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Municipality of Anchorage

MEMORANDUM

DATE: May 21, 1981
TO: Senate Transportation Committee
FROM: Mayor, Municipality of Anchorage
SUBJECT: Testimony, SB 500 International Airports

We support Senate Bill 500. It will increase local participation in the management and operation of our international airports. Transferring policy and financial control of the airports to a policy advisory board with a majority of the members from the Anchorage and Fairbanks local communities is a major step in the right direction.

As we understand the bill would establish a technical committee for AIA and FIA. Each of the committees would consist of 5 members:

- 1 - Chamber of Commerce Appointment
- 2 - Mayor Appointment
- 1 - Airport Manager
- 1 - Airport Operators Council

The role of the technical committee is to make recommendation to the policy board on the following:

- (1) Operating hours of the airports;
- (2) Operating procedures of the airports;
- (3) Fees and charges at the airports;
- (4) Operating budget items; and
- (5) Capital improvements.

A policy board of three members will be established to set airport operational and fiscal policy. The board will be composed of the following:

- (1) Chairman of AIA technical committee
- (2) Chairman of FIA technical committee
- (3) DOTPF commissioner or designee

The policy board would have the same broad powers as are currently exercised by DOTPF, i.e.,:

A. Fiscal Policy

- 1) Budgets
- 2) Fee structure
- 3) Cash pool investments
- 4) Appointment of airport managers

B. Operating Policy

C. Planning

Both the technical committees and the policy board are to be staffed by state employees.

The bill also requires an annual audit of the international airport revenue fund by an independent certified public accountant.

Comments on SB 500

- The fact that policy and technical committee members are not paid may diminish their effectiveness by limiting the amount of time available for airport business.
- We agree with Senator Rehreutsky's deletion of Section 6(b) dealing with airport leases. This section states that lease rates will be set at market value. There are justifiable economic reasons for leasing property at less than fair market value.
- One key to the success of the policy/technical committee approach is how committee staffing is handled. If the committees are given the authority to hire a professional staff, the concept will be more effective than if the State provides staff support from existing international airport staff.
- Under the current state organization, the airports are fiscally tied together with the state administration deciding the direction of each airport. Both communities have concerns with regard to state policy. More local involvement will improve policy decisions; however, as long as the two airport facilities are tied together the economics of each community will not play a major role in the decision-making process.
- Should the airport managers of each facility be elected chairman of the technical committee, the policy board will be composed of the DOTPF commissioner and the two airport managers. We would recommend that the airport managers be restricted from holding the chairman position on the technical committee.
- The mayors should not be restricted from appointing the best available technical representatives to their respective committees. The restriction of appointed officials is unnecessary. It will be most important that the technical committee understand the governmental process of both the state and local government. This understanding is best developed through years of government employment. Furthermore, airport policy and local government policy should be coordinated in some fashion. For example, the ports and airports have a direct relationship.

Conclusion:

Though SB 500 does not transfer control of the international airports to local government it does go a long way toward giving the local community greater participation in the management and operation decisions. The bill is a step in the right direction.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

TO: Senator Bill Ray
Chairman, Senate Transportation Committee

FROM: Bettye Fahrenkamp
Alaska State *Bettye Fahrenkamp*

DATE: May 13, 1981

RE: Amendments to SB 500 "An Act relating to
international airports."

Through this memorandum I would ask that you amend SB 500 in the following manner.

1. Section 1; Sec. 02.17.070. Add a new subsection (5):
The chairman of the technical committee shall be elected from the members, except that an airport manager shall not serve as chairman of a technical committee.

2. Section 6; Sec. 37.15.500(~~B~~). Delete all of (~~B~~).

I feel these amendments will strengthen the bill. I would appreciate it if you will schedule the bill before the committee for further hearing. I anticipate testimony from some folks in Anchorage and Fairbanks and would like several days advance notice, if possible.

SECTIONAL ANALYSIS

SB 500 "An Act relating to international airports."

Sec. 1. Establishes International Airport Policy Board. Membership consists of chairman of Technical Committee of Anchorage and Fairbanks airports and commissioner of Transportation.

Powers include (a) some planning and policy duties of DOT under Alaska Aeronautics Acts of 1937 and 1949;

(b) preparation of the operating budget and long-range capital improvement program for each airport;

(c) responsibility for investment and use of International Airport Revenue Fund and International Airport Construction Fund.

(d) shall appoint the airport manager.

Staff will be provided by DOT/PF. The airport manager will be selected based on an established list of qualifications.

