

HB

173

(FILE 2)

SPONSOR SUBSTITUTE FOR
HOUSE BILL NO. 173

"An Act relating to the international airports in Anchorage and Fairbanks and establishing the Alaska International Airport Authority; and providing for an effective date."

For presentation to
House Transportation Committee
Bette Cato, Chairman
Monday, March 30, 1987

T A B L E O F C O N T E N T S

- I. Copy of SSHB 173
- II. Overview and Letters of Support
- III. Policy Issues
- IV. Budget Items
- V. Airline Operating Agreement and Synopsis
- VI. Example of Authority Bill from Metropolitan Washington Airports
- VII. Audit - July 16, 1985
- VIII. Marketing Issues

Intentional Omission

All references in SSHB 173 to bonds and bonding for the Alaska International Airport Authority are omitted. More study is necessary to ensure that the proper language is carried in the final bill. We anticipate that these additions will be made in a subsequent committee substitute.

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 30, 1987

SUBJECT: Section-by-section analysis of SS HB 173: An Act relating to the international airports in Anchorage and Fairbanks and establishing the Alaska International Airport Authority.

TO: Representative Drue Pearce

FROM: George Utermohle *GU*
Legislative Counsel

The following is the section-by-section analysis of SS HB 173, requested by Jo Fenety of your staff.

A section-by-section analysis or summary of a bill should not be considered an authoritative interpretation of a bill, and the bill itself is the best statement of its contents.

Section 1. Section 1 of the bill states the findings of the legislature and the purpose of the bill.

Section 2. Section 2 of the bill adds a new chapter to AS 02 creating the Alaska International Airport Authority.

Sec. 02.40.010 creates the Alaska International Airport Authority as a public corporation and instrumentality of the state in the Department of Transportation and Public Facilities.

The authority is the exclusive state agency responsible for the state owned and operated international airports at Anchorage and Fairbanks.

Sec. 02.40.020 vests the powers of the authority in its board of directors consisting of five members. One member of the board is the commissioner of transportation and public facilities. The other four members of the board are appointed by the Governor and may not be employed by the state or hold elective state or municipal office.

Two members of the board shall reside in the Municipality of Anchorage. One of the two members from Anchorage

must be nominated by the Assembly of the Municipality of Anchorage.

Two members of the board shall reside in either the North Star Borough or the City of Fairbanks. One of the two members from the Fairbanks area must be nominated by the borough assembly.

Appointed members of the board serve staggered, four year terms, may be reappointed, and may serve until a successor is appointed.

Members of the board are subject to AS 39.50 relating to conflict of interest.

Appointed members of the board shall be confirmed by the legislature but may serve as a member until the nomination is rejected or not confirmed by the legislature.

Sec. 02.40.030 limits the compensation of members of the board to an amount not to exceed \$400 per day while performing the duties of the board up to a maximum of 60 days per year. Members are also entitled to per diem and travel expenses authorized under AS 39.20.180.

Sec. 02.40.040 describes the grounds and procedure for removing members of the board.

Sec. 02.40.050 requires the board to hold at least four meetings each year. The board may hold other meetings as the chair or three members consider necessary.

Sec. 02.40.060 describes the officers of the board, sets the quorum of the board at three members, and prohibits voting by proxy.

Sec. 02.40.070 describes the staff that the board may employ. The board may employ an executive director, a controller, and legal counsel. The executive director with the concurrence of the board may employ airport directors.

Sec. 02.40.100 lists the powers of the authority.

Sec. 02.40.110 determines that the activities of the authority in regard to the international airports are governmental functions and are exercised for a public purpose.

Sec. 02.40.120 grants the authority the power to acquire land and easements in land necessary for the purposes of the authority. The authority may exercise this power to abate

airport hazards and to obtain sand, gravel, rock, and other materials.

Sec. 02.40.130 grants the authority the power to acquire land for the purpose of exchanging for other land needed by the authority.

Sec. 02.40.140 grants the authority the power to acquire land by eminent domain. The governor must approve the exercise of eminent domain by the authority.

Sec. 02.40.150 allows the authority to defend and indemnify current or former board members, employees, or agents of the authority in a civil or criminal action, if the person acted in good faith and within the scope of the person's official duties or powers.

The authority may purchase insurance to cover employees, agents, and board members for actions arising out of the performance of their duties for the corporation.

Sec. 02.40.160 requires the authority to obtain a fidelity bond for board members and for executive officers responsible for accounts and finances.

Sec. 02.40.170 requires the authority to obtain insurance or provide for self-insurance, to protect its assets, services, and employees and to protect against claims for bodily injury, death, or property damage.

Sec. 02.40.200 grants to the authority the power to construct and operate airport facilities and imposes a duty on the authority to repair and maintain the facilities.

Sec. 02.40.210 grants the authority the power to enter into long term agreements (up to 55 years) for the use of airport facilities or for the privilege of supplying goods, services, and facilities at an airport or air navigation facility. The authority may set the terms, charges, rents, and fees for the use of airport facilities and for the services. The authority in making these agreements may not deny to the public the right to equal use of the airports and air navigation facilities.

Sec. 02.40.220 requires the authority to grant an exclusive contract for the sale and delivery of in-bond merchandise at the airports.

Existing contracts for the delivery and sale of in-bond merchandise at the Fairbanks and Anchorage international airports may continue until they expire, but no additional contracts for the delivery and sale of in-bond merchandise may be made. When the existing contracts for the delivery and sale of in-bond merchandise expire the authority shall enter into an exclusive agreement for the delivery and sale of in-bond merchandise at the Fairbanks and Anchorage international airports.

The authority shall award the exclusive contracts for the delivery and sale of in-bond merchandise by competitive bid.

Deliveries of in-bond merchandise to airlines as cargo are exempt from this section.

Sec. 02.40.230 grants general police powers to the designated officers and employees of the authority and requires these officers and employees to meet certain minimum standards.

Sec. 02.40.240 prohibits the authority from excluding taxis, buses, limousines or courtesy cars from airports. Courtesy cars are defined.

Sec. 02.40.250 grants to the authority the power to adopt rules and sets out the procedure which the authority must follow in adopting rules.

Sec. 02.40.260 grants to the authority the power to adopt emergency rules and sets out the procedure for adopting emergency rules. Emergency rules are valid for 120 days.

Sec. 02.40.270 sets out the grounds on which a rule adopted by the authority may be invalidated.

Sec. 02.40.300 sets out the procedures for the authority to follow in preparing its budget for consideration by the governor.

If the authority does not prepare its budget by the date set by the governor, the governor may prepare a budget for the authority.

The authority's budget becomes public information after it is submitted to the governor.

Sec. 02.40.310 grants the authority the power to administer its programs for the management of airports, except as limited by the governor, appropriations, and other laws.

The governor may direct the authority to withhold or reduce expenditures if external factors make the expenditure factually impossible or if estimated receipts and surpluses are not sufficient to fund the expenditure.

Sec. 02.40.320 grants the authority the power to receive money from federal agencies and other public and private sources to accomplish the purposes for which the authority was created, provided that the legislature appropriates the money to the authority. Funds received from the federal government shall be spent under the terms and conditions set out in federal laws and regulations.

Sec. 02.40.330 requires the authority to prepare a concise report to the governor and legislature describing the operations, income and expenditures of the authority for the prior fiscal year.

Sec. 02.40.340 requires the authority to have a certified audit of its financial records performed annually by an independent certified public accountant.

Sec. 02.40.900 declares that the employees of the authority are not employees of the state.

Those employees of the authority who were state employees before they were transferred to the authority continue to participate in the Public Employee Retirement System under AS 39.35 and the supplemental benefits system. The authority shall continue to contribute to these programs for those employees.

Sec. 02.40.910 exempts the authority from the State Procurement Code (AS 36.30) except as specifically provided, the Executive Budget Act (AS 37.07), AS 39, relating to public employees, except as provided in this chapter, and portions of the Administrative Procedure Act (AS 44.62.010 - 44.62.300).

Sec. 02.40.990 defines the terms "airport", "authority", "board", and "capital improvement."

Sec. 02.40.995 designates this chapter as the Alaska International Airport Authority Act.

Section 3. Section 3 of the bill makes a technical amendment of AS 02.15.090 in order to conform with the substance of Section 2 of the bill.

Section 4. Section 4 of the bill makes a technical amendment of AS 02.15.095 in order to conform with the substance of Section 2 of the bill.

Sections 5 - 11. Sections 5 - 11 of the bill make technical amendments to AS 02.15.102 - 02.15.114 in order to clarify the responsibility of the authority and the Department of Transportation and Public Facilities in regard to the construction, maintenance, relocation, removal, and permitting of utilities on airports. The authority is responsible for activities involving utilities on the Anchorage and Fairbanks international airports. The department is responsible for activities involving all other state-owned or state-operated airports.

Section 12. Section 12 of the bill makes a technical amendment to AS 02.15.130 to allow the Department of Transportation and Public Facilities to provide engineering, maintenance, and other services to the authority.

Section 13. Section 13 of the bill makes a technical amendment to AS 02.15.210 in order to conform with the substance of Section 2 and Section 37 of the bill.

Section 14. Section 14 of the bill makes a technical amendment to AS 02.15.260 by adding a definition of "authority" and "highway".

Section 15. Section 15 of the bill makes a technical amendment to AS 02.25.110(4) in order to clarify the responsibility of the Department of Transportation and Public Facilities and the authority in regard to state-owned or state-operated airports and to conform with the substance of Section 2 of the bill.

Section 16. Section 16 of the bill makes a change to AS 35.27 (Art in Public Buildings) to give the authority responsibility for complying with the chapter as it affects the buildings and facilities of the authority.

Section 17. Section 17 of the bill makes a technical amendment to AS 35.27.030(2) in order to conform with Section 16.

Section 18. Section 18 of the bill makes a technical amendment to AS 36.10.180(a) in order to subject the authority to the preferential hiring requirements for contracts subject to AS 36.10.150 - 36.10.175.

Section 19. Section 19 of the bill makes an amendment to AS 36.30.075(e) in order to allow the authority to adopt its own procurement code that is substantially equivalent to the state procurement code (AS 36.30).

Section 20. Section 20 of the bill makes a technical amendment to AS 36.30.050(c) in order to allow the authority to use the list of contractors compiled by the commissioner of administration.

Section 21. Section 21 of the bill makes a technical amendment to AS 36.30.850(b)(8) in order to conform with Section 38 of this bill.

Section 22. Section 22 of the bill makes an amendment to AS 36.30.990(1) in order to exempt the authority from the definition of agencies subject to the state procurement code (AS 36.30).

Section 23. Section 23 of the bill amends AS 37.05 (Fiscal Procedures Act) in order to allow the commissioner of administration to delegate functions under AS 37.05 to the authority.

Section 24. Section 24 of the bill amends AS 37.15.480 in order to transfer authority from the commissioner of transportation and public facilities to the controller of the authority in regard to the repayment of international airport revenue bonds.

Section 25. Section 25 of the bill amends AS 37.15.500 in order to transfer responsibility for setting and collecting fees, rents, and charges for use of the international airports from the commissioner of transportation and public facilities to the authority and to conform with Section 2 of this bill.

Section 26. Section 26 of the bill makes a technical amendment to AS 37.15.510 substituting the authority for the commissioner of transportation and public facilities in order to conform with Section 2 of this bill.

Section 27. Section 27 of the bill makes a technical amendment to AS 37.15.550 by adding a definition of "authority" in order to conform with Sections 2 and 24-26 of this bill.

