDERZANDEN moved on to the page titled "General Aviation." He informed the committee that FIA has 2 runways, 185 spaces in the float pond, and 365 tie downs of which 150 are electrified. There is also a pilots lounge and an airpark.

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REPRESENTATIVE FAIRCLOUGH inquired as to whether the revenue of FIA meets its expenses.

MR. VANDERZANDEN replied no. In further response to Representative Fairclough, Mr. VanderZanden stated that for FIA the current deficit with depreciation is approximately \$9 million and without deprecation it's approximately \$4 million.

REPRESENTATIVE FAIRCLOUGH asked if the aforementioned includes the contribution from TSAIA.

MR. VANDERZANDEN explained that all of the revenue from FIA and TSAIA go into the same pot, which he referred to as the enterprise fund, and all of the expenses come out of the same

pot. No general funds are received from the legislature, he noted. Mr. VanderZanden specified that FIA puts more into the [enterprise fund] than it takes out and TSAIA takes out more than it puts into the [enterprise fund].

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CHAIR JOHANSEN inquired as to any ideas being considered to address the reduced cargo due to the opening of the Russian airspace.

MR. VANDERZANDEN explained that there are the following two distinct markets: U.S. to Asia and vice versa, Europe to Asia. Much of the Europe to Asia market has left Alaska, predominately because Asia can be reached quicker using the Russian airspace. The economics of Europe to Asia [via Russian airspace] is difficult with which to compete. However, the U.S. to Asia traffic is the predominant market share [in terms of cargo]. Absent some geopolitical event, the economics are superior for the existing routes [utilizing Russian airspace].

[2:17:47 PM](#)

REPRESENTATIVE SALMON referred to the east ramp and related that there is a bottleneck where Arctic Aviation is located. There was an incident there after a heavy snow. He opined that the hangar is too close to the ramp way, which is the only area for [Arctic Aviation] to pull planes in and out of the hangar. He suggested reviewing the police report and the airport manager's report of that incident.

MR. VANDERZANDEN said that he could look into it.

The committee took an at-ease from [2:20:46 PM](#) to [2:21:20 PM](#).

[2:21:20 PM](#)

JOHN PARROTT, Deputy Director, Ted Stevens Anchorage International Airport, Department of Transportation & Public Facilities, referring to the first few pages of the presentation titled "Ted Stevens Anchorage International Airport," noted that although the Ted Stevens Anchorage International Airport (TSAIA) had rather humble beginnings, over the last 50 years it has developed into a world class facility. Mr. Parrott informed the committee that the goals of TSAIA are to provide more value to its customers and reduce costs while increasing productivity. He noted that there are also sub goals, which include

safety/security, customer satisfaction, management of the funds, quality service, and environmental stewardship.

MR. PARROTT echoed Mr. VanderZanden's earlier testimony regarding the fact that cargo is a primary function of the airport. In fact, TSAIA is the number one airport in the U.S. for landed cargo weight and the number three airport in the world for cargo throughput. By virtue of TSAIA's location in the state's largest city, TSAIA is a busy passenger airport that serves as a gateway for those traveling into and out of the state. The passenger traffic at TSAIA is rather seasonal with approximately 50 percent of the traffic occurring in the four months of summer. Moreover, TSAIA has the busiest float plane base in the world.

[2:23:16 PM](#)

