

ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE TRANSPORTATION STANDING COMMITTEE
HOUSE TRANSPORTATION STANDING COMMITTEE
February 20, 2018
12:07 p.m.

MEMBERS PRESENT

SENATE TRANSPORTATION

Senator Bert Stedman, Chair
Senator Anna MacKinnon
Senator Click Bishop
Senator David Wilson
Senator Dennis Egan

HOUSE TRANSPORTATION

Representative Louise Stutes, Co-Chair
Representative Adam Wool, Co-Chair
Representative Matt Claman
Representative Harriet Drummond
Representative Chuck Kopp
Representative Mark Neuman
Representative Colleen Sullivan-Leonard
Representative David Eastman

COMMITTEE CALENDAR

OVERVIEW: Ted Stevens Anchorage International Airport

- HEARD

WITNESS REGISTER

JIM SZCZESNIAK, Airport Manager
Ted Stevens Anchorage International Airport
Alaska Department of Transportation and Public Facilities
Anchorage, Alaska

POSITION STATEMENT: Provided an overview of the Ted Stevens Anchorage International Airport.

ACTION NARRATIVE

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CHAIR BERT STEDMAN called the joint meeting of the Senate and House Transportation Standing Committees to order at 12:07 p.m. Present at the call to order were Senators Egan, Wilson, MacKinnon, and Chair Stedman. Present at the call to order were Representatives Sullivan-Leonard, Claman, Kopp, Neuman, Eastman, Co-Chair Stutes, and Co-Chair Wool.

OVERVIEW: TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT

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CHAIR STEDMAN announced that the new manager for the Ted Stevens Anchorage International Airport, Jim Szczesniak, will address the joint committee regarding an airport operations overview.

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JIM SZCZESNIAK, Airport Manager, Ted Stevens Anchorage International Airport (ANC), Alaska Department of Transportation and Public Facilities (DOTPF), Anchorage, Alaska, commenced his presentation and addressed slide 2: Ted Stevens Anchorage International Airport, and referenced as follows:

- Fast Facts & Figures:
 - 2.5 million tons of cargo annually:
 - Ranked second in North America.
 - FedEx Memphis hub ranked first.
 - Ranked sixth in the world.
 - 5 million enplaned passengers per year.
 - 1 in 10 jobs in Anchorage are airport related:
 - Over 9,000 direct jobs.
 - Over 6,000 indirect jobs.
 - Employment earnings \$1 billion.
- Self-sustaining Enterprise:
 - No general funds used.
 - Revenue generated at the airport must be used at the airport:
 - Over \$2 million in property taxes to the Municipality of Anchorage.

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He addressed slide 3: Interstate Destinations, and referenced as follows:

- 18 non-stop interstate destinations.
- 5-million passengers.
- Top passenger markets:
 - Seattle,
 - Los Angeles,
 - Portland,
 - Phoenix,
 - Minneapolis.
- International non-stop:
 - Air Canada:
 - Vancouver, Canada.
 - Icelandair:
 - Reykjavik, Iceland.
 - Condor:
 - Frankfort, Germany.
 - Yakutia Airlines:
 - Petropavlovsk, Russia.

MR. SZCZESNAIK addressed slide 4: Meeting the Need, and referenced as follows:

- 1-stop service to all top-50 large U.S. cities:
 - Alaska Airlines,
 - United Airlines,
 - Delta Airlines.

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At ease.

[12:13:59 PM](#)

CHAIR STEDMAN called the joint committee back to order.

MR. SZCZESNAIK continued with slide 4 and noted that ANC has direct service to:

- Seattle,
- Atlanta,
- Los Angeles,
- Chicago,
- Dallas,
- Denver,
- San Francisco.

He addressed slide 5: Intrastate Flights, and referenced as follows:

- Alaska Airlines,
- Ravn Air,
- Pen Air.

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MR. SZCZESNAIK addressed slide 6: Concession, and referenced as follows:

- Third in the U.S. in revenue per passenger:
 - \$13.93.
- Alaskan businesses:
 - \$13.1 million in gross sales.
- Concessions are 10 percent of total revenue.