Section 28. Section 28 of the bill makes an amendment to AS 38.05 in order to exempt land held by the authority from the jurisdiction of the Department of Natural Resources under AS 38.05.

Section 29. Section 29 of the bill amends AS 39.35 by adding a section that requires state employees who are transferred to the authority to remain as participants in the Public Employees Retirement System.

The authority may elect to include new employees of the authority within the coverage of the Public Employees Retirement Systems.

Section 30. Section 30 of the bill amends AS 39.50.200(b) in order to subject members of the board of the authority to AS 39.50 (Conflict of Interest).

Section 31. Section 31 of the bill amends AS 39.52.960(2) in order to exclude the authority from the definition of "agency".

Section 32. Section 32 of the bill amends AS 39.52.960(4) in order to exclude the authority from the definition of "board or commission."

Section 33. Section 33 of the bill amends AS 39.52.960(12) in order to include the authority in the definition of "instrumentality of the state."

Section 34. Section 34 of the bill amends AS 44.42.020(a)(7) relating to the duties of the commissioner of transportation and public facilities in order to clarify the jurisdiction of the commissioner over state operated and state owned airports and to conform with Section 2 of this bill.

Section 35. Section 35 of the bill provides for the transfer of real and personal property used or controlled by the Anchorage International Airport and the Fairbanks International Airport to the Alaska International Airport Authority.

Employees of the Department of Transportation and Public Facilities who are involved in the maintenance, operation, and management of the Anchorage and Fairbanks international airports are transferred to the Alaska International Airport Authority.

Classified employees transferred to the authority retain their rights and status as state employees until their existing collective bargaining agreements expire.

The authority is bound by the collective bargaining agreements covering those employees that are transferred to the authority.

The authority shall develop its own personnel rules, but for the first six months of operation or until the authority develops its own personnel rules, whichever happens first, the authority shall follow state personnel rules.

Section 36. Section 36 of the bill prescribes the terms of the initial appointments to the board of directors of the Alaska International Airport Authority.

Section 37. Section 37 of the bill repeals AS 02.15.091, AS 37.15.550(5), and AS 39.25.120(14).

Section 38. Section 38 of the bill establishes July 1, 1987 as the effective date for secs. 1-18 and 23-37 of the bill.

Section 39. Section 39 of the bill establishes the effective date of secs. 19-22 of the bill as the same as the effective date of sec. 2, ch. 106, SLA 1986.

GU: csh
c7/110

OVERVIEW OF HB 173

The purpose of this Act is to establish an Authority for the operation, management, planning, effective marketing, and construction of facilities for the state-owned and state-operated international airports located at Fairbanks and Anchorage.

The Board of Directors of the Authority consists of five members. Two members are appointed from Anchorage with one member being nominated by the Municipal Assembly. Two members are appointed from Fairbanks with one member being nominated by the Borough Assembly. The fifth member is the Commissioner of the Department of Transportation and Public Facilities. The board members are appointed by the Governor and confirmed by the legislature to serve staggered four-year terms. A member may be removed for cause.

The board meets at least quarterly receiving compensation of \$400 per day for a maximum of 60 days plus travel and per diem authorized by law for the state's boards and commissions.

The board hires an executive director who in turn hires staff including a controller and airport directors for each of the international airports. Specific reference is made to the qualifications of the airport directors. Those qualifications are education, experience, training, and expertise in management of airports.

The Authority would be exempted from the Executive Budget Act and the Administrative Procedures Act except that they would be required to create systems and procedures that would be acceptable to the governor.

Each year the Authority would be required to submit to an independent audit by a certified public accountant and also to submit a performance report to the Governor and the Legislature.

The Act contains a provision honoring collective bargaining agreements in force upon the day the Authority is created. Those agreements will be honored until their expiration.

ANCHORAGE/FAIRBANKS AIRLINES AIRPORT AFFAIRS COMMITTEE

P.O. Box 68900
Seattle, WA 98168
March 27, 1987

The Honorable Drue Pearce
Alaska State Representative
Pouch V
Juneau, AK 99811

Dear Representative Pearce:

The Anchorage/Fairbanks Airlines Airport Affairs Committee is an organization representing the scheduled airlines (international, domestic, and regional) serving the State's two International Airports. A majority of the members of the Committee have advised me that they are in support of the concept of creating an independent Airport Authority to operate Anchorage and Fairbanks International Airports, along the general lines set forth in your legislation, HB 173.

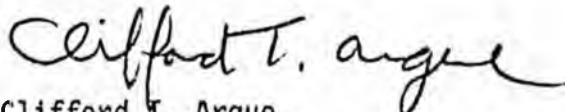
However, the airlines are very concerned that the legislation as written does not go far enough in making the Airport Authority truly independent. Specifically, we feel that the proposed Authority, similar to many airport authorities throughout the country, should be completely independent in matters such as establishment of the budget, fiscal oversight and financing, including the issuance of Airport Revenue Bonds. The International Airports Revenue Fund is totally self-sufficient and therefore does not present even a potential burden to the General Fund of the State. Further, the airport revenue bonds issued by the IARF are not supported by the full faith and credit of the State, but instead are backed by the revenues of the airports which come from the airlines and other users. These are important issues to the airlines.

At this point, we have not been able to review the legislation in full detail and will most likely have more specific comments in the near future. Individual airlines may also be providing direct input as the legislation progresses.

The overall goal of the airlines, as evidenced in our recently negotiated Lease and Operating Agreement with the State, is to operate in a partnership with the airports and to help ensure the most cost-effective, prudent management structure possible. The proposed Airport Authority can be an excellent vehicle to this end, subject to the concerns expressed above relating to the degree of independence.

Thank you for introducing this legislation. We look forward to working with you to finalize a bill that is mutually agreeable to all concerned.

Sincerely,

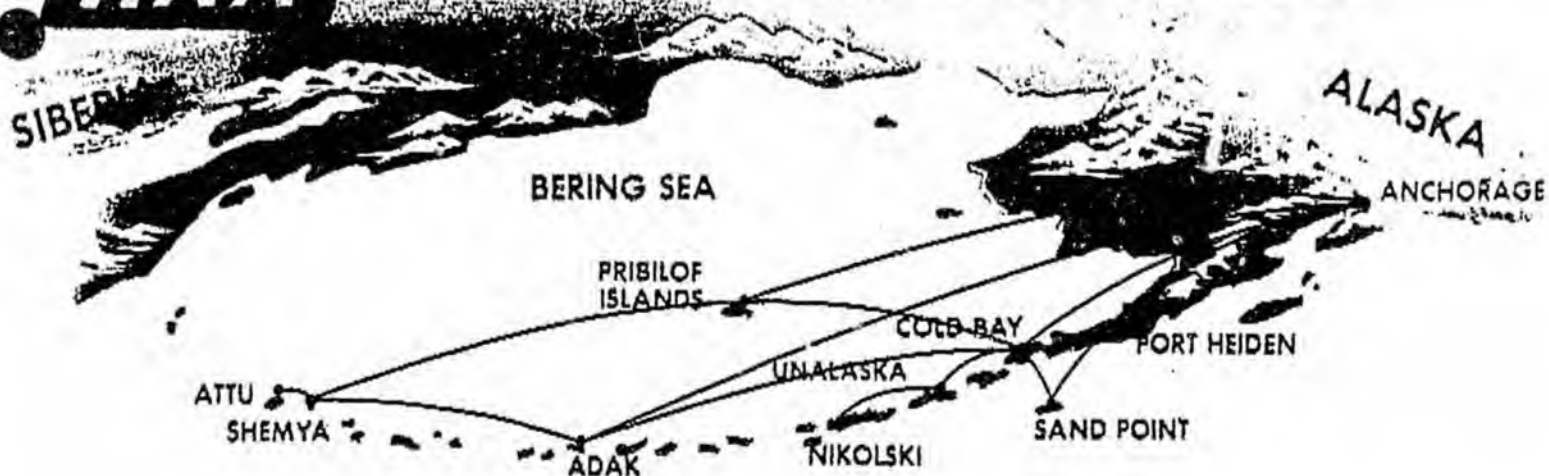


Clifford T. Argue
Chairman, Anchorage/Fairbanks
Airlines Airport Affairs Committee

CTA:jk

cc: Anchorage/Fairbanks Airlines Airport Affairs Committee

RAA REEVE ALEUTIAN AIRWAYS, INC.



March 27, 1987

Honorable Betty Cato
 Chairman - House Transportation Committee
 P.O. Box V
 Juneau, AK 99811

Dear Rep. Cato:

Reeve Aleutian Airways fully supports in concept SSHB173 as introduced by Pearce and Hanley. Reeve believes that creation of an Alaskan International Airport Authority is in the best interest of air carriers, air commerce and the traveling public.

Reeve notes that the legislation omits language relating to revenue bonding and strongly encourages addition of such provisions in powers granted the authority. I understand that language is being drafted to permit this authority.

Reeve does anticipate testifying at some later time in favor of this legislation and I do wish to keep this letter as brief as possible. There are certain other points I would like to comment on.

Under Section 02.40.020 BOARD OF DIRECTORS

Reeve believes that Anchorage and Fairbanks are regional airports in addition to their International status. Each community should have the authority to nominate one person directly to the legislature without the governor's confirmation. The governor should have the authority to select two nominees without restriction as to place of residency.

Page 3, line 6 any reference to designees for board members is troublesome. No board member should be authorized to have a designee, including the commissioner.

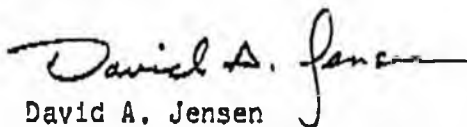
RAA

March 27, 1987
Honorable Betty Cato
Page 2.

This legislation is pretty straight forward. The concept is tested, proven and common throughout the United States. The legislation is sorely needed here in Alaska. I would be happy to answer any questions or address any concerns you may have or the committee members may have. I am hopeful that this bill will move along quickly and that we will see the legislation this year.

Thank you.

Sincerely,



David A. Jensen
Administrative Vice President

. DAJ/kd

AVTECH ALASKA

4740 Talus Drive

Anchorage, Alaska • 99518

907 • 345•4317

March 27, 1987

Honorable Betty Cato
Chairman - House Transportation Committee
P.O. Box V
Juneau, AK 99811

Dear Rep. Cato:

I have polled the following airlines and they fully support in concept SSHB173. They also are in general agreement with the suggestions and concerns outlined by Mr. David A. Jensen, Administrative Vice President Reeve Aleutian Airways and Mr. Jack Birmingham, Vice President ERA Helicopters in their March 27, 1987 correspondence to Honorable Betty Cato and Honorable Drew Pearce.

Northern Air Cargo Inc.
South Central Air
Peninsula Air

Sincerely,



Norman R. Israelson
President
Avtech Alaska

ERA HELICOPTERS, INC.

5051 WESTHEIMER - SUITE 1900
HOUSTON, TEXAS 77056
TELEPHONE 713 621 7800

P. O. BOX 60149
FAIRBANKS, ALASKA 99701
TELEPHONE 907 452 1838

6160 SOUTH AIRPARK DRIVE
ANCHORAGE, ALASKA 99502
TELEPHONE 907 240-4422

VIA TELECOPIER

PLEASE REPLY TO

March 27, 1987

Anchorage

The Honorable Drue Pearce
Alaska State Legislature
House of Representatives
Post Office Box V
Juneau, Alaska 99811

Ref: SSHB 173; Anchorage and Fairbanks International Airport
Authority.

Dear Representative Pearce,

We at ERA support the essence of the Bill you and Representative Hanley have sponsored, and we wish to commend you and your staffs for the excellent work. Creation of an Airport Authority will result in a vast improvement in the management of the Anchorage and Fairbanks International Airport System.