MR. PARROTT reiterated that TSAIA considers itself a world class international cargo airport. He highlighted that TSAIA, like FIA, is 9.5 hours from 90 percent of the industrialized world. On the page titled "Strategic Location," the list of cities and their distance from Anchorage includes many cities that are market centers, shipping centers, and manufacturing centers. The TSAIA is beneficially located between those. With regard to economics, Mr. Parrott pointed out that there are aircraft that can fly directly from Asia to the Lower 48. For example, the MD-11 can do the aforementioned. In fact, it has a range of 6,000 miles and can carry 65,000 kilograms of cargo. If that same aircraft stops in Anchorage, it flies an extra hundred miles and spends two hours on the ground to be refueled and it can carry an additional 45,000 kilos of cargo, which amounts to an extra \$90,000 at a nominal rate of \$2 per kilo. Doing the aforementioned with up to five airplanes a day amounts to \$450,000 a day, \$2.25 million a week or \$117 million in a year. Those economics and the ability to carry that additional cargo, he opined, is what drives the traffic through Alaska between Asia and the U.S. Therefore, the 15 landings per week serving the China-U.S. market in 2000 have increased to 260 landings per week in 2007. Nearly 35 percent of the total international cargo traffic going through Anchorage serves the China market. He then directed attention to the page titled "China Carriers serving ANC," adding that every carrier that serves the Asia-U.S. market lands at least some of their flights in Anchorage in order to take advantage of the aforementioned payload range equation. He informed the committee that from 1995 to 2005, the cargo aircraft landed weight has doubled. Mr. Parrott then highlighted the pages titled "2005 Cargo Landed Weight" and

"2006 ACI Cargo Traffic Stats" both of which illustrate that TSAIA is a significant cargo airport.

[2:26:09 PM](#)

MR. PARROTT pointed out that according to the most recent Institute of Social and Economic Research (ISER) study, TSAIA directly and indirectly provides one in eight jobs in the Anchorage area. Furthermore, those amount to about \$562 million in direct annual payroll with another \$288 million in annual payroll for community jobs. He then related that TSAIA's total annual economic impact to [Anchorage] is about \$2.36 billion. The bulk of that is the \$1.4 billion in fuel, \$83 million in construction, \$30 million in hotels for air crews, and the already mentioned \$850 million in payroll. In order to continue meeting the needs of the airport passengers, more infrastructure development is required. Mr. Parrott echoed Mr. VanderZanden's testimony that no state general funds are used at the airport. He then moved on to the page titled "Public Infrastructure Investment 2007-2009," which relates the list of such and the cost of each. For instance, the Concourse A & B remodel will continue through the fall of 2009. Another item is the Operations & Facilities Center, which is a building that will connect the north and south terminals. The aforementioned building will house a communications center, an emergency operations center, the facilities section, operations, and police as well as providing a covered, enclosed pedestrian walkway between the two terminals.

MR. PARROTT opined that TSAIA does all of the aforementioned while keeping landing fees and rental rates for terminal space very reasonable. The landing fees were predicted, forecast, and bonds were sold in 1999. As illustrated by the chart on the page titled "ANC Landing Fees Actual vs. Forecast," Anchorage has been very near or slightly to greatly under the forecasted landing fee, with one exception. The aforementioned in conjunction with the strength of the traffic has resulted in TSAIA receiving bond rating upgrades from each of the three rating agencies.

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MR. PARROTT informed the committee that TSAIA has a staff of 380 airport employees and an operating budget of approximately \$55 million. He explained that TSAIA budgets on a monthly basis knowing there will be seasonal variances in relation to expenditures. Last year, TSAIA watched its expenditures and was

able to return approximately \$1.5 million to the airlines. In fiscal year 2008, TSAIA is on track and hopes to stay under budget.

MR. PARROTT returned to the goal of customer service, which includes customer service to tenants as well as customer service from the tenants to the passengers. There is a mystery shopper program during which people purchase items at the various vendors in the airport and the outstanding customer service winners are rewarded. Additionally, TSAIA has been recognized through a couple of publications for its service to its tenants. Mr. Parrott related that TSAIA is most proud that it's a four-time recipient of the Balchen Post Award. The Balchen Post Award is a national award given for outstanding airport snow and ice control. With regard to environmental stewardship, TSAIA recycles cardboard and paper. Furthermore, [glycol recovery operations] have significantly improved the water quality in Lakes Hood and Spenard. The TSAIA also has a residential sound insulation program that helps mitigate the noise of the airport.