REPRESENTATIVE NEUMAN explained that Legislative Budget and Audit Committee did an ANC review in 2014 or 2015 to see if the airport's retail space was used adequately and appropriately. He noted that suggestions were made to make the facility more profitable. He asked Mr. Szczesnaik if the suggestions from the audit were addressed.

MR. SZCZESNAIK replied that he is not aware if the suggestions were addressed. He explained that his background entails terminal planning and the airport's intent is to add more concession spaces.

REPRESENTATIVE NEUMAN asked Mr. Szczesnaik to address the Bill Sheffield Alaska Railroad Depot at ANC regarding concession fees. He inquired if ANC receives the concession fees and if the fees are equitable with other leased spaces.

MR. SZCZESNAIK replied that he is not familiar with the specifics on the railroad depot lease and will get back to the committees.

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He addressed slide 7: Diversified Air Cargo Base, and referenced as follows:

- FY2017 Carrier Market Share by Certified Maximum Gross Takeoff Weight (CMGTW) percentage:
 - Cathay Pacific Airway: 15.5,
 - United Parcel Service: 13.8,
 - China Airlines: 9.0,
 - Korean Air Lines: 8.8,

- o Federal Express: 8.0,
- o Polar Air Cargo Worldwide: 8.0,
- o Eva Airway: 6.1,
- o Nippon Cargo Airlines: 5.0,
- o Asian Airlines: 3.9,
- o Atlas Air: 3.1,
- o Cargolux Airlines International: 3.1,
- o China Cargo Airlines: 2.7,
- o China Southern Airlines: 2.7,
- o Air China Cargo: 1.4,
- o Yangtze River Express Airlines: 1.3,
- o Singapore Airlines Cargo: 1.3,
- o Kalitta Air: 1.2,
- o Northern Air Cargo: 1.1,
- o Tatonduk Outfitters: 1.0,
- o Others: 4.5.
- International cargo hub:
 - o Federal Express,
 - o United Parcel Service,
 - o Korean Air Lines,
 - o Nippon Cargo Airlines,
 - o China Airlines,
 - o Polar Air Cargo Worldwide,
 - o Atlas Air.
- Five consecutive years winning air cargo airport excellence award for North America.

MR. SZCZESNAIK disclosed that ANC's air cargo landings were up 4.6 percent in FY2017.

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SENATOR MACKINNON asked if ANC is evaluating the potential revenue impact from fleet upgrades by air cargo carriers that result in increases in ANC overflies.

MR. SZCZESNAIK replied that airlines can overfly ANC if desired; however, the cargo carriers are deciding to land at ANC due to the airport's lower fees and efficient infrastructure. He noted that there was a thought that the new Boeing 747-800 or Boeing 777-Freighter would result in making overflying ANC easy to do, but the cargo carriers continue to land at ANC.

REPRESENTATIVE DRUMMOND joined the joint committee meeting.

MR. SZCZESNAIK addressed slide 8: International Air Cargo Markets and explained ANC's "global reach" where the airport is the "gateway" to North America and Asia. He disclosed that ANC

cargo flights include the major airports in China, South Korea, and Japan. He disclosed that ANC is within a 9.5-hour flight time to 95 percent of the industrialized world. He detailed that the Ted Stevens Act allowed ANC the ability to do cargo transfers to reconfigure destination shipments to the Lower 48, an ANC advantage that most other airports do not have.

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SENATOR BISHOP joined the joint committee meeting.

MR. SZCZESNAIK addressed slide 9: Lake Hood, adjacent to ANC, and referenced as follows:

- World's busiest seaplane base;
- \$42 million economic impact:
 - \$25 million direct,
 - \$17 million indirect;
- Labor income: \$14 million;
- Direct and indirect jobs: 230;
- Non-Alaskan tourist-purchased flightseeing tours: 23000.

CO-CHAIR STUTES asked to verify that Lake Hood is part of ANC.