As we have noted before, there are some areas of the Bill that we would like to see refined. We will outline these briefly here, and comment in further depth as discussion on the Bill progresses.

Proper management of the Airport System requires an Authority that is independent of disruptive influences. We need continuity and consistency in management, and a management that is truly focused on the purposes, obligations and needs of the Airport System. The effectiveness of the Authority will in large measure depend on the degree of its independence. The Authority should be as independent as feasible from certain influences that may not be based entirely on the best interests of the Airport System, its users, and the communities it serves.

The Board in particular should be as independent as possible. We suggest that all four Board members other than the Commissioner be nominated by their respective communities. We also believe that the Board ought to be more staggered in terms. That is, of the four Board members other than the Commissioner, one should be appointed for an initial term of one year, one for two

The Honorable Drue Pearce
Alaska State Legislature
House of Representatives
March 27, 1987

years, one for three years and one for four years. The way it stands now, any governor could appoint a majority (and a quorum) of three members every two years.

On the other hand, the method of selecting Board members proposed by Reeve Aleutian Airways in its March 27th letter to Representative Cato would be an acceptable improvement.

Section 2.40.100 sets forth the powers of the Authority, but not the duties. We suggest the addition of a provision to the effect that the primary duties of the Authority include the management, operation, maintenance, development and promotion of the Airport System in an efficient, responsive and businesslike manner, with due regard for the System, its users, and the people they serve.

The Authority should have more independence in terms of controlling its own finances and budgets. In particular, it should not be subject to the control of the State Bond Committee when issuing Bonds. Nor should it be subject to undue control by the Governor or the Legislature when establishing Airport System budgets or priorities.

We believe the Controller should be hired by and should report to the Executive Director. If the Board does not like the choice, or the Controller's performance, we are confident that the Board's views will be taken seriously.

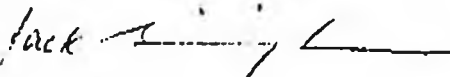
We are unclear about the effect of the language permitting the Commissioner's "designee" to sit on the Board. If the governor wishes to appoint a qualified "designee" in lieu of the Commissioner, fine. If, on the other hand, the Commissioner could assign a different deputy or staff person to attend Board meetings on his behalf any time he chose to be elsewhere, that would not be appropriate. No other Board member may vote by proxy.

We are also unclear about the purpose of the difference in residency requirements between Board members from the Fairbanks area and those from the Anchorage area. We suggest changing the first sentence in Section 2.40.020(b) to read "Two members shall reside within the geographic boundaries of the Greater Anchorage Area Borough". This would make it parallel with Section 2.40.020(c).

The Honorable Drue Pearce
Alaska State Legislature
House of Representatives
March 27, 1987

Again, our thanks to all for the time and energy put into this important matter. Please do not hesitate to call if we can help in any way.

Very truly yours,


Jack Birmingham
Vice President & General Counsel

cc: The Honorable Betty Cato, Chairman, House Transportation
Committee.

JB/bjc

MEMORANDUM

TO: Representative Bette Cato, Chair
House Transportation Committee

FROM: Representative Drue Pearce

DATE: March 26, 1987

SUBJECT: HB 173 - Potential policy issues

The committee will hear the Alaska International Airport Authority bill on Monday, March 30, 1987. The purpose of this memo is to suggest some policy issues which the committee may wish to address.

— The Authority is a corporation established in the Department of Transportation and Public Facilities but has its legal existence independent of the state.

— The Authority is responsible for the operation, management, planning, effective marketing, and construction of facilities for the two Internationals located at Fairbanks and Anchorage.

— Should it be specifically stated that the Authority should be self-sustaining?

Authority Board

— Five-member board. Two from Anchorage, two from Fairbanks plus the Commissioner of DOTPF.

— Board appointed by Governor and confirmed by legislature. Members serve for four-year staggered terms.

— Members subject to conflict of interest disclosure (AS 39.50).

— Compensation is set at the "not to exceed" amount of \$400/day payable for a maximum of 60 days in a calendar year. Per diem and travel expenses are authorized.

— Members may be removed for cause (incompetence, neglect of duty, or misconduct in office).

— Board must meet at least quarterly upon the call of the chair or at the request of three members.

Representative Cato
March 26, 1987

Staff of Authority

- ___ Board employs an executive director who serves at the pleasure of the board. Executive director responsible for selection and hiring of additional staff.
- ___ Board employs a controller who serves at the pleasure of the board. Should the controller report to the board or to the executive director?
- ___ Executive director, with the concurrence of the board, employs airport directors for each airport. The directors are selected on the basis of education, experience, training and expertise in management of airports. Should directors hold the professional designation "AAE" (Accredited Airport Executive)? Should the director be allowed a period of time such as 24 months to receive the designation?

Insurance

- ___ What are the consequences of the Authority removing itself from the umbrella of the state for the purposes of insurance? What are the present costs? Is there a way for the Authority to participate in the state's insurance coverage in order to hold down costs?

Budget Preparation and Presentation

- ___ Shall the Authority be required to submit information to the governor in a document that sets out the goals and objectives, proposed plans to implement those goals and objectives, and a budget for the succeeding fiscal year?
- ___ Shall the Authority be exempted from the Executive Budget Act?
- ___ Shall there be legislative oversight regarding appropriations?

Reporting Requirements

- ___ The Authority is required to submit a concise report to the Governor by January 15 of each year describing its operations, income, and expenditures for the preceding fiscal year.
- ___ The report includes audited financial statements.
- ___ The Authority shall have a certified audit annually conducted by an independent CPA.

Representative Cato
March 26, 1987

Real Property

- ___ All real and personal property used and controlled by the Anchorage and Fairbanks International Airports will be transferred on the effective date.
- ___ Eminent domain exercised only with Governor's approval.

Employees of the Authority

- ___ Employees transferred from DOTPF to the Authority will continue to participate in SBS and PERS.
- ___ New employees will be included in the system on the effective date of the Authority's participation in the system for that employee. (Requires that the Authority sign a Participation Agreement with the Department of Administration.)
- ___ All employees of DOTPF assigned to the management, operation, and maintenance of Anchorage and Fairbanks Internationals on the date of transfer shall be transferred to the Authority as employees of the Authority.
- ___ Classified employees transferred retain the rights of state employees until the expiration of the collective bargaining agreements in effect on the effective date.
- ___ The Authority will operate under the State's personnel rules until 1/1/88 or until the Authority adopts its own personnel rules, whichever occurs first.

Exemptions

- ___ Except as may specifically noted the Authority is exempt from:
 - ___ the State's procurement code AS 36.30.
 - ___ the Executive Budget Act AS 37.07.
 - ___ AS 39 (Public Officers and Employees)
 - ___ the Administrative Procedures Act AS 44.62.010 - 44.62.300
- ___ Specifically NOT exempted from the Open Meetings Act.

Bonded Indebtedness

- ___ Existing debt will be transferred.
- ___ When new bonds are issued, shall the Authority have responsibility for selling its own bonds? Should the authority come from the state's Bond Committee or from the Legislature?

AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES

Professional Designation
known as A.A.E.

Summary of Requirements

1. Apply to Association with recommendation by person currently holding designation.
2. Write a 10,000 word thesis on some phase of airport management.
3. Complete three 2-hour written exams on the subjects of history of transportation industry, economics, and management theory. (The written exams can be proctored locally.)
4. Complete a 3-4 hour oral examination that is given twice each year only at a national conference.

It is reasonable to believe that a person could apply for and complete the A.A.E. designation in 24-36 months.



AIRPORT HIGHLIGHTS

March 2, 1987
Volume XXIII, No. 9

Published Weekly By The AIRPORT OPERATORS COUNCIL INTERNATIONAL, Inc.

EMPLOYMENT OPPORTUNITIES

*
Three positions are open at Robert Mueller Municipal Airport in Austin, Texas. All carry a March 15, 1987, deadline for resumes to be received by Paula Gamez, City of Austin, Human Resources Dept., P.O. Box 1088, Austin, Texas 78767 -- 512-445-1030.

Minimum requirements for manager, administration and finance, are a bachelor's degree in airport management, finance/accounting or related field; and five years experience in airport management, including two years in a supervisory capacity. Salary range is \$32,800 - \$52,000.

Minimum requirements for manager, project planning, are a bachelor's degree in civil engineering or related field and eight years experience. Professional engineering work involving airport construction projects is preferred. The job requires registration as a Professional Engineer in the state of Texas, or ability to obtain registration within one year. Salary range is \$38,900 - \$63,000.

Minimum requirements for manager, airport operations, are a bachelor's degree in aviation management, business administration, or related field; and five years management experience in airport operations and maintenance. Salary range is \$35,600 - \$57,900.

The Port of Seattle, Washington, is seeking a deputy director for its aviation division, which manages Sea-Tac International Airport. Resumes should be received by March 6, 1987, by Port of Seattle Human Resources Dept., P.O. Box 1209, Seattle, Washington 98111.

Minimum requirements for this new position are a bachelor's degree in business, airport management, engineering, law, or a related field; and, ideally, experience that includes an emphasis on operations management, tenant negotiations, budgeting, cost control, and work with governmental agencies on security. Salary range is \$55,200 - \$75,684; starting salaries normally don't exceed \$65,442.

The City of San Jose, California, has an opening for a supervising real estate agent at San Jose International Airport. Candidates must have a bachelor's degree (or equivalent) and four years of property-related experience, including two years with a public agency. The salary range is \$38,340 - \$46,680. Interested persons must contact Sharon Borden by March 13, 1987, at the City of San Jose, Personnel Dept., 801 N. First St., Room 207, San Jose, California 95110 -- 408-277-4204.