Creates a technical committee for each international airport consisting of the airport manager, a member of the Airport Operator's Council, a member of the Chamber of Commerce and two members of the public. The technical committee members serve four years with no salary. It shall meet at least four times a year. Its duties include assisting the board and making recommendations regarding the operating hours and procedures of the airports, fees, budget and capital improvements.

Sec. 2. Requires Legislative Audit to appoint an independent CPA to perform annual audit of the International Airport Revenue Fund.

Sec. 3. Amends the State Bonding Act (AS 37.15), section on International Airport Construction Fund to state that International Airport Policy Board is responsible for investment and use of money in construction fund.

Sec. 4. Amends State Bonding Act, section on International Airport Revenue Fund to state that International Airport Policy Board is responsible for investment and use of money in revenue fund.

- Sec. 5. Amends State Bonding Act to require an independent audit of the International Airport Revenue Fund and specifies information in the audit.
- Sec. 6. Amends State Bonding Act so that International Airport Policy Board, instead of the Commissioner of the Department of Transportation, is responsible for fixing and collecting fees, charges or rentals. Adds a new section which requires all leases to be at market value. Adds a new section which states that replacement, expansion and improvement of facilities be considered when fees are fixed.
- Sec. 7. Amends Sec. 37.15.510, state improvements to airports so that International Airport Policy Board, instead of the Commissioner of the Department of Transportation may authorize acquisition, construction, improvements, etc., at the airports.
- Sec. 8. Amends State Bond Act (AS 37.15) by adding a new section that allows for construction of facilities and purchase of equipment to be made by appropriation as well as financed through revenue bonds.
- Sec. 9. Exempts current airport managers from employment provisions of this act.
- Sec. 10. Specifies terms of initial technical committee members.
- Sec. 11. Repeals: AS 37.15.420(6) authorization for bond committee to provide for investment of money into the construction fund and statement that interest earned becomes a part of the construction fund; and AS 37.15.430(6) authorization for bond committee to provide for investment of money into the revenue fund and statement that interest earned becomes a part of the revenue fund.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SENATE BILL NO. 500
 Title Relating to International airports
 Requested by Senate Transportation Committee Date 4/22/81

II. FISCAL DETAIL
 Agency Affected DOTPF / Dept. of Revenue
 Program Category Affected Transportation/ International Airports
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This bill establishes the International Airports Policy Board. The board is supported by the additional creation of a Technical Committee appointed for each airport. The Board powers and duties related to the international airports include budget preparation, capital improvements planning and selection, investment and use of money in the Construction and Revenue Funds; appoints each airport's manager. Also operating hours, operating procedures, fees and charges. DOTPF to provide all staff and assistance necessary for the use of the Policy Board and the Technical Committee's.

Because the Board and Technical Committee's effectively take over operating the airports, and DOTPF has to provide them with all necessary staff, DOTPF will provide a separate fiscal note as to costs involved related to operations. Board policy related to investments will determine if additional costs, and impacts of their decisions will effect earnings; fiscal impact is real but indeterminate.

IV. DATE April 27, 1981 PREPARED BY Anselm G. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 PHONE 465-2351
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) _____

Anselm G. Staack

BETTYE FAHRENKAMP
Co-Chairman



BILL C. RAY
Co-Chairman

Special Committee on International Airports

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Fairbanks, Alaska 99701
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ISSUE PAPERS

RELATING TO

LOCAL CONTROL OF THE ANCHORAGE AND FAIRBANKS
INTERNATIONAL AIRPORTS

PREPARED BY:

ROBIN HALVORSEN
ADMINISTRATIVE ASSISTANT
SPECIAL COMMITTEE ON
INTERNATIONAL AIRPORTS

INTRODUCTION

The potential of gaining local control of the Anchorage and Fairbanks International Airports is not a new idea. Dealing with an absentee landlord (State of Alaska) has posed many problems, foremost of which is that decisions are made directly affecting the community with little or no interface with that community.

Development of the economic potential of both Anchorage and Fairbanks depends on aggressive management of the facilities, the scheduling and the general operations at both airports. However, state policy regarding management of the two airports is based primarily on their status as part of the state-wide transportation network.

The communities perceive that the airports, as service entities, should provide that service in a manner conducive to attracting visitors to the area, as well as providing the conveniences necessary for the business traveler. Both Anchorage and Fairbanks feel the state is not listening to this concern.

The Eleventh Alaska State Legislature passed "An Act making a special appropriation to the Legislative Council for a study of options for local acquisition and ownership or management of the Fairbanks International Airport and the Anchorage International Airport" as an outgrowth of the above-stated current situation: lack of state responsiveness to local concerns and the perceived need for a more aggressive management system for both international airports.

The following issue papers have been prepared to illustrate the different points which have arisen during the discussions of the airport.