MR. SZCZESNAIK answered yes. He explained that ANC manages Lake Hood.

He addressed slides 10 and 11: Future Vision-Future Development, and referenced as follows:

- Near Term:
 - New hangar:
 - Alaska Airlines,
 - \$40 million,
 - Room to hold 2 Boeing 737 aircraft.
 - \$100 million in new construction.
 - Primarily for runway resurfacing project with taxiway and gate-area construction projects
 - On-airport hotel:
 - Request for Proposal (RFP): Spring 2018.
 - 150+ rooms.
 - On-airport convenience for rural Alaskans that arrive at ANC when flight do not connect and to support air cargo crew members.
 - Increases concessions traffic.
 - New concessions:
 - Alaska focused.

- o Pharmaceutical certification:
 - Increase pharmaceutical flow through ANC.
- Planning for the future:
 - o Maintenance-Repair-Overhaul (MRO) facility:
 - Working with UAA training and retired military personnel.
- New cargo development:
 - o Parking positions,
 - o Warehouses.
- Supportive Development.

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REPRESENTATIVE NEUMAN asked who owns the on-airport hotel and the new hangar.

MR. SZCZESNAIK explained that Alaska Airlines will build their hangar. He said the hotel will be developed by a third-party developer who will lease the land. He detailed that the developer will choose a franchisee associated with Hilton, Marriott, Sheraton, etc. He disclosed that ANC will act as a landlord and will not own the hotel.

REPRESENTATIVE DRUMMOND asked if Alaska Airlines has started construction on their hangar.

MR. SZCZESNAIK answered yes.

REPRESENTATIVE DRUMMOND asked to confirm that the hanger is located on the airport's south side.

MR. SZCZESNAIK answered yes. He disclosed that the hangar should be completed by the third quarter of 2018.

REPRESENTATIVE DRUMMOND asked if the new hotel will be paying Anchorage's bed tax.

MR. SZCZESNAIK answered yes. He specified that the new hotel will pay Anchorage for both Anchorage bed and property taxes.

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CO-CHAIR WOOL asked if the new hangar will increase Alaska Airline's maintenance abilities at ANC.

MR. SZCZESNAIK answered yes.

REPRESENTATIVE CLAMAN asked to verify that the Alaska Airlines hangar is on the southside of ANC and not located at the South Airport Park.

MR. SZCZESNAIK answered yes. He specified that the hangar will be located on International Boulevard.

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REPRESENTATIVE KOPP asked what the employment estimates are for the construction projects. He estimated that the projects will employ 500 to 700 fulltime jobs in Anchorage.

MR. SZCZESNAIK concurred with Representative Kopp.

REPRESENTATIVE KOPP asked Mr. Szczesnaik to address long-term jobs associated with ANC's new projects. He inquired if ANC has addressed services to support cargo-backhaul opportunities with Asian carriers.

MR. SZCZESNAIK specified that cargo flights to the U.S. are full and cargo flights back to Asia are "mostly" full. He explained that ANC is working with Alaska's seafood association people to try and fill the Asian bound flights with Alaska seafood. He noted that ANC is looking at supportive development that includes warehouses to bolster more goods for cargo carriers.

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SENATOR BISHOP asked that Mr. Szczesnaik address in future presentations the University of Alaska-Fairbanks' aviation maintenance program at ANC.

MR. SZCZESNAIK answered yes.

He addressed slide 12: Air Cargo Forecast, and referenced as follows:

- E-commerce:
 - China growth:
 - Larger than U.S. market.
 - Increasing 20 percent per year.
 - U.S. growth:
 - 17 percent of all retail sales by 2022.
 - 13 percent growth in 2017.
- World air cargo traffic will more than double over the next 20 years.
- Freighter fleet will increase by more than half.

- o Standard-body freighters will gain share.

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REPRESENTATIVE SULLIVAN-LEONARD asked if ANC is considering the Mat-Su Valley for support in ANC's expansion.

MR. SZCZESNAIK replied that many ANC employees live in the Mat-Su Valley.