March 2, 1987

FAIRBANKS INTERNATIONAL AIRPORT

FAIRBANKS INTERNATIONAL AIRPORT

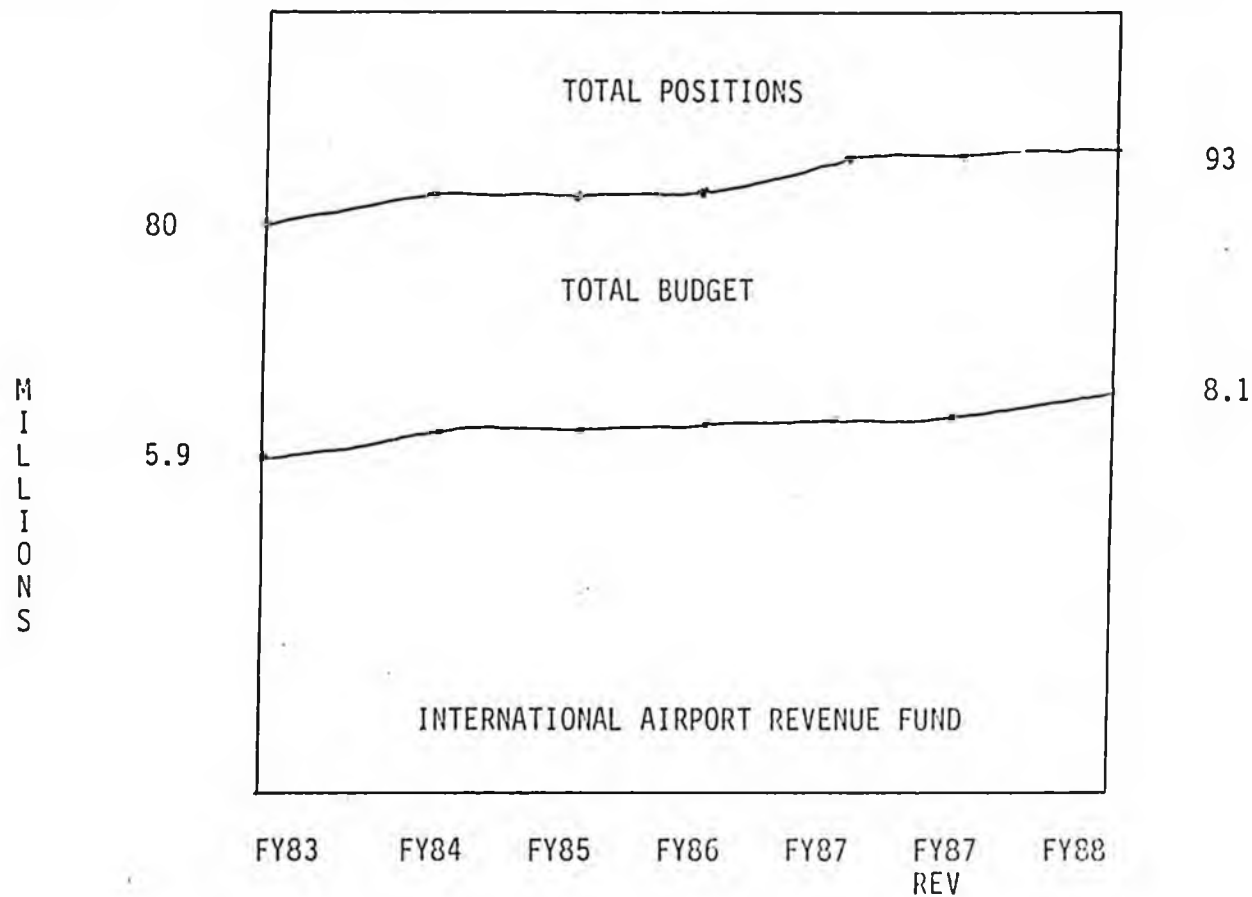
Fairbanks International Airport (FIA) together with Anchorage International form the Alaska International Airport System. FIA is a unique and integral part of this system. In addition to being the second busiest domestic flight destination in the State, FIA serves as the primary Federally required alternate airport for polar and Far East flights diverted from Anchorage International Airport. This airport also serves a principal support function for the operation and development of the interior and northern sectors of the State, as well as having a large general and commuter aviation constituency.

The Airport System is self-supporting and derives its funding from the International Airport Revenue Fund (IARF). The IARF is an enterprise fund which is supported by receipts from landing and parking fees, terminal and land rental charges, and concession and fuel flowage fees collected at both airports. Since over 70% of the IARF revenue collected annually comes from major domestic and international airlines, in early 1986 five-year Airline Operating Agreements were executed with 34 airlines in order to establish a steady and guaranteed flow of revenue into the fund. During FY88, FIA is forecast to collect \$5,270,200 in revenue out of \$59,673,000 total for the IARF.

The facilities within the Airport System are operated and maintained using only IARF revenue. Airport facilities are constructed using IARF funding which may be utilized in conjunction with either Federal grants or bond funds. Given the requirement for public air transportation facilities, the purpose of the FIA operating budget is to provide a safe, efficient, convenient, economically positive transportation center. Activities required for year-round maintenance, operation, and administrative efforts at FIA include snow removal, asphalt patching, sanding and ice control on traveled and parking surfaces, erosion control, custodial services, building maintenance, revenue accounting, leasing property and building space, billing preparation and collection, overseeing parking lot management, providing for safety and fire protection (both aircraft and facilities), emergency medical services, and overall police protection within the airport perimeter. During FY88, FIA is projected to have 339,000 enplaned passengers, 16,813 aircraft departures, and 163,000 total aircraft operations within the airport's 20 mile control zone radius. FIA has 11,885,663 square feet of paved taxi-ways, runways and aprons and 203,140 square feet of building space being maintained along with 34 lane miles of roadway. The FY88 operating budget request for FIA is \$8,075,100, an increase of \$179,900 over FY87. These additional costs are directly attributable to law enforcement related functions that include meeting increased F.A.A. requirements caused by world-wide terrorism and performing duties that had to some extent been previously handled by the State Troopers.

Major issues facing FIA and shared by Anchorage International are the completion of expanded and improved facilities, maximizing airport revenues, reduction of operational deficits, marketing the Airport System, reorganization of the airports into an Airport Authority, and completing the implementation of the comprehensive Airport Management Information System. Addressing these challenges while maintaining the posture of providing the necessary facilities for the aviation industry and the traveling public is the primary objective.

FAIRBANKS INTERNATIONAL AIRPORT



	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY87REV</u>	<u>FY88</u>
IARF	5,924.1	6,728.3	6,926.1	7,596.8	7,895.2	7,895.2	8,075.1
POSITIONS*	80	87	87	88	93	93	93

*Position Total includes permanent full time, permanent part time and seasonal positions.

FAIRBANKS INTERNATIONAL AIRPORT
Historical Budgetary Information

CAPITAL BUDGETS (\$)

FY82	Remote Apron Expansion	922,000
	Paving Access Road & Apron	1,160,000
	Sand Storage Building	710,000
	CFR Vehicle	282,000
	Quick Response Rescue Unit	269,000
	Cat II Generator	245,000
		<u>3,588,000</u>
FY83	Terminal Expansion	13,311,000
	Auto Parking Expansion	650,000
		<u>13,961,000</u>
FY84	Drainage & Utilities	134,000
	Terminal Improvements	372,000
	East Ramp & Float Pond	5,632,000
	Maintenance & Security Eqp.	959,000
		<u>7,097,000</u>
FY85	Airfield Improvements	200,000
	Management Info. System	100,000
		<u>300,000</u>
FY86	Runway Overlay & Rehab.	9,130,000*
	Annual Improvements	300,000
		<u>9,430,000</u>
FY87	CFR Vehicles	600,000*
	Land Acquisition	3,500,000
	Annual Improvements	200,000
		<u>4,300,000</u>
	GRAND TOTAL	<u><u>38,676,000</u></u>

*FAA Grants, All Others IARF

OPERATING BUDGET (\$) AND AUTHORIZED POSITIONS

FY82	5,432,000	77 Full Time, 3 Part Time
FY83	5,924,100	77 Full Time, 3 Part Time
FY84	6,728,300	87 Full Time
FY85	6,926,100	87 Full Time
FY86	7,596,800	88 Full Time
FY87	7,895,200	93 Full Time

PERCENTAGE OF OPERATING BUDGET EXPENDITURES
BY MAJOR CATEGORIES

- Personnel Services	67%
- Travel	1 1/2%
- Contractural Services	20%
-- Utilities	8%
-- Risk Management (Insurance)	4%
-- Parking Lot Expenses	4%
-- Other services	4%
- Commodities	12%
-- Heating Fuel	1%
-- Diesel Fuel	1%
-- Equipment Parts	2%
-- Custodial Supplies	1%
-- Other Commodities	7%
- Equipment	1 1/2%

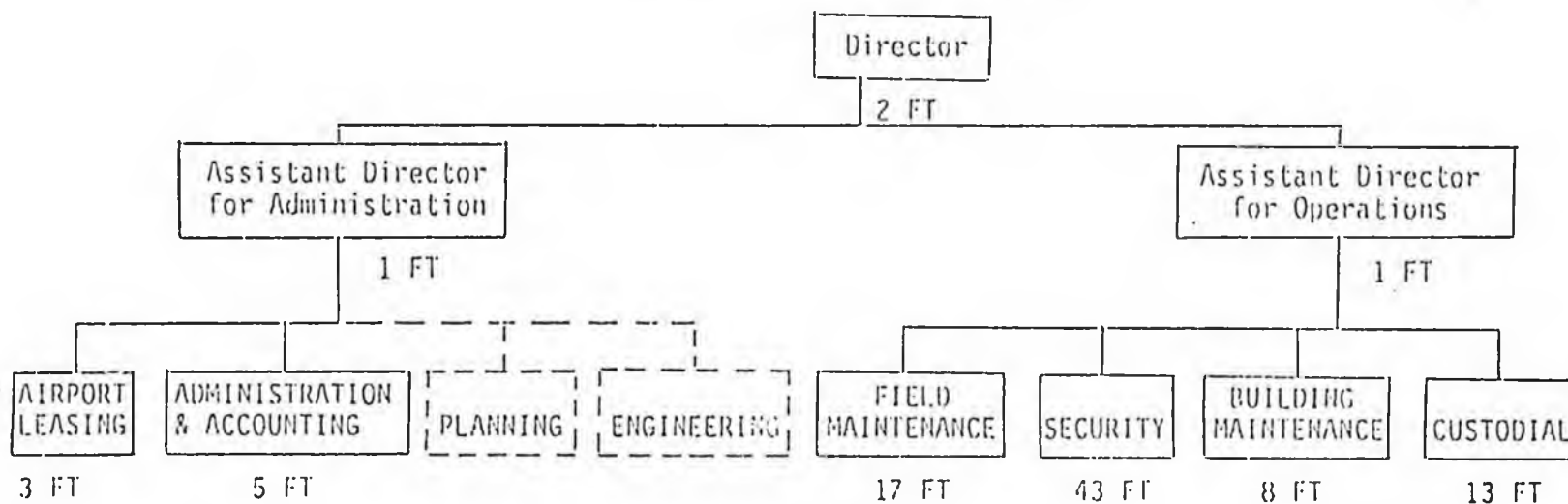
Fairbanks International Airport
 FY 1988 Operating Budget
 (Dollars in Thousands)

<u>EXPENDITURES</u>	<u>Field Maintenance</u>	<u>Building Maintenance</u>	<u>Security</u>	<u>Custodial</u>	<u>Equip. Maint.</u>	<u>Administration</u>	<u>DP/ WP</u>	<u>TOTAL</u>
Personal Services	\$1,047.4	\$ 476.7	\$2,700.0	\$589.3	\$ --	\$624.8	\$ --	\$5,438.2
Travel	2.0	3.6	12.4	--	--	19.0	--	37.0
Contractual	149.1	709.3	65.3	--	--	706.5	--	1,630.2
Commodities	487.6	236.7	109.9	84.8	--	14.0	--	933.0
Equipment	8.0	6.0	10.2	9.0	--	3.5	--	36.7
Total	\$1,694.1	\$1,432.3	\$2,897.8	\$683.1	--	\$1,367.8	--	\$8,075.1
<u>FUNDING</u>								
IARF	\$1,694.1	\$1,432.3	\$2,897.8	\$683.1	--	\$1,367.8	--	\$8,075.1
Total	\$1,694.1	\$1,432.3	\$2,897.8	\$683.1	--	\$1,367.8	--	\$8,075.1
<u>POSITIONS</u>								
PFT	17	8	43	13	--	12	--	93
PPT	--	--	--	--	--	--	--	--
Total	17	8	43	13	--	12	--	93

Only major change for Fiscal Year 1988 over Fiscal Year 1987 budget is a \$179.9 increase in the Personal Services portion of the Security Component budget. These additional costs are directly attributable to law enforcement related functions.

Department of Transportation and Public Facilities

Fairbanks International Airport



Total Positions:

93 FT CURRENT AUTHORIZATION
93 FT FY88 REQUEST

Close liaison is maintained with other Divisions' engineering and planning personnel on a daily basis. This is in lieu of establishing an in-house infrastructure of assigned positions to perform these functions as is the case at Anchorage International. Also unlike Anchorage International, Equipment Maintenance is not a separate budget component but rather this type of maintenance is performed and budgeted for within the Field Maintenance and Security Components.