- 1) Current Operation
- 2) Finance
- 3) Competition
- 4) Tourism
- 5) Air Cargo
- 6) Local Responsiveness
- 7) Labor
- 8) Bush

CURRENT OPERATION:

The actual physical operation of the airport is good, at least in the opinion of the airport carriers. The real test for operations is winter cleanup and the state does an excellent job in these areas.

The air carriers at Anchorage do have some concerns. One is the fact that in a power outage, no emergency electrical generator exists for the use of the carriers. According to the Anchorage Airport manager, this means that the jetways and certain other carrier facilities are unuseable during a power outage. Although it is not a safety problem, the frequency of outages is expected to increase over the next several years until such time as additional power is brought into the Anchorage area. Passenger comfort is important to the carriers, and is at the heart of this issue.

International carriers are concerned, too. While the international pilots association has given both airports high ratings in surprise inspection tours, they remain concerned that the airport be closed immediately at the time of a crash. While this is normal procedure, no specific policy or regulation is written which will assure the closure. The ALPA rating is critical for Anchorage and Fairbanks.

Both airports suffer in the equipment category. Much of the equipment being used is dated, and some is next to impossible to repair. The equipment request (emergency, maintenance, etc.) is subject to the same budgetary process as any state agency. The equipment is sometimes purchased from older "surplus" equipment inventories released from other DOT operations. With the safety of so many individuals relying on the no-fail operation of this equipment, sub-standard pieces are not acceptable.

One further operational problem is perceived by the local business communities. It is not specifically operational, but is the responsibility of the present management. The airport is often the first impression a visitor has of Alaska. Both airports need some help "sprucing up."

The appearance--what people see at the airport--is the problem. 1) Cleanliness. The airports are not very clean, and with the preponderance of casual travelers so prevalent in Alaska, the airport can appear very shoddy. 2) Seating. Considering the number of delayed or temporarily weather-bound flights in Alaska and the need to change planes between bush and city destinations--the general waiting that occurs so often in Alaskan airports, it is amazing that there are so few comfortable seating (napping) areas available. 3) Aesthetics. While Alaska abounds with beauty and artists,

there is little or no art work at the airports. While grants from the Alaska Council of the Arts are being used for artistic endeavors at both Anchorage and Fairbanks airports, there is much more that should be done to enable the traveling public to enjoy a look at our culture. Under current operations structure there is no particular emphasis on aesthetics.

There are also no incentives in the current structure for development that could lower operating costs for all users.

FINANCE

The discussions of local ownership of the airports probably began at the time Anchorage International Airport began to make a profit each year. This was about 1970. Since that time, that airport has grown both physically and financially and is currently making a paper profit of \$8 million, FY 80. Those funds are returned to the International Airport Revenue Fund (IARF) and are used to pay off the bonded indebtedness and the normal maintenance and operation costs of both the Anchorage and Fairbanks airports. In the meantime, the Port of Anchorage is being well managed, and thanks to operating agreements with its users, is also looking forward to a profitable financial future.

Fairbanks International Airport has also grown and appears to be operating in the black this year for the first time. If current economic trends continue, Fairbanks will become a profitable airport. New cargo air carriers and expansion of the North Pole Refinery are two reasons for this new success.

The physical assets of the airports are high. Anchorage has a physical worth of \$108,673,000, while Fairbanks has a worth of \$36,994,900. The municipalities of Anchorage and Fairbanks both enjoy large budgets: Anchorage (FY 81) \$310,009,630 and Fairbanks/North Star Borough combined, \$74,310,594.

Three primary concerns have been expressed relating to the financial side of the change in ownership question. One is how to retain the integrity of the airport monies. No one wants to see the profit (loss) of the airports used to offset the cost or profit of other municipal functions. Under no circumstance can the monies be allowed to commingle with other parts of the municipality's finances. This may be accomplished through an Enterprise Fund, or may best be handled by an authority separate from municipal government.

The second concern is that of insurance liability. What would happen if a disaster occurred and one of the 747's or DC-10's crashed at one of the airports? Even without deaths or injuries, the operator of the airport is responsible for the damage. In the case of a crash over the city or into a housing cluster, the liability rises dramatically. Anchorage currently has total assets of \$776,092,494 and Fairbanks, \$292,958,240. Anchorage carries liability insurance in the amount of \$50 million for Merrill Field; Fairbanks carries \$25 million on the city. The state currently carries \$100 million aviation premises insurance

which covers all state owned airports. Since the crash of the Japan Air Lines jet two years ago (which hasn't been settled yet), insurance rates have remained the same. The state, with its seemingly unlimited resources, does not believe the city is capable of handling the responsibility, should a disaster occur. It would also be probable that it would take about six months to transfer the insurance to a new carrier. That transfer would likely have to take place in London.