MR. PARROTT turned to current issues for TSAIA, which include keeping an eye on the FAA reauthorization bill in Congress. Also, the property of the Kulis Air National Guard Base will come back into the airport inventory. Furthermore, TSAIA is negotiating a new operating agreement with the airlines and is about halfway through the development of a master plan. Looking forward, there are several organizations interested in building a hotel at TSAIA. The TSAIA is also reviewing the development of West Airpark, which is one of the last large areas available at the airport. However, development of that area may require a tunnel under runways. The master plan for TSAIA is considering the potential need for an additional north-south runway. Additionally, the existing air traffic control tower is located on a prime piece of real estate and TSAIA will review the potential relocation of it.

[2:32:55 PM](#)

REPRESENTATIVE FAIRCLOUGH inquired as to TSAIA's operating budget versus its revenue.

MR. PARROTT explained that airport system utilizes a residual arrangement, which means that the airlines have agreed to pay the bills at the end of the year. Therefore, TSAIA's revenues and expenses can't be very far off. Whatever it costs to operate the airport, the airlines have agreed to fund. As Mr. VanderZanden mentioned, the revenue from landing fees, terminal

rent, and airport parking is used to pay for plowing the snow, utilities, and employees. In further response to Representative Fairclough, Mr. Parrott confirmed that his earlier comment regarding the airlines returning funds to the airlines is related to the aforementioned agreement. The agreement specifies that the airlines agree to pay the bills at the same time the airport can't make a profit. Therefore, if excess revenue is collected through landing fees, that revenue may not actually be returned to the airlines but rather is credited to them in relation to their bills in the next period.

[2:34:27 PM](#)

REPRESENTATIVE FAIRCLOUGH surmised then that the contract limits TSAIA's profitability.

MR. PARROTT replied yes. In further response to Representative Fairclough, Mr. Parrott said he wasn't sure whether that limitation was per state statute or FAA grant assurances.

REPRESENTATIVE FAIRCLOUGH inquired as to why TSAIA has some of the lowest landing fees and terminal rental rates.

MR. PARROTT pointed out that one of the limitations on the profitability of the airport system is that the FAA assurances require those funds be spent on the airports. The revenue can't divert that revenue to other areas on which the state might want to spend.

[2:35:50 PM](#)

REPRESENTATIVE FAIRCLOUGH asked if other airports in the U.S. operate at a profit.

MR. PARROTT related that there may be private airports that can operate at a profit. However, to the best of his knowledge, he related that any airport that receives federal funds isn't allowed to divert profit outside of the airport. In fact, Los Angeles had to pay back several million dollars that the FAA determined it had diverted from the airport.

[2:37:04 PM](#)

CHRISTINE KLEIN, Deputy Commissioner of Aviation, Office of the Commissioner, Department of Transportation & Public Facilities, explained that federal regulations prohibit airports, as federal

public facilities, from garnering a profit from the airlines. However, airports have different agreements. Some airports have residual agreements while others have compensatory agreements. Because the infrastructure of the airport has been provided through the FAA, the airports aren't allowed to take money back that can be used for the local community. Most airports in the nation, she noted, are community airports rather than state airports. The aforementioned prevents revenue from being diverted to other community needs. She offered to provide the committee with this federal regulation.

2:38:20 PM

REPRESENTATIVE FAIRCLOUGH asked if the state contributes anything to the airport besides the enterprise agency itself.

MS. KLEIN said that the Alaska DOT&PF does provide services through aviation design, planning, and engineering. Therefore, there are services that the international airports utilize to carry out engineering, design, and construction. There are also accounting and human resource functions that are provided [by the state] and typically paid for through an "ICAP" on all projects.

2:39:26 PM

REPRESENTATIVE FAIRCLOUGH opined that it's outstanding that [the state's airports] offer low terminal rates and landing fees. However, the state's ferry system is collapsing. If air service can be offered to communities at a lower rate than the state can subsidize ferries, perhaps the state should build gravel runways rather than invest in ferries, she suggested. Representative Fairclough said that if all the funds aren't being recaptured, then there are costs that the air carriers aren't bearing that are part of the expenses.