EFFECTIVE DATE: July 1, 1986

FAIRBANKS INTERNATIONAL AIRPORT
RESPONSIBILITIES BY COMPONENT

Administration

- Management service for the airport, accounting, leasing, planning and engineering.

Field Maintenance

- Snow removal and ice control
- Crack sealing and pot hole maintenance
- Equipment maintenance

Building Maintenance

- Maintenance of terminal buildings
- Baggage conveyor systems
- Maintenance of parking garage

Security

- Crash Fire Rescue
- Security - buildings and grounds

Custodial Services

DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES
FAIRBANKS INTERNATIONAL AIRPORT
FY 1988 PROJECTED RATES and FEES

Landing Fees	\$.68 per 1,000 pounds take off weight
Fuel Flowage	\$.02 per gallons
Docking Fees	\$ 27.33 per use of state owned jetway
Federal Inspection Station (FIS)	\$ 36.36 per Federal Customs Inspection
Space Rental	\$ 27.21 per square foot

DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES
FAIRBANKS INTERNATIONAL AIRPORT
FY 1988 PROJECTED REVENUE

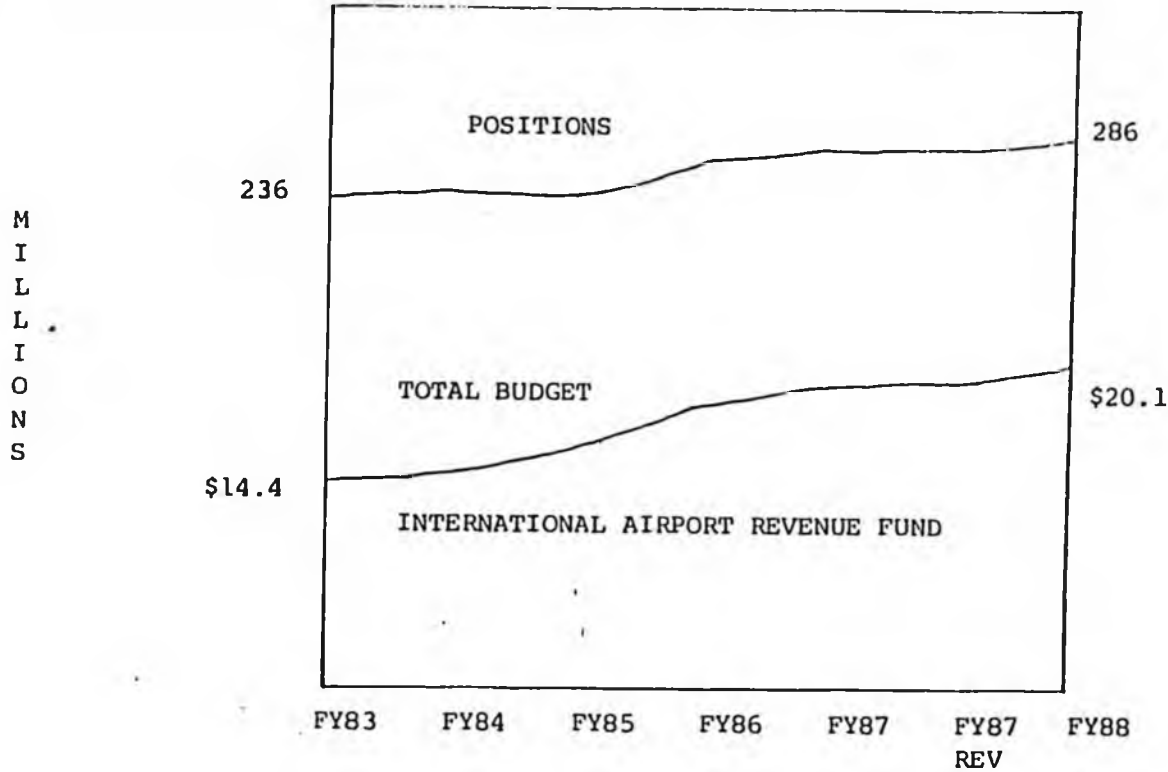
Landing Fees	16,500	Revenue Landings	\$1,385,400
Fuel Flowage	28,350,000	Gallons	567,000
Docking Fees	1,760	Dockings	48,100
Federal Inspection Station	825	Uses	30,000
Space Rental	52,800	Sq. Ft.	1,436,700
Auto Parking			412,000
Concession Fees			726,000
Land Rental & Tie downs			<u>665,000</u>
TOTAL Projected Revenue			\$5,270,200

FAIRBANKS INTERNATIONAL AIRPORT
OVERVIEW

One Terminal Building	132,000 Square Feet
Runways, Taxiways, Ramps	273 Acres of Asphalt
Grounds around runways	12 Acres
Runway & Taxiway lights	950 Lights
Lighted signs	52 Signs
Equipment	67 Vehicles

ANCHORAGE INTERNATIONAL AIRPORT

ANCHORAGE INTERNATIONAL AIRPORT



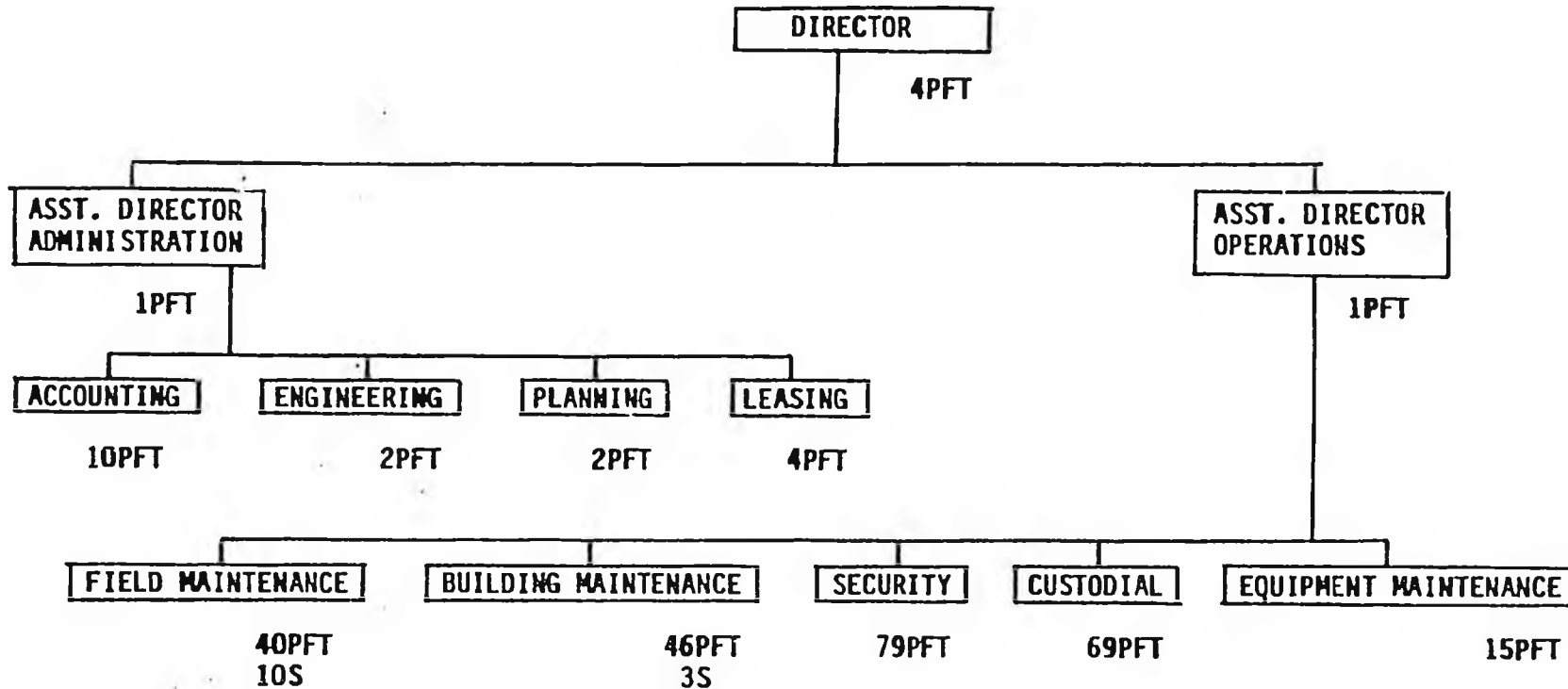
	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>87REV</u>	<u>88</u>
IARF	14427.2	15158.3	16210.7	18518.7	19115.0	19115.0	20110.1
POSITIONS *	236	241	239	270	277	277	286

*Position Total includes permanent full time, permanent part time and seasonal positions.

DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES
 ANCHORAGE INTERNATIONAL AIRPORT
 FY 1988 Operating Budget Request
 (dollars in thousands)

	Field Maintenance	Building Maintenance	Security	Custodial	Equipment Maintenance	Administration	Data & Word Processing	TOTAL
<u>EXPENDITURES</u>								
Personal Services	\$ 2125.5	\$ 2183.3	\$ 3956.8	\$ 2505.5	\$ 787.3	\$ 1120.5	\$ 0.0	\$ 12678.9
Travel	3.5	6.8	16.0	0.0	6.0	16.3	0.0	48.6
Contractual	263.3	1675.7	117.9	568.0	111.1	2837.7	20.0	5593.7
Commodities	629.8	239.4	168.9	127.8	398.6	15.1	2.0	1581.6
Equipment	46.8	35.2	66.4	3.6	16.5	0.0	38.8	207.3
TOTAL	\$ 3068.9	\$ 4140.4	\$ 4326.0	\$ 3204.9	\$ 1319.5	\$ 3989.6	\$ 60.8	\$ 20110.1
<u>FUNDING</u>								
IARF	\$ 3068.9	\$ 4140.4	\$ 4326.0	\$ 3204.9	\$ 1319.5	\$ 3989.6	\$ 60.8	\$ 20110.1
TOTAL	\$ 3068.9	\$ 4140.4	\$ 4326.0	\$ 3204.9	\$ 1319.5	\$ 3989.6	\$ 60.8	\$ 20110.1
<u>POSITIONS</u>								
PFT	40	46	79	69	15	24	0	273
PPT	10	3						13
TOTAL	50	49	79	69	15	24	0	286

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
 ANCHORAGE INTERNATIONAL AIRPORT
 FY 1988 OPERATING BUDGET REQUEST
 STAFFING CHART



PERSONNEL TOTALS	286
PFT	273
PPT/S	13

ANCHORAGE INTERNATIONAL AIRPORT
RESPONSIBILITIES BY COMPONENT

Administration

- Management service for the airport, accounting, leasing, planning and engineering.