It may be possible for the state to retain interest in contingent liability for the airports, and to help the airports in case of a disaster. However, this remains to be seen.

The third concern is that of capital improvement needs. The state has either directly financed or sold bonds for construction at the airports. Certainly there are capital improvement requirements at both airports now which need to be funded. They are outlined in CIP's and master plans.

One way the final concern may be met is through operator/user agreements. Depending on the terms and conditions of the operator/user agreements with air carriers using the premises, those agreements can be used as assurance for revenue bond sales. Certainly those agreements allow each party to plan based on the mutual commitments. In the case of major expansion, air carrier revenues can be committed to be responsible for the improvements they seek for the period of time it will take to retire the bonds purchased for the improvements.

The budgetary process of the state should also be mentioned here. Priorities are assigned to projects at the airports with little or no input from the local community. While some of the budget matters of the airport do not truly concern the community, other matters which are important to the community and to the users should be considered. The Port of Seattle, often pointed to as an excellent example of a successful and profitable operation, holds public hearings on its budget before the budget is submitted for final approval.

There are other considerations which are not specifically financial, but seem to fit here. In promoting the airports, and seeking to improve the facilities with a mind towards the traveling public, there is no limit to the amount of service an entity can provide. But spending large amounts on facilities may not necessarily bring more people. The cost of improvements must be weighed against the needs of 200,000 people. On the other hand, how much money can the state put into the airport when there are so many other needs? Needs must be weighed against job creation and return to the state as a whole--i.e. services, tourism, etc.

Financial consideration of the importance of tourism in Alaska must be made. The three anchor theory for Alaska states the need for a strong economic base in Alaska with support from the lower 48, the Orient and Europe. Alaska must have strong economic ties with each of these areas in order to retain a semblance of economic independence. The theory states the primary exports which Alaska must depend on are petroleum, tourism, minerals, fish and wood products. We must expand each of these exports with each of the legs in order to prosper. The need for this strong base is evidenced from our past. At one time, there was no money in the state and we were owned by Seattle banks. Even now, our fishing industry is primarily owned by the Japanese and they control the price of our product, not us. The financial implications of this economic principle need to be considered.

The other financial arena which has not been considered is that of the air carriers. During some of the interviews, they stated that their finances are controlled by one factor, and that is staff. When other costs grow, staff numbers are the first to be reduced. Of course, staff is not the same as service-related employees. As long as there is growth, that should not be a problem. The airport and its associated industries is probably the second largest employer in Anchorage. With employment an important factor in considerations of state economy, this point must be kept in mind.

COMPETITION

Competition between the two airports has been a fear expressed by many in any discussion of the ownership of the airports. The fear is that either one or both of the airports will engage in shady actions designed to siphon business from the other airport and leave it in a poor financial condition.

The two airports have been tied together physically (through need for alternate landing fields) since the early 1950's when each was being developed, and fiscally since 1972 when they were united through the International Airport Revenue Fund (IARF). Because both airports are managed by the state, there has been little direct competition between them to date. That does not mean there is no jealousy between them. Fairbanks looks longingly at the large terminal and the international carriers at Anchorage and feels it may have been shortchanged somehow. Anchorage looks at the increasing number of cargo flights refueling at Fairbanks and wonders why not Anchorage. The financial bonds between the two are also the cause of ill feelings. Anchorage's revenue picture has been in the black for several years; Fairbanks' has been in the red until recently with the Fairbanks community firmly believing that the figures are wrong. Anchorage wants to stop supporting Fairbanks financially; Fairbanks thinks the current set-up is only fair. So the story continues.

But these points are only incidental. The real question is what could happen if competition between the two were open and unregulated. One school supports the idea that Fairbanks is Anchorage's country cousin, and, as such, would be unable to compete on equal grounds. Fairbanks locals disagree. They cite the mileage advantage on most trans-polar flights and the supplies of jet A-1 and B fuel. Fuel supplies must be assured in order to keep this advantage. Anchorage has a more finely developed infrastructure and also available supplies of fuel. Anchorage also has the advantage of established passenger and international routes.

Another fear is that Anchorage, if it receives ownership of the airport, would slash landing and other fees and try to induce the carriers now re-fueling at Fairbanks to come to Anchorage. Rumors also have it that the airlines now stopping in Fairbanks only do so because of the fuel availability and will return to Anchorage if given the opportunity. Neither of these claims have much credence. Anchorage would have no reason to cut landing prices and reduce their profit. Additionally, if the Cannon bill (ADAP program) passes without amendments, Anchorage may stand to

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lose some of its federal matching funds for the airport and would require all the current revenue for funding capital improvements and maintenance of existing facilities. The landing fees in both Anchorage and Fairbanks are lower than most, if not all, airports internationally, and are not based on any logical structure. This fear is groundless at this time.