MS. KLEIN said that she would analyze that for the committee.

2:40:55 PM

REPRESENTATIVE DOOGAN questioned whether TSAIA would issue bonds if its budget is net zero every year and it wants to build a new runway.

MR. PARROTT clarified that at this point the master plan is studying the need and feasibility of a new runway. Should a new runway be needed, there would first be an attempt to secure

federal funds. The remainder of funds would involve a variety of funding strategies that may include bonding a portion of it and paying it back through the landing fee the air carriers are charged. In further response to Representative Doogan, Mr. Parrott said that the funding strategies wouldn't include seeking funds from the state.

[2:42:03 PM](#)

REPRESENTATIVE DOOGAN, referring to how TSAIA has a budget of zero at the end of the year, asked if TSAIA estimates its budget and structures the rates to hit zero.

MR. PARROTT replied yes, adding that the rates can be adjusted throughout the year.

[2:42:41 PM](#)

REPRESENTATIVE DOOGAN, recalling the substantial growth in the cargo landings at TSAIA, asked if there has been a reduction in the amount of money paid by the passenger airlines.

MR. PARROTT said that there is a complicated formula in which the terminal and airfield costs are factored together. Currently, the landing fee pays for the airfield and some of the terminal and the terminal rent pays the remainder of the passenger portion.

[2:43:32 PM](#)

REPRESENTATIVE DOOGAN surmised then that different planes are paying different landing fees.

MR. PARROTT noted his agreement, specifying that the landing fee is assessed per thousand pounds of certified max gross takeoff weight. In further response to Representative Doogan, Mr. Parrott confirmed that the increase in cargo landings has kept the overall landing fee lower for all.

[2:44:31 PM](#)

REPRESENTATIVE FAIRCLOUGH inquired as to how that works when an individual city contributes to lower individual carriers' rates. She related her understanding that the City & Borough of Juneau contributes to Alaska Airlines in an effort to offer constituent fares.

MR. PARROTT said that there are certain mechanisms that can be used to encourage additional service to an airport, such as waiving landing fees for the first three flights of the week. In the International Airport System, there aren't any such mechanisms, other than the grant mentioned by Mr. VanderZanden. However, he noted that they would entertain such to increase service. Existing service is generally not eligible for any such incentives.

[2:45:52 PM](#)

REPRESENTATIVE FAIRCLOUGH asked if it would be fair to say that [the International Airport System] is working somewhat on an LLC model in which there is a percentage of ownership or shared expense ratio.

MR. PARROTT explained that in exchange for underwriting the airport, the airlines are given a vote and opportunity to provide input on capital projects, which are one of the large cost drivers. Therefore, the airport can't simply build whatever it wants.

[2:46:37 PM](#)

REPRESENTATIVE FAIRCLOUGH inquired then as to how business is attracted without having anti-trust violations under that scenario.

MR. PARROTT clarified that the airlines don't vote for a particular airline to enter the airport, but rather vote for a particular project that would benefit the operations of existing airlines. One of the ways other carriers are attracted is the low landing fees and keeping the airport open.

[2:47:30 PM](#)

REPRESENTATIVE FAIRCLOUGH related her understanding that TSAIA, under a limited liability company (LLC) model, has greater revenue than FIA. She recalled that TSAIA allocates about \$8 million to FIA, as a secondary landing site. She inquired as to how the landing fees are grouped together.

MR. PARROTT clarified that for accounting purposes TSAIA and FIA aren't two separate airports but rather are the Alaska International Airport System. Therefore, TSAIA doesn't allocate money to FIA. He explained that the revenue is deposited into the system and withdrawn as needed. He informed the committee

that it's very unusual for two airports to be linked together because there are no other airports within about three hours flying time that can handle large aircraft on a regular basis. In the Lower 48, there are numerous airports that serve as divert bases, and therefore two airports don't have to be tied together in a symbiotic relationship. This is a relatively rare case of joining two airports and dealing with them as a single entity. The landing fees are the same at both airports, he highlighted.