Field Maintenance

- Snow removal and ice control
- Crack sealing and pot hole maintenance

Building Maintenance

- Maintenance of terminal buildings
- Baggage conveyor systems
- Maintenance of parking garage

Security

- Crash Fire Rescue
- Security - buildings and grounds

Equipment Maintenance

Custodial Services

DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES
ANCHORAGE INTERNATIONAL AIRPORT
FY 1988 PROJECTED RATES AND FEES

Landing Fees	\$.68 per 1,000 pounds take off weight
Fuel Flowage	\$.02 per gallons
Docking Fees	\$222.62 per International Carrier Docking
Federal Inspection Station (FIS)	\$ 36.36 per Federal Customs Inspection
Space Rental	\$ 27.21 per square foot

DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES
ANCHORAGE INTERNATIONAL AIRPORT
FY 1988 PROJECTED REVENUE

Landing Fees	77,358 Revenue landings	\$11,228,160
Fuel Flowage	516,550,000 Gallons	10,331,000
Docking Fees	6392 dockings	1,422,987
Federal Inspection Station	8,700 Uses	316,332
Space Rental	345,000 Sq. Ft.	9,389,450
Auto Parking		2,225,000
Concession Fees		24,913,000
Land Rental & Tie Downs		<u>1,376,000</u>
TOTAL Projected Revenue		\$61,201,929

ANCHORAGE INTERNATIONAL AIRPORT
OVERVIEW

Two Terminal Buildings	659,000 Square Feet
Runways, Taxiways, Ramps	456 Acres of Asphalt
Grounds around runways	9.5 Acres
Runway & Taxiway lights	2,476 Lights
Lighted signs	135 Signs
Equipment	129 Vehicles

INTERNATIONAL AIRPORTS

FUND BALANCES
(Approximate as of 7/1/86)

Revenue Fund	\$12.5 Million
Construction Fund	* \$ 1.4 Million
Revenue Bond Redemption Fund	**\$ 6.0 Million
Reserve and Replacement Account	\$ 2.0 Million

* This is the fund into which money is placed after it is appropriated and pending the payment of project costs.

** This amount is equal to approximately one-year's principal and interest on the revenue bonds.

STATE OF ALASKA
CAPITAL PROJECT FUNDS - AIRPORT CONSTRUCTION
BALANCE SHEET
June 30, 1986
(Stated in Thousands)

	1966 Airport Construction	1968 Airport Construction	1970 Airport Construction	1972 Airport Construction	1974 Trunk & Sec. Airport Construction	1976 Airport Construction	International Airport Construction	International Airport Construction Series G	Total
ASSETS:									
Current Assets:									
Cash in Treasury	\$ 38	\$ 857	\$ 321	\$ 897	\$ 1,527	\$ 1,114	\$ (1,369)	\$ 25,940	\$ 29,325
Accounts Receivable			159					150	309
Total Assets	\$ 38	\$ 857	\$ 480	\$ 897	\$ 1,527	\$ 1,114	\$ (1,369)	\$ 26,090	\$ 29,634
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	\$	\$	\$	\$	\$ 53	\$	\$ 19	\$ 26,068	\$ 26,140
Warrants Outstanding						400	10		10
Due to General Fund							2,134	22	422
Due Other Funds									2,134
Total Liabilities	\$	\$	\$	\$	\$ 53	\$ 400	\$ 2,163	\$ 26,090	\$ 28,706
Fund Balances:									
Reserved for Encumbrances	\$ 38	\$ 857	\$ 480	\$ 897	\$ 1,156	\$ 5	\$ 163	\$ 394	\$ 718
Unreserved					1,318	709	(3,695)	(394)	210
Total Fund Balances	\$ 38	\$ 857	\$ 480	\$ 897	\$ 1,474	\$ 714	\$ (3,532)	\$	\$ 928
Total Liabilities and Fund Balances	\$ 38	\$ 857	\$ 480	\$ 897	\$ 1,527	\$ 1,114	\$ (1,369)	\$ 26,090	\$ 29,634
LEGAL REFERENCE:									
	CHAP 167 SLA 1966	CHAP 167 SLA 1968	CHAP 222 SLA 1970	CHAP 194 SLA 1972	CHAP 118 SLA 1974	CHAP 248 SLA 1976	CHAP 149 SLA 1972	CHAP 61 SLA 1985	

STATE OF ALASKA
CAPITAL PROJECT FUNDS - AIRPORT CONSTRUCTION
ANALYSIS OF CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 1966
(Stated in Thousands)

	1966 Airport Construction	1968 Airport Construction	1970 Airport Construction	1972 Airport Construction	1974 Trunk & Sec. Airport Construction	1976 Airport Construction	International Airports Construction	International Airports Construction Series G	Total
Initial Project Authorization (Reference Only)	\$ 11,500	\$ 8,800	\$ 10,000	24,000	\$ 10,400	\$ 6,866	\$ 28,000	\$ 38,000	\$ 137,566
Beginning Balance, July 1	\$ 38	\$ 857	\$ 558	1,239	\$ 889	\$ 726	\$ (3,532)		\$ 775
Prior Year Adjustments						(322)			(322)
Adj. Beginning Balance, July 1	\$ 38	\$ 857	\$ 558	1,239	\$ 889	\$ 404	\$ (3,532)		\$ 453
ADDITIONS:									
Revenues:									
Federal Receipts	\$	\$	\$	6	\$ 835	\$ 311	\$	\$	\$ 1,152
DEDUCTIONS:									
Expenditures:									
Construction Costs			78	348	250	2			678
Excess/(Defic.) of Additions over Deductions	\$	\$	\$ (78)	(342)	\$ 585	\$ 309	\$	\$	\$ 474
Ending Balance, June 30	\$ 38	\$ 857	\$ 480	897	\$ 1,474	\$ 713	\$ (3,532)	\$	\$ 927

STATEMENT 65

STATE OF ALASKA
 INTERNATIONAL AIRPORTS REVENUE BONDS
 Bonds Authorized, Issued and Unissued
 June 30, 1986

(Stated in Thousands)

Bonds	Statute	Authorized		Issued		Amount Unissued
		Date	Amount	Date	Amount	
International Airports 1961 Construction	Ch. 66 SLA 74		\$ 34,825(A)	6/1/68	\$ 7,000	\$
				6/1/69	2,225	
				6/1/71	6,500	
				6/1/73	8,500	
				6/1/75	10,600	
International Airports	Ch. 25 SLA 83	6/23/83	28,000(A)	8/1/83	28,000	
International Airports	Ch. 61 SLA 85	5/31/85	38,000(A)			38,000
Total			<u>\$100,825</u>		<u>\$62,825</u>	<u>\$38,000</u>

(A) Legal Reference AS 37.15.410 - .550

STATE OF ALASKA

INTERNATIONAL AIRPORTS REVENUE BONDS
Debt Service by Fiscal Year
June 30, 1986

STATEMENT 66

(Stated in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service To Maturity</u>	<u>Net Cash Redemption Reserve</u>	<u>Required by Fiscal Year</u>
1969	\$	\$ 411	\$ 411	\$	\$ 411
1970		555	555		555
1971	225	555	780		780
1972	300	1,013	1,313		1,313
1973	325	992	1,317		1,317
1974	360	1,474	1,854		1,854
1975	405	1,447	1,852		1,852
1976	510	1,418	1,928		1,928
1977	540	1,384	1,924		1,924
1978	570	1,350	1,920		1,920
1979	610	1,315	1,925		1,925
1980	650	1,277	1,927		1,927
1981	690	1,237	1,927		1,927
1982	740	1,195	1,935		1,935
1983	1,245	1,150	2,395		2,395
1984	395	1,076	1,471		1,471
1985	915	5,099	6,014		6,014
1986	1,820	3,645	5,465		5,465
1987	2,005	3,487	5,492		5,492
1988	2,165	3,315	5,480		5,480
1989	2,340	3,128	5,468		5,468
1990	2,530	2,915	5,445		5,445
1991	2,725	2,686	5,411		5,411
1992	2,920	2,453	5,373		5,373
1993	3,140	2,219	5,359		5,359
1994	3,385	1,965	5,350		5,350
1995	3,635	1,690	5,325		5,325
1996	3,910	1,390	5,300		5,300
1997	3,300	1,063	4,363		4,363
1998	3,600	772	4,372		4,372
1999	2,985	451	3,436	2,072	1,364
2000	3,265	155	3,420	3,420	
Total	\$ 52,225	\$ 54,296	\$106,521	\$ 5,492	\$101,028
Paid as of 6/30/86	<u>10,320</u>	<u>26,600</u>	<u>36,920</u>		<u>36,920</u>
Remaining Liability as of 6/30/86	<u>\$ 41,905</u>	<u>\$ 27,695</u>	<u>\$ 69,600</u>	<u>\$ 5,492</u>	<u>\$ 64,107</u>

The Redemption Reserve in the amount of \$5,492,975.00 is held by the Bank of America as trustee.

STATE OF ALASKA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 June 30, 1986

TABLE 8

(Stated in Thousands)

<u>Governmental Unit</u>	<u>Share Debt</u>
General Obligation Bonds	
State of Alaska General Obligation Bonds	<u>\$ 706,883</u>
Bonds Based on State Appropriation	
Alaska State Building Authority*	\$ 89,555
University of Alaska Revenue Bonds*	<u>22,248</u>
	<u>\$ 111,803</u>
Revenue Bonds	
International Airport Revenue Bonds	\$ 41,905
Alaska Medical Facility Authority	11,943
Alaska Housing Finance Corporation	3,246,156
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans Mortgage Program)	1,190,365
Alaska Railroad Corporation	12,864
Alaska Municipal Bond Bank Authority	122,433
Alaska Industrial Development Authority	245,150
Alaska Power Authority Bonds	<u>452,604</u>
	<u>\$5,323,420</u>

* This debt is that of non-profit corporations which have issued bonds on the strength of the State Legislature annually appropriating the necessary funds to meet the debt service payments and a minimum of administrative fees. The rating bureaus have been using this debt to compute the State's net debt position.

STATE OF ALASKA
 SCHEDULE OF REVENUE BOND COVERAGE
 INTERNATIONAL AIRPORT FUND
 Last Ten Fiscal Years
 June 30, 1986

TABLE 9

(Stated in Thousands)

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirement</u>			<u>Ratio</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1977	\$18,187	\$ 9,546	\$ 8,641	\$ 540	\$1,384	\$1,924	4.49
1978(a)	18,756	10,087	8,669	570	1,350	1,920	4.52
1979	21,503	11,332	10,171	610	1,315	1,925	5.28
1980	22,385	12,483	9,902	650	1,277	1,927	5.14
1981	25,129	13,477	11,652	690	1,237	1,927	6.05
1982	27,106	16,525	10,581	740	1,195	1,935	5.47
1983	28,045	20,300	7,745	1,245	1,150	2,395	3.23
1984	29,370	20,311	9,059	395	1,076	1,471	6.16
1985	42,515	22,409	20,106	915	5,099	6,014	3.34
1986	47,900	25,504	22,396	1,820	3,645	5,465	4.09

(a) Revised Data

STATE OF ALASKA

TABLE 10

SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 1966

(Stated in Thousands)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>International Airport Bonds</u>	<u>Alaska Medical Facility Authority</u>	<u>Alaska Housing Finance Corporation Bonds</u>	<u>Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans Mortgage Program)</u>	<u>Alaska Railroad Corporation Bonds</u>
1987	\$154,892	\$ 5,492	\$ 1,505	\$ 346,553	\$ 120,072	\$ 3,952
1988	147,905	5,480	1,498	378,756	122,676	2,594
1989	135,511	5,468	1,494	395,849	124,985	2,420
1990	120,306	5,445	1,487	388,814	127,331	2,411
1991	95,482	5,411	1,483	396,141	129,650	1,996
(Balance thru final payoff year)	<u>249,040</u>	<u>42,302</u>	<u>13,021</u>	<u>5,215,211</u>	<u>2,979,294</u>	<u>3,104</u>
Total	<u>\$903,138</u>	<u>\$69,600</u>	<u>\$20,491</u>	<u>\$7,123,324</u>	<u>\$3,604,208</u>	<u>\$16,480</u>

* Lease purchase bonds through non-profit corporations which are paid through appropriations for rent by the State.