Anchorage and Fairbanks are tied together in one more important way. In order for an international flight to attempt a landing at a particular field, there must be an alternate landing site available. The two airports serve as each other's alternate. Stringent requirements exist for these alternate landings, and while some Alaskan military installations fulfill the requirements, the red-tape monster they also require negates their status as acceptable landing fields. A recent exception is Eielson Air Force Base. All air carriers operating in or out of Fairbanks have official permission to use Eielson as a secondary landing field.

There are a few items which will reduce the fears of competition that must be included in any decision. First, the airports need to be equalized in their capital improvement needs prior to transferring ownership. Without this accomplished, it would be possible for the Anchorage legislative delegation to block any future capital improvements at Fairbanks, and could keep Fairbanks in the noncompetitive mode it feels it is currently. Second, operation/use agreements should be signed between any new management team and the airport users prior to transfer. This could work one of two ways. The operation agreements could be made so that an airline is responsible for particular costs even if it no longer uses the airport. The Port of Seattle's contractual agreements with the airlines provides that they will pay annual charges which are based on the net cost of operating the airport plus the required debt service on the revenue bonds. That airport works on a not-for-profit system with an annual review and necessary adjustments made yearly. Operating agreements could remove some of the threat of stealing a competitor's business. Airlines considering a move to a different home base could do this before the agreements are signed. These agreements would also absolve the fears of some of the domestic airlines that their space fees would be raised beyond reason.

It must be kept in mind that competition is an essential part of the American economy. It appears the citizens who are worried should be concerned about getting a larger pie instead of just changing the size of the slices of the one we have. A good marketing program, used aggressively for both areas, could help here. Competition can improve management efficiency and can promote economic expansion. Whether or not it does will depend on the approach which is taken in any proposed transfer.

TOURISM

A change in goals of the airport could result in an increase of tourist dollars into the economy. At this time, tourism is estimated to place \$ 80 million directly into the Anchorage community. This dollar amount represents all overnight visitors in Anchorage. There are no estimates for Fairbanks at this time.

The bottom line for the economics discussion is not how much profit can be brought into the actual airport facility, but rather how dollars from tourism and related industries can be brought into the community, as well as justify airport operational cost increases.

Tourism is one of the cornerstones of the state's economy. Along with petroleum, fish, minerals, wood products and agricultural products, tourism can be considered one of Alaska's commodities for export. It is an export since it brings needed dollars from outside into the economy, and accomplishes this without any loss in raw materials. Currently, tourism brings about \$500 million into the state's economy, including state and local taxes, employees and sales.

Tourists don't just "drop in" to visit Alaska. Most, if not all of them, have probably spent many hours in the planning stages for their trip and have probably gone to great expense to get here. Tourism depends not only on the one-time visitor, but also the repeat visitors and the word-of-mouth reputation an area can receive. An airport can be a good visitor satisfaction tool. In order to assure return in addition to achieving good public relations, attention must be paid to details at the airport, such as cleanliness, parking and convenience facilities, and attractive grounds or entries.

The visitors which are currently very appealing to those looking to expand the tourism industry are the nearly one million international passengers in transit to the Far East or Europe. Probably 1 or 2% of these passengers, 30,000 at the most, deplane in Anchorage (none in Fairbanks) and they don't come to visit Alaska. Logistically, enticing these people to visit Alaska has been a problem due to airline staff requirements, reciprocal landing agreements and seat availability on airplanes. Until now, large blocks of seats have been unavailable for use by foreign tour groups wishing to stop here. The difficulty faced by the air carriers is that with expenses running several thousand dollars per hour, it is important for them to be assured that all seats (therefore, each possible paying passenger is on board) are occupied each trip. Deplaning in Alaska could cause some financial uncertainty for some of the airlines operating

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here. Although the numbers are unknown, some additional staff would be required by each airline if passengers regularly deplaned. Of course, if the numbers of travelers grew to magnitudes warranting the greater use of nonfinal destination flights or warranting Alaska itself as a destination, these difficulties might be alleviated.

Local communities would like to attract some of these international passengers. Internationals generally do spend more per person than domestic visitors and are more souvenir and gift oriented.

An in-house study is being made of the potential for the stopover traffic by international passengers in Anchorage by the Anchorage Convention and Visitors Bureau. It is due for completion prior to the end of the year. At this time the study results indicate approximately 10% of the international travelers would be inclined to stopover in Alaska. This market will take about 5 to 10 years to develop.