[2:49:56 PM](#)

REPRESENTATIVE FAIRCLOUGH inquired as to why a military facility isn't used as a backup airport.

MR. PARROTT related his understanding that most of the time the military wouldn't allow civilian aircraft to land on military facilities for security reasons.

[2:50:24 PM](#)

REPRESENTATIVE DOOGAN asked if there's a way to tie all airports together.

MR. PARROTT answered that he didn't believe [the department] has been able to find a way to do that.

[2:50:49 PM](#)

REPRESENTATIVE FAIRCLOUGH asked if the reason TSAIA and FIA are allowed to be tied together is because they're international airports.

MS. KLEIN explained that at one time the two airports were one and the management and staff support were shared. As the airports grew, separation occurred although some shared staff remains. The two airports share resources and the same fees because they're under the same operating agreement. Furthermore, both airports have the same airline mix. Also, the two offer proximity in an emergency.

[2:51:55 PM](#)

CHAIR JOHANSEN inquired as to whether it's common for airports to go into the hotel business. He inquired as to how that would be accomplished.

MR. PARROTT said that it isn't common. He then clarified that TSAIA wouldn't be in the hotel business, a hotel would merely be located at the airport much like the restaurants that are located at the airport. Therefore, the hotel would be a tenant and pay rent and a percentage of the revenue. In response to Representative Fairclough, Mr. Parrott confirmed that a long-term lease, not selling [the property], is what's anticipated. In further response, Mr. Parrott explained that the standard leases the airport utilizes are such that the property always belongs to the airport and the improvements are either left, per the airport's approval, or the lessee is required to take them.

[2:53:07 PM](#)

MR. PARROTT, in response to Representative Keller, clarified that there is a large swath of land located west of the existing north-south runway that is airport property still available for development. In further response to Representative Keller, Mr. Parrott specified that on a previous master plan the tunnel was anticipated to be north of the north terminal and north of taxiway "Victor" and from there it would proceed west. The hotel is anticipated to be very near or connected to the passenger terminal.

[2:54:14 PM](#)

REPRESENTATIVE FAIRCLOUGH commented that in Anchorage there is conflict between airport growth and usage. She asked if there are airspace problems or is there airspace time that would allow expansion. She then suggested that the land use around the airport is causing conflicts. Therefore, she questioned whether it would be in the state's best interest to acquire adjacent property to the air traffic pattern as it becomes available.

MR. PARROTT said that the master plan team is analyzing the ability of the airspace to handle more air traffic. Moreover, a FAA team from the Lower 48 is reviewing reallocating and reapportioning the airspace over all of Alaska, but specifically in the Anchorage Bowl area to try to make it as efficient as possible. With regard to the land use around the airport, there are some areas the airport is looking to acquire when they become available. One such parcel, which would meet some FAA safety area requirements, is located north of the Lake Hood strip. The TSAIA is also working with the Municipality of Anchorage as it goes through its zoning and planning process to ensure that the airport and surrounding areas are zoned appropriately.

2:57:07 PM

REPRESENTATIVE FAIRCLOUGH noted her appreciation for TSAIA's efforts, but pointed out that people are moving in adjacent to the airport and then complaining to the city after-the-fact. If steps aren't taken to mitigate the problem now, it will be a long-term problem. She then recalled that in the past there has been conversation regarding separating freight from passenger mobility. The location of that has been rumored to be in the Mat-Su area.