He addressed slide 13: Air Service Development, and referenced as follows:

- Top Ten U.S. tourist destinations for Chinese tourists:
 - o 5 eco-tourism,
 - o 5 cities.
- Top Five Eco-tourism:
 - o Grand Canyon,
 - o Yellowstone,
 - o Yosemite,
 - o Niagara Falls,
 - o Hawaii.
- Alaska:
 - o 8 National Parks:
 - Second in the U.S.
 - o 3 National Parks are UNESCO sites:
 - Glacier Bay National Park has over 1000 glaciers.
- Top Five Cities:
 - o New York,
 - o Washington D.C.,
 - o Las Vegas,
 - o San Francisco,
 - o Orlando.
- Icelandair results:
 - o Passenger traffic has tripled through their airport.

He summarized that ANC will work on more non-stop destinations to the Lower 48, primarily to top-tourism cities. He explained that ANC is focusing Chinese tourists for Alaska and Lower 48 destinations. He noted that Governor Walker recently hosted a trade delegation from China to promote Alaska as a tourism destination. He pointed out that Boeing is producing smaller aircraft with long-haul capabilities that will result in more aircraft being able to fly to Alaska.

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MR. SZCZESNAIK addressed the "Icelandair model" in slide 13 and explained that ANC will focus on the Asian market to extend visits in Alaska. He explained that Icelandair is acting as a bridge between North America and Europe where travelers can extend their stop in Reykjavik to tour Iceland.

REPRESENTATIVE KOPP suggested that another marketing strategy is to emphasize the ease for foreign visitors to use ANC as a U.S. port-of-entry rather than higher-volume airports in the Lower 48.

MR. SZCZESNAIK concurred with Representative Kopp. He noted that emphasizing ANC as a port-of-entry is part of the strategy to call attention to congested international gateways in the Lower 48.

SENATOR WILSON asked what the future is for the ANC North Terminal.

MR. SZCZESNAIK replied that the terminal is used for charter and medical aircraft operations. He said the intent is to use the added capacity from the terminal for higher volume periods during the summer and to support growth from the Asian market.

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CO-CHAIR WOOL referenced past travel experiences to Asia where he encountered a layover in Anchorage. He pointed out that many flights to Asia no longer use Anchorage and inquired if the decision is made by the airport or airlines.

MR. SZCZESNAIK answered that the decision is made by the airlines. He noted that the primary reasons airlines bypass Alaska are due to more efficient aircraft and direct routing when Russia opened their airspace.

He explained that "The Goal" addressed on slide 14 is to work with the travel and tourism industry to increase flights through ANC. He referenced a map that showed inbound flights from Asia to Hawaii and explained that the intent is to replicate Hawaii's air traffic from Asia.

REPRESENTATIVE NEUMAN referenced a question he posed earlier in the presentation to Mr. Szczesnaik about the railroad facility at ANC and noted that little information was provided to the committee regarding what the lease is worth or what the Bill Sheffield Alaska Depot is doing. He explained that every year he asks DOT&PF and ANC personnel on what is going to be done with

the railroad depot at ANC and no answers are provided. He repeated that he was disappointed with Mr. Szczesnaik's response and his hope is that the committee will look further into the railroad facility at ANC.

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CHAIR STEDMAN asked Mr. Szczesnaik respond at a later date to Representative Neuman's query.

MR. SZCZESNAIK added that part of the RFP for the airport hotel is that part of the railroad depot will be used as the lobby for the hotel. He added that the railroad depot is "highly prized" by the cruise ship passengers during the summer time.

REPRESENTATIVE CLAMAN asked Mr. Szczesnaik to address a "communications plan" that disappeared "a couple of years ago" and what the status is in getting the "communications component" back into the ANC masterplan.

MR. SZCZESNAIK disclosed the following:

That was actually released on Friday for public comment and then we distributed it essentially to the community council people in and around the airport so that is currently open right now for public comments.

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There being no further business to come before the joint meeting of the Senate and House Transportation committees, Chair Stedman adjourned the meeting at 12:46 p.m.