TABLE 11

STATE OF ALASKA
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 1986

(Stated in Thousands)

GENERAL OBLIGATION BONDS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
1987	\$108,380	\$ 46,512	\$154,892
1988	108,685	39,220	147,905
1989	103,727	31,784	135,511
1990	95,560	24,746	120,306
1991	77,499	17,983	95,482
(Balance thru final payoff year)	<u>213,032</u>	<u>36,008</u>	<u>249,040</u>
Total	<u>\$706,883</u>	<u>\$196,255</u>	<u>\$903,138</u>

These totals do not include principal and interest on AHFC State Guaranteed Bonds (Veterans Mortgage Program).

INTERNATIONAL AIRPORT REVENUE BONDS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
1987	\$ 2,005	\$ 3,487	\$ 5,492
1988	2,165	3,315	5,480
1989	2,340	3,128	5,468
1990	2,530	2,915	5,445
1991	2,725	2,686	5,411
(Balance thru final payoff year)	<u>30,140</u>	<u>12,162</u>	<u>42,302</u>
Total	<u>\$41,905</u>	<u>\$27,695</u>	<u>\$69,600</u>

IV. ANCHORAGE INT'L AIRPORT

January 3, 1997
10:29:19 am

CENTRAL REGION SIX YEAR CAPITAL IMPROVEMENT PROGRAM
OBLIGATION/SPENDING PLAN FY92 - FY93

ANCHORAGE INTERNATIONAL AIRPORT

ELECT DIST	EXP/ ALT	FISCAL YEAR	PHASE(S)	PROJECT	FISCAL YEAR 92			ADD. FED. REQUIRED	TOTAL FUND	MATCH RATIO	AREA	
					AIF FUND	IARF FUND	OTHER					
OBLIGATION	9	EXP	92	2,4	ATA OVERLAY AND GROOVE RUNWAY 6R/24L	\$1,875.0	\$125.0	\$0.0	\$1,375.0	\$2,000.0	0.9375	ATA
	9	EXP	98	2,4	ATA DOMESTIC TERMINAL EXPANSION PHASE III	\$0.0	\$11,000.0	\$0.0	\$0.0	\$11,000.0	0	ATA
	9	EXP	89	2,4	ATA ANNUAL IMPROVEMENTS FY89	\$0.0	\$600.0	\$0.0	\$0.0	\$600.0	0	ATA
	9	EXP	98	2,4	ATA TAXIWAY 'J' BLAST PROTECTION	\$375.0	\$25.0	\$0.0	\$375.0	\$100.0	0.9375	ATA
	9	EXP	83	2,4	ATA TERMINAL RENOVATION (BOTH TERMINALS)	\$0.0	\$5,000.0	\$0.0	\$0.0	\$5,000.0	0	ATA
	9	EXP	88	2,4	ATA MAINTENANCE EQUIPMENT PURCHASE AND REPLACEMENT FY88	\$0.0	\$740.0	\$0.0	\$0.0	\$740.0	0	ATA
	9	EXP	88	2,4	ATA CONSTRUCT EPA APPROVED FIRE PIT	\$0.0	\$550.0	\$0.0	\$0.0	\$550.0	0	ATA
	9	EXP	92	2,4	ATA RECONSTRUCTION OF RAMP AREAS	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	ATA
	9	EXP	88	2,4	ATA PAVE TUG ROAD PHASE I	\$0.0	\$100.0	\$0.0	\$0.0	\$100.0	0	ATA
	9	EXP	88	2,4	ATA EXPAND SAND STORAGE BLDG	\$0.0	\$300.0	\$0.0	\$0.0	\$300.0	0	ATA
	9	EXP	85	2,4	ATA PAVE GENERAL AVIATION APRON FY85	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	ATA
						=====	=====	=====	=====	=====		
					\$2,250.0	\$20,440.0	\$0.0	\$2,250.0	\$22,490.0			
ALTERNATE	9	ALT	89	2,4	ATA HIGH SPEED TAXIWAY CONSTRUCTION	\$1,300.3	\$86.7	\$0.0	\$1,300.0	\$1,227.0	0.9375	ATA
	9	ALT	98	2,4	ATA CFR BUILDING	\$2,400.0	\$1,625.0	\$0.0	\$0.0	\$4,025.0	0	ATA
						=====	=====	=====	=====	=====		
					\$3,700.3	\$1,711.7	\$0.0	\$1,300.0	\$5,412.0			

January 2, 1987

10:29:55 am

CENTRAL REGION SIX YEAR CAPITAL IMPROVEMENT PROGRAM
OBLIGATION/SPENDING PLAN FY88 - FY93

ANCHORAGE INTERNATIONAL AIRPORT

ELECT DIST	EXP/ ALT	FISCAL YEAR	PHASE(S)	PROJECT	FISCAL YEAR 89			ADD. FED. REQUIRED	TOTAL FUND	MATCH RATIO	AREA
					AIP FUND	IARF FUND	OTHER				
0	EXP	89	2,4	ATA RESURFACE TAXIWAY 'K'	\$2,912.5	\$137.5	\$0.0	\$2,513.0	\$3,000.0	0.9375	ATA
9	EXP	89	2,4	ATA CFR BUILDING	\$2,400.0	\$1,625.0	\$0.0	\$0.0	\$4,025.0	0	ATA
9	EXP	89	2,4	ATA DOMESTIC TERMINAL EXPANSION PHASE IV	\$0.0	\$0.0	\$46,000.0	\$0.0	\$46,000.0	0	ATA
9	EXP	89	2,4	ATA ANNUAL IMPROVEMENTS FY89	\$0.0	\$650.0	\$0.0	\$0.0	\$650.0	0	ATA
9	EXP	89	2,4	ATA MAINTENANCE EQUIPMENT FY89	\$0.0	\$540.0	\$0.0	\$0.0	\$540.0	0	ATA
9	EXP	89	2,4	ATA RECONSTRUCTION OF FAME AREAS	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	ATA
9	EXP	89	2,4	ATA EXPAND FLOAT PLANE FACILITY	\$0.0	\$2,500.0	\$0.0	\$0.0	\$2,500.0	0	ATA
9	EXP	89	2,4	ATA GENERAL AVIATION DEVELOPMENT PHASE I	\$0.0	\$3,500.0	\$0.0	\$0.0	\$3,500.0	0	ATA
9	EXP	89	2,4	ATA GENERAL AVIATION PAVING FY89	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	ATA
9	EXP	89	2,4	ATA GENERAL AVIATION ELECTRIFICATION	\$0.0	\$350.0	\$0.0	\$0.0	\$350.0	0	ATA
					=====	=====	=====	=====	=====		
					\$5,212.5	\$11,352.5	\$46,000.0	\$2,513.0	\$62,565.0		

January 9, 1987

10:30:24 am

CENTRAL REGION SIX YEAR CAPITAL IMPROVEMENT PROGRAM

OBLIGATION/PENDING PLAN FY83 - FY93

ANCHORAGE INTERNATIONAL AIRPORT

ELECT DIST	EXP/ ALT	FISCAL YEAR	PHASE(S)	PROJECT	FISCAL YEAR 90			ADD. FED. REQUIRED	TOTAL FUND	MATCH RATIO	AREA
					AIP FUND	IARF FUND	OTHER				
9	EXP	90	2,4	AIA RECONSTRUCTION OF INTERNAL ROADWAYS FY90	\$0.0	\$3,537.0	\$0.0		\$3,537.0	0	ATA
9	EXP	90	2,4	AIA ANNUAL IMPROVEMENTS FY90	\$0.0	\$700.0	\$0.0	\$0.0	\$700.0	0	ATA
9	EXP	90	2,4	AIA MAINTENANCE EQUIPMENT FY90	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	ATA
9	EXP	90	2,4	AIA RECONSTRUCTION OF RAMP AREAS FY90	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	ATA
9	EXP	90	2,4	AIA NORTH AIR PARK DEVELOPMENT PH II	\$0.0	\$3,200.0	\$0.0	\$0.0	\$3,200.0	0	ATA
9	EXP	90	2,4	AIA PAVE TUG ROAD PHASE II	\$0.0	\$300.0	\$0.0	\$0.0	\$300.0	0	ATA
9	EXP	90	2,4	AIA AIRCRAFT STORAGE AREA	\$0.0	\$1,300.0	\$0.0	\$0.0	\$1,300.0	0	ATA
9	EXP	90	2,4	AIA NOISE ABATEMENT PROGRAM FY90	\$2,500.0	\$2,100.0	\$0.0	\$0.0	\$4,600.0	0	ATA
9	EXP	90	2,4	AIA GENERAL AVIATION DEVELOPMENT PHASE II	\$0.0	\$3,500.0	\$0.0	\$0.0	\$3,500.0	0	ATA
9	EXP	90	2,4	AIA GENERAL AVIATION PAVING FY90	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	ATA
9	EXP	90	2,4	AIA NOISE MONITORING EQUIPMENT FY90	\$0.0	\$100.0	\$0.0	\$0.0	\$100.0	0	ATA
					=====	=====	=====	=====	=====		
					\$2,500.0	\$17,727.0	\$0.0	\$0.0	\$20,227.0		

ELECT DIST	EXP/ ALT	FISCAL YEAR	PHASE(S)	PROJECT	FISCAL YEAR 91			ADD. FED. REQUIRED	TOTAL FUND	MATCH RATIO	AREA
					AIP FUND	IARF FUND	OTHER				
9	EXP	91	2,4	AIA OVERLAY 8 GROOVE RUNWAY 14/32	\$2,343.3	\$156.3	\$0.0	\$0.0	\$2,500.0	0.3375	AIA
9	EXP	91	2,4	AIA ANNUAL IMPROVEMENTS FY91	\$0.0	\$750.0	\$0.0	\$0.0	\$750.0	0	AIA
9	EXP	91	2,4	AIA RECONSTRUCTION OF INTERNAL ROADWAYS FY91	\$0.0	\$13,100.0	\$0.0	\$0.0	\$13,100.0	0	AIA
9	EXP	91	2,4	AIA RECONSTRUCTION OF TAXIWAYS FY91	\$0.0	\$2,000.0	\$0.0	\$0.0	\$2,000.0	0	AIA
9	EXP	91	2,4	AIA MAINTENANCE EQUIPMENT FY91	\$0.0	\$1,200.0	\$0.0	\$0.0	\$1,200.0	0	AIA
9	EXP	91	2,4	AIA RECONSTRUCTION OF RAMP AREAS FY91	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	AIA
9	EXP	91	2,4	AIA NOISE ABATEMENT PROGRAM FY91	\$0.0	\$7,500.0	\$0.0	\$0.0	\$7,500.0	0	AIA
9	EXP	91	2	AIA UPDATE EXISTING MASTERPLAN & NOISE STUDY	\$409.3	\$31.3	\$0.0	\$0.0	\$500.0	0.3375	AIA
9	EXP	91	2	AIA NORTH TERMINAL EXPANSION STUDY	\$0.0	\$100.0	\$0.0	\$0.0	\$100.0	0	AIA
					=====	=====	=====	=====	=====		
					\$2,912.5	\$25,237.5	\$0.0	\$0.0	\$22,650.0		