The primary way to attract travelers to visit Alaska is to attract them before they leave their homes. Programs aimed at this market are being conducted by the Anchorage and Fairbanks Visitors and Convention Bureaus (AVCB, FVCB), the State of Alaska Division of Tourism, and the Alaska Visitors Association Marketing Council. The annual budget of the Marketing Council alone is 2.6 million for FY 81.

This visitor market is one that generates a great deal of interest. Expansion is evident through such programs as "triangle" fares, with Alaska being one leg of the Seattle-Alaska-London or Seattle-Alaska-Hawaii routes. In addition, tourists are becoming more discretionary in their spending patterns. They spend as much as before, but are after the most benefits for their money.

The State, Marketing Council, AVCB and FVCB are aggressively marketing their respective areas, but no one is marketing either of the airports for itself. Most major airports are marketed. Airport marketing has previously taken place in CAB rate and route hearings (no longer applicable) and in foreign markets. Fuel availability, route distances and airport amenities such as warehousing or federal Foreign Trade Zone designation are also used to market airports. The question has arisen as to where and how the current tourism marketing programs could be expanded to include the airports. It must be made clear, however, that airports don't market tourism; airports market themselves. Whichever programs are put together, it is essential that each group's marketing aims, goals and successes be interfaced with each other and local community projects.

This is one place where the differences between the policies

of the state and the concerns of the local community become apparent. The state has directed operations of the airports as service facilities. The local communities would like to see the airports marketed for the tourist potential and added local service jobs. Certainly, attention to some of the details felt to be important by the local communities could be accomplished through more local input into the decision making process. The local community has not been invited to participate in the decisions which they feel are important to their local tourism industry.

Marketing has become a "buzz word" that means different things to different people. Right now, marketing is thought to be the key to developing tourism in the state and Anchorage holds the key. Because there is so much potential in Alaska, a political commitment must be made. First, the administration, perhaps directed by the Legislature, but certainly led by the Governor, must give more than lip service to the concept that tourism is an important facet in Alaska's developing economy. Second, tourism must be developed as a priority in agency policy development. Third, the role of the State and of the communities must be determined.

It must also be accepted that the airports are an important part of the entire tourism package. Tourism is a desirable form of commerce and as the second largest industry in the state, deserves appropriate attention.

AIR CARGO

There are three types of air cargo flights flying in and out of the Anchorage and Fairbanks International Airports: intrastate cargo distribution flights, international air cargo refueling flights, and flights carrying Alaskan trade.

Traditionally, Alaska has imported most of its essentials and air cargo has been the lifeline to many bush communities. Intrastate air travel has been visualized in a complete service manner by the state. The state has realized the bush community need for the Anchorage and Fairbanks International Airports, so landing fees and expenses have been maintained as much as possible. This state of equilibrium might not be as well maintained if the Anchorage and Fairbanks communities managed their own airports without the broad scope of the whole intrastate transportational network.

The refueling of the international cargo flights has been a changing market in the last two years, with the availability of fuel and the CAB deregulation. Anchorage has been catering to and has developed an infrastructure for this market for quite some time, because of the relationship to the transpolar flight plan and the two refineries in the Kenai. Fairbanks, up until two years ago, was used as the alternate landing field for the flights. This situation changed with the addition of the North Pole Refinery and the availability of competitively-priced fuel in Fairbanks. As of FY '80 there were 2463 international air cargo flights into Fairbanks and only 38 of those flights were diverted flights scheduled for Anchorage. This is compared to two years ago when there were no scheduled international air cargo flights into Fairbanks. This could become a competitive market between the two airports, since each flight qualifies as a revenue landing and provides a source of commerce within the respective communities. The competition between the communities might result in lowering of landing fees in Anchorage before Fairbanks is able to develop the needed infrastructure to support the additional traffic being developed between the orient and the european markets.

Until 1978 the amount of Alaskan trade transported by the international flights was negligible. Since then the air cargo industry has been deregulated and the poundage has increased five hundred percent. Most of the present cargo being exported is fresh fish to the orient from Anchorage, but as Alaska's renewable and nonrenewable resources develop there will be an increase in traffic between Alaska and the lower 48, oriental, and european markets. This will require the management of both airports to develop the proper warehousing and ramp space to meet the increased needs.

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Traditionally, Alaska has imported most of its essentials and air cargo has been the lifeline to many bush communities. Intrastate air travel has been visualized in a complete service manner by the state. The state has realized the bush community need for the Anchorage and Fairbanks International Airports, so landing fees and expenses have been maintained as much as possible. This state of equilibrium might not be as well maintained if the Anchorage and Fairbanks communities managed their own airports without the broad scope of the whole intrastate transportational network.