MS. KLEIN confirmed that a number of things will be considered in the Alaska Airport System Improvement Plan, including the potential separation of freight and passengers. She noted that the plan hasn't been updated since about 1996. The plan is part of the National Transportation System and thus has to integrate with it. At this time, the Alaska Airport System Improvement Plan is being started and it will cover the entire state. The plan will review forecasts for traffic, the changes over the past 10-15 years, the demand for the next 30 years, and the improvement necessary in Alaska to make the system whole. Ms. Klein encouraged everyone to participate in those public meetings and surveys over the next year-and-a-half.

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REPRESENTATIVE KELLER commented that there is room on Point McKenzie.

3:00:21 PM

CHAIR JOHANSEN inquired as to how Ms. Klein came to be in her current position.

MS. KLEIN informed the committee that she is a life-long Alaskan who has worked in the international airport system for about 13 years. She related that she departed that system in 2005, at which point she returned to the private sector where she ran an engineering company the last couple of years. Ms. Klein said that she was honored when the governor and the commissioner of DOT&PF asked her to take this position, which she characterized as challenging. She then informed the committee that she grew up in rural Alaska in a small community outside of Ketchikan and thus is very familiar with the marine highway system as well as aviation as those were the only modes of transportation to get to her homestead. Ms. Klein noted that she is an accredited

airport executive and has a background in engineering from the University of Alaska Fairbanks.

[3:01:51 PM](#)

MS. KLEIN, in further response to Chair Johansen, identified the biggest challenge to be funding for rural airports, which are critical to Alaska's future economy. The greatest challenge will be to determine how to fund and operate the 256 rural airports. She highlighted that these airports are the only link to medical facilities for most of the citizens.

[3:02:40 PM](#)

REPRESENTATIVE FAIRCLOUGH asked if Ms. Klein served as the chair of the transition team for DOT&PF.

MS. KLEIN replied yes, adding that the governor asked her to chair the transition team. She noted that she selected the 18 members of the team from throughout Alaska and the team completed its report in about three weeks.

[3:03:08 PM](#)

REPRESENTATIVE FAIRCLOUGH recalled that one of the issues the transition team tackled was lack of morale and personnel problems in DOT&PF.

MS. KLEIN said that she has heard that morale continues to be a problem, and therefore she will work with the commissioner to improve morale, visit the employees "in the trenches," and actively listen to their concerns.

[3:03:40 PM](#)

REPRESENTATIVE FAIRCLOUGH related her understanding from the commissioner that the low morale had changed. She inquired as to how long Ms. Klein has been on the job.

MS. KLEIN answered about three days.

REPRESENTATIVE FAIRCLOUGH expressed the need to understand transportation as it affects communities, especially in the rural areas. Representative Fairclough relayed what she told the chair after a previous challenging meeting, as follows: "I don't want people in the trenches to think, just because we're trying to figure out where the administration and the leadership

is taking us, that we don't truly ... understand that there are many fine people, including leadership, that are in the department that are doing excellent work for Alaskans." She requested a report on morale and how employees will be valued.

MS. KLEIN related her understanding that there is an employee survey underway, which hasn't been completed. Once that survey is complete, the findings could be shared with the committee. The commissioner is also visiting with employees [in an attempt to address morale]. Therefore, Ms. Klein opined that there have been some improvements.

[3:06:23 PM](#)

CHAIR JOHANSEN pointed out that the Ketchikan Gateway Borough runs the local airport. He then inquired as to the implications for the aviation division if that airport, including access to the airport, is given back to the state.

MS. KLEIN responded that she would have to research that. However, she noted that at this point, the department encourages communities to keep their airports since they have greater interest in maintaining and caring for them. Ms. Klein said that she couldn't imagine that the department would want to take the airport back due to the department's operating and maintenance concerns as well as budget shortfalls. Additionally, the Ketchikan airport is linked to Ketchikan's ferry and the borough owns some of the infrastructure.

[3:07:45 PM](#)

CHAIR JOHANSEN then asked whether the state would need to take over access to the airport if the borough decided it wasn't its responsibility.

MS. KLEIN answered that she would have to review the grant assurances.

[3:08:16 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:08 p.m.