The refueling of the international cargo flights has been a changing market in the last two years, with the availability of fuel and the CAB deregulation. Anchorage has been catering to and has developed an infrastructure for this market for quite some time, because of the relationship to the transpolar flight plan and the two refineries in the Kenai. Fairbanks, up until two years ago, was used as the alternate landing field for the flights. This situation changed with the addition of the North Pole Refinery and the availability of competitively-priced fuel in Fairbanks. As of FY '80 there were 2463 international air cargo flights into Fairbanks and only 38 of those flights were diverted flights scheduled for Anchorage. This is compared to two years ago when there were no scheduled international air cargo flights into Fairbanks. This could become a competitive market between the two airports, since each flight qualifies as a revenue landing and provides a source of commerce within the respective communities. The competition between the communities might result in lowering of landing fees in Anchorage before Fairbanks is able to develop the needed infrastructure to support the additional traffic being developed between the orient and the european markets.

Until 1978 the amount of Alaskan trade transported by the international flights was negligible. Since then the air cargo industry has been deregulated and the poundage has increased five hundred percent. Most of the present cargo being exported is fresh fish to the orient from Anchorage, but as Alaska's renewable and nonrenewable resources develop there will be an increase in traffic between Alaska and the lower 48, oriental, and european markets. This will require the management of both airports to develop the proper warehousing and ramp space to meet the increased needs.

The 1980 Alaska State Legislature passed HB 917 which established requirements for foreign trade zones in Alaska. Foreign trade zones are custom-free facilities providing sites at domestic ports of entry where operations involving foreign goods can take place which would otherwise have severe customs restrictions. Both Anchorage and Fairbanks are suitable for a foreign trade zone, since both have international traffic using their facilities, both are part of a transportation network (Anchorage has the additional advantage of the Port of Anchorage), both have available work forces who, because of inflation in the lower 48 are becoming more competitively priced, and both have access to Alaskan resources which, when combined with foreign goods, could become more marketable.

The idea of foreign trade zones, combined with the exporting of Alaska goods via air cargo, warrants an aggressive marketing process which should be undertaken by the communities with the assistance of the state. Infrastructure required at the airports should be determined on the basis of need, rather than by a territorial mandate. This concept must be considered during the airport ownership discussion.

LOCAL RESPONSIVENESS

Any governing body which isolates itself from participation by that public affected by its decisions (rules or policies) can cause dissension among those governed. It is the perception of the citizens in Anchorage and Fairbanks, who are concerned about improving airport operations and conditions, that the DOT/PF has almost continuously ignored any option for public input and has distinct problems with communication lines. A public advisory committee was appointed by the state to work on the airport master plan development at Anchorage, but one was not appointed in Fairbanks. The Anchorage advisory committee reported difficulty in getting DOT/PF staff to listen to their concerns.

DOT believes that it is being condemned for no reason. Airport managers meet regularly with those in the aviation industry, but the anger some general citizens feel when they are able to spot an area in the airport terminal complex which has not been cleaned or painted for several years is readily understandable when they can't get anyone to listen to their complaint. The entire DOT/PF organization at present causes confusion. There is no "head" to the monster--organization regarding delegation of authority and responsibility is not clear to the public.

Public needs are important. When the needs concern an area which exists to serve the public, they become even more important. Many people understand the role which is played by the airports in the tourist industry. Local elected representatives, businessmen and those whose livelihoods depend on the tourism dollar are concerned about the seeming inability of the local informed community to impact decisions which regard the airport. The legislative and budgetary processes are a part of this problem. Planning operations and marketing decisions are made by the state without input from the local community. In areas which are operational in nature, such as air traffic coordination and other operating functions, it is not necessary for the community to participate. The state must have discretion, but accountability along with the responsibility. These decisions are and should be the realm of the professional airport managers. On the other hand, because tourism is an essential Alaskan industry, some consideration for the public point of view should be included in the decision-making process, perhaps through advisory boards or quarterly public meetings.

The current chain of command at the airports requires some decisions to be made in Juneau. The process can take several months for action on a single issue. The DOT/PF has

split responsibilities for airports, marine transportation and highways. There have been times when problems couldn't be addressed because those people making decisions about the airports were busy making decisions about highways, or railroads, or were not readily identifiable. DOT/PF organization charts need to be clarified.

At the beginning of 1980, it became apparent that one bill in the U.S. Congress could drastically affect the funding sources for the international airports nationally, and for Anchorage specifically. This was the ADAP program through the Cannon bill. Not only did the DOT ignore the situation, but the Alaska Congressional delegation also thought the situation of little note. The Municipality of Anchorage lobbied Congress through the U.S. Conference of Mayors before any favorable action to Alaska was taken. This kind of inattention and non-responsiveness causes suspicion and distrust among citizens.

From the standpoint of the local communities, it appears that some of the decisions which should be made locally are made in other areas. Local district maintenance and operation people are directed not to provide feedback. DOT/PF has a large staff in Anchorage and in Juneau. To the people in Fairbanks, it appears that all the important decisions have to be made in Anchorage, and the long existing rivalry makes this relationship awkward at times and frustrating most of the time. Anchorage has a similar relationship with Juneau. This certainly appears to the public as a direct conflict of interest; and, it may be. DOT/PF is also known as an agency that sometimes makes its decisions based on political exigencies instead of facts. In fact, some staff members place primary consideration on political aspects of decisions before the public has even participated in the discussion of a certain project.

Another case in point has been the constant struggle between members of the community and DOT/PF in the planning efforts surrounding Airport Master Plan development. Anchorage and Fairbanks citizens have tried to convince state DOT/PF planners of particular needs in the airports and the communities associated with the airports. Those working on the Fairbanks Master Plan have agreed to work with the community future-thinkers, but only after considerable effort on the part of those who wanted some positive input into the plan. The consultant in charge of the planning stated that although he had requested meeting with some of the elected officials in Fairbanks early in the planning stages, DOT/PF super-visory personnel told him that would not be acceptable.

The Anchorage Master Plan, after four years on the shelf, is finally scheduled for completion in December, 1980. However, the Anchorage Airport Master Plan has already been used by DOT/PF as a support document for airport capital

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projects. This kind of tactic wears thin when lack of a current master plan was the reason quoted for vetoing a bill which authorized revenue bond sales for the Fairbanks airport. Non-progressive thinking on the part of the state, with little or no acceptance of the thought of the business community, and with no visible, established policies by which to guide decisions, creates an untenable situation for any citizen wishing some meaningful response from the state.

LABOR

Presently there are two collective bargaining units representing the workers at the Anchorage and Fairbanks International Airports: Public Employees Local No. 71, AFL-CIO, and Alaska Public Employees Association. Local 71 represents 150 employees in Anchorage and 30 employees in Fairbanks. APEA represents 46 employees in Anchorage and 42 employees in Fairbanks.

These collective bargaining units wish to continue representing their members at the Anchorage and Fairbanks Airports in order to ensure retaining retirement and health benefits, along with established seniority benefits. A change in the management of the airports would not necessarily mean a loss of the current union structure, but a change in ownership most certainly would.

Should a change in management or ownership take place, written agreements must be negotiated protecting the employees, insofar as possible. At the very least, a method might be devised where the current employees would be given first option on any new, or changed employment opportunity. As one person stated during the committee hearings on the issue, "It is the people who make the airport work."

BUSH

Anchorage and Fairbanks airports are both transportation hubs of the state. It is necessary for almost all goods and materials entering the state to pass through one or the other of the cities. The bush relies entirely on goods which pass through the towns. The costs of living in Alaska which are high in the municipalities and urbanized areas are much higher in the bush. If the airports change hands and any fees are raised to those airlines which service the bush, the price increases will be passed directly to the bush. A study done several years ago showed that a 1% increase in price in the cities created an 8% increase in price in the bush. Fees should probably be allocated to the users which would cover the increase in costs.

Currently, the state operates the airports as service facilities, one price piece of a larger picture of in-state air transportation. The state, due to international carriers, is able to keep the landing, fuel flowage fees, and other rates at a level low enough to allow the bush airlines to continue serving bush communities. A change in price structure could cause some of the domestic carriers to move from Anchorage or may even cause the demise of some.

The larger communities in the remainder of the state also depend on use of the airport facilities in Anchorage and Fairbanks. Change in the price of landing fees could raise ticket prices, but the price of fuel appears to be a more important consideration.

Airport Study Committee staff will continue to work on the following points, regardless of the outcome of the current study efforts:

1. Organization charts -- more and generally responsive to local and air carrier needs.
2. Marketing
3. Response to local concerns: Policy advisory committee, not volunteer; legislator should be involved.
4. Continued oil supplies -- reasons for completion of Fairbanks processing plant
5. Operational agreements -- what options can be included.
6. Capital development
7. Financial system
8. Policies in written form
9. Equipment

If there is a change in ownership, the following issues must be addressed as well:

1. Financial responsibility, including contingent insurance.
2. Bonding
3. Bush
4. Labor
5. Continued subsidy
6. Separation from politics
7. Lease holders
8. Capital improvements in Anchorage and Fairbanks

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