CENTRAL REGION SIX YEAR CAPITAL IMPROVEMENT PROGRAM
OBLIGATION/SPENDING PLAN FY88 - FY93

ANCHORAGE INTERNATIONAL AIRPORT

ELECT DIST	EXP/ ALT	FISCAL YEAR	PHASE(S)	PROJECT	FISCAL YEAR 92			AGG. FED. REQUIRED	TOTAL FUND	MATCH	
					AIF FUND	IARF FUND	OTHER			FATIC	AREA
9	EXP	92	2,4	ATA ANNUAL IMPROVEMENTS FY92	\$0.0	\$750.0	\$0.0	\$0.0	\$750.0	0	AIA
9	EXP	92	2,4	ATA TERMINAL RENAB & REMODELING (BOTH TERMINAL BLDGS)	\$0.0	\$5,000.0	\$0.0	\$0.0	\$5,000.0	0	AIA
9	EXP	92	2,4	ATA RECONSTRUCTION OF TAXIWAYS FY92	\$0.0	\$1,000.0	\$0.0	\$0.0	\$1,000.0	0	AIA
9	EXP	92	2,4	ATA RECONSTRUCTION OF RAMP AREAS FY92	\$2,300.0	\$3,000.0	\$0.0	\$0.0	\$5,300.0	0	AIA
9	EXP	92	2,4	ATA MAINTENANCE EQUIPMENT FY92	\$0.0	\$1,200.0	\$0.0	\$0.0	\$1,200.0	0	AIA
9	EXP	92	2,4	ATA NORTH AIRPARK DEVELOPMENT PH III	\$0.0	\$1,700.0	\$0.0	\$0.0	\$1,700.0	0	AIA
					=====	=====	=====	=====	=====		
					\$2,600.0	\$12,650.0	\$0.0	\$0.0	\$15,450.0		

ELECT DIST	EXP/ ALT	FISCAL YEAR	PHASE(S)	PROJECT	FISCAL YEAR 93			ADD. FED. REQUIRED	TOTAL FUND	MATCH RATIO	AREA
					AIP FUND	IARF FUND	OTHER				
9	EXP	93	2,4	ATA OVERLAY RUNWAY 06L/24R	\$0.0	\$2,500.0	\$0.0	\$0.0	\$2,500.0	0	ATA
9	EXP	93	2,4	ATA ANNUAL IMPROVEMENTS FY93	\$0.0	\$500.0	\$0.0	\$0.0	\$500.0	0	ATA
9	EXP	93	2,4	ATA TERMINAL EXPANSION (PHASE IV)	\$0.0	\$0.0	\$45,000.0	\$0.0	\$45,000.0	0	ATA
9	EXP	93	2,4	ATA MAINTENANCE EQUIPMENT FY93	\$0.0	\$1,500.0	\$0.0	\$0.0	\$1,500.0	0	ATA
9	EXP	93	2,4	ATA NOISE ABATEMENT PROGRAM FY93	\$2,800.0	\$2,200.0	\$0.0	\$0.0	\$5,000.0	0	ATA
9	EXP	93	2,4	ATA REMOTE EMPLOYEE PARKING	\$0.0	\$2,000.0	\$0.0	\$0.0	\$2,000.0	0	ATA
					=====	=====	=====	=====	=====		
					\$2,800.0	\$9,000.0	\$45,000.0	\$0.0	\$56,800.0		

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
SIX YEAR CAPITAL IMPROVEMENT PROGRAM

March 25, 1987

8:32:21 am

FAIRBANKS INTERNATIONAL AIRPORT
INTERNATIONAL AIRPORT REVENUE FUNDS

FISCAL YEAR	REGION	EXP/ALT	FHWA FUNDS	AIP FUND	IARF FUND	GEN FUND	OTHER FUND	CLASS TYPE	FUND TYPE	ELECT DIST	PROJECT
88	NO	EXP	\$0.0	\$0.0	\$3,000.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Access Road "A" Construction
88	NO	EXP	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Annual Improvements '88
88	NO	EXP	\$0.0	\$0.0	\$700.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Land Acquisition
88	NO	EXP	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	IA-PR	FA	20	FIA CFR Bldg Upgrade-PE
TOTAL BY FISCAL YEAR			\$0.0	\$0.0	\$4,100.0	\$0.0	\$0.0				
89	NO	EXP	\$0.0	\$1,300.0	\$100.0	\$0.0	\$0.0	IA-PR	FA	20	FIA NW Aaron & Txyw Extension
89	NO	EXP	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Annual Improvements '89
89	NO	EXP	\$0.0	\$0.0	\$500.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Terminal Area Landscaping along Airport Wy
89	NO	EXP	\$0.0	\$0.0	\$2,000.0	\$0.0	\$0.0	IA-PR	FA	20	FIA CFR Bldg Upgrade Const leasing/ventil/
TOTAL BY FISCAL YEAR			\$0.0	\$1,300.0	\$2,800.0	\$0.0	\$0.0				
90	NO	EXP	\$0.0	\$600.0	\$1,000.0	\$0.0	\$0.0	IA-PR	FA	20	FIA NW Aaron & Taxiway Extension Ph 2
90	NO	EXP	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Annual Improvements '90
90	NO	EXP	\$0.0	\$0.0	\$400.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Fuel Hydrant Sys Repairs
90	NO	EXP	\$0.0	\$0.0	\$600.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Float Pond Expansion
TOTAL BY FISCAL YEAR			\$0.0	\$600.0	\$2,200.0	\$0.0	\$0.0				
91	NO	EXP	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Annual Improvements '91
91	NO	EXP	\$0.0	\$0.0	\$1,500.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Maintenance, CFR & Security Equip Replac.
91	NO	EXP	\$0.0	\$0.0	\$800.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Noise Abatement Program
TOTAL BY FISCAL YEAR			\$0.0	\$0.0	\$2,500.0	\$0.0	\$0.0				
92	NO	EXP	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Annual Improvements '92
92	NO	EXP	\$0.0	\$0.0	\$1,500.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Maint Facility Expansion, Equip Shop,
92	NO	EXP	\$0.0	\$0.0	\$800.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Automobile Parking Lot Expansion
92	NO	EXP	\$0.0	\$0.0	\$1,000.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Gen Aviation Aaron & Txyw Expan, Ph 2
TOTAL BY FISCAL YEAR			\$0.0	\$0.0	\$3,500.0	\$0.0	\$0.0				

EXP/ALT *CLASS TYPES (HWAYS/OTHER)* *CLASS TYPES (AVIATION)* *FUND TYPES*

EXP=EXPECTED IS=INTERSTATE PR=PRIMARY FH=FEDERAL HIGHWAYS
 ALT=ALTERNATE PS=PRIMARY/SECONDARY CN=COMMERCIAL/NON-PRIMARY FA=FEDERAL AVIATION
 DEF=DEFERRED UR=URBAN NC=NON-COMMERCIAL GF=GENERAL FUND
 TR=TRANSIT AP=AREA POPULATION IA=INT'L AIRPORT REVENUE
 HB=HARBORS DI=DISCRETIONARY OT=OTHER FUND
 PF=PUBLIC FACILITY
 RD=RAINFALL (FHWA)

FAIRBANKS INTERNATIONAL AIRPORT
 INTERNATIONAL AIRPORT REVENUE FUNDS

FISCAL			FHW FUNDS	AIP FUND	IARF FUND	GEN FUND	OTHER FUND	CLASS	FUND	ELECT	PROJECT
YEAR	REGION	EXP/ALT						TYPE	TYPE	DIST	
93	NO	EXP	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Annual Improvements '93
93	NO	EXP	\$0.0	\$0.0	\$500.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Terminal Remodel, Interior, Exterior, Roof
93	NO	EXP	\$0.0	\$0.0	\$1,200.0	\$0.0	\$0.0	IA-PR	FA	20	FIA West Industrial Rd Drainage Improv & Paving
93	NO	EXP	\$0.0	\$0.0	\$700.0	\$0.0	\$0.0	IA-PR	FA	20	FIA Maintenance Site Grading, Foundation Prep,
TOTAL BY FISCAL YEAR			\$0.0	\$0.0	\$2,600.0	\$0.0	\$0.0				

EXP/ALT

EXP=EXPECTED
 ALT=ALTERNATE
 DEF=DEFERRED

CLASS TYPES (HWAYS/OTHER)

IS=INTERSTATE
 PS=PRIMARY/SECONDARY
 UR=URBAN
 TR=TRANSIT
 HB=HARBORS
 PF=PUBLIC FACILITY
 BR=BRIDGE (FHW)

CLASS TYPES (AVIATION)

PR=PRIMARY
 CN=COMMERCIAL/NON-PRIMARY
 NC=NON-COMMERCIAL
 AP=AREA POPULATION
 DI=DISCRETIONARY

FUND TYPES

FH=FEDERAL HIGHWAYS
 FA=FEDERAL AVIATION
 GF=GENERAL FUND
 IA=INT'L AIRPORT REVENUE
 OT=OTHER FUND

Notes from meeting 1/29/87 among Drue, Jo and Ron Lind (DOTPF)

The International Airport Revenue Fund (IARF) was established as a financing mechanism so the airport could issue bonds.

The fuel tax goes to the General Fund; the fuel flowage fee goes to the IARF.

Approx. \$750,000 to \$1,000,000 goes to DOTPF from the IARF to pay for certain services.

The IARF can receive federal funds. That money can be spent on ANC/FAI airports which are considered to be of the "prime" class or those monies can be spent on airports of "lower" classes.

The Operating Agreement (OA) for the airports gives those who signed the agreement some say in the way their fees are spent in order to keep increases in their fees under control. The OA basically says "you'll collect enough to operate the airport, pay debt service and maintain a small reserve". When the state proposes a new project on the airport that will affect the amount of fees charged to the carriers, they have the right to approve the project or they can disapprove the project thereby delaying a project for one year. If the state chooses to go ahead with the project before the one year's time, those increased fees cannot be included in the operating agreement. Those carriers who have not signed the OA are on a month-to-month agreement and have no say in the way their fees are spent. The OA gives both the state and the carriers some stability.

If the IARF capital dollars are used, the fund expects to receive a return on its investment. This kind of revenue is the first source of funds for new construction projects.

Prepaid Airline Revenue Account: This account contains a small reserve of prepaid fees in the event that the costs of operating the airport do not exceed the income. The signers of the OA have the option as to how this money is applied.

Ron will get back to us with the reserve balance numbers. See also the IARF Financial Report.

Synopsis of Anchorage International
Airport Operating Agreement and Lease
for Domestic Terminal

Sec.

- Preamble DOTPF is owner/operator of Anchorage International Airport
- 2.02 Airlines rights to operate are common rights with others to use the airport for air transportation business
- 2.03 Airline leases Exclusive Use Space
Airline has preferential but non-exclusive use of Apron area
Airport Director can authorize other airlines to use holdrooms, loading bridges and airline-designated aircraft parking positions when not needed for regular uses.
Airport Director can close, relocate, etc. after reasonable notice so long as other simultaneous access is provided.
- 3.01 Other Airlines can come in but must first try to deal with Signatory Airlines for space and use of facilities.
- 3.02 Signatory Airlines can be required to provide space or facilities to other airlines but the type of agreement is at the discretion of the Signatory Airlines.

Signatory Airline does not have to comply if it would unreasonably interfere with their use of space and facilities.

Signatory Airline may charge costs plus a 15% administrative fee.
- 4.01 DOTPF will provide a Captial Improvement report to Signatory Airlines by NLT the beginning of

the Fiscal Year before the Fiscal Year in which DOTPF intends to undertake new Capital Improvements (any physical asset that costs more than \$100,000 including design and planning costs and has a useful life greater than 3 years).

Report includes description, cost estimate, preliminary drawings, project description and location and maps; supporting data; estimated effective date and amount of adjustment to rents or fees resulting from the Capital Improvements cost; evaluation of need; preferred source of funding.

4.02

System-wide (Anchorage and Fairbanks) Capital Improvement whose costs are to be included in rents and fees charged to Signatory Airline are subject to Signatory Airline review except those capital improvements done for the benefit of an airline or other Airport System tenant "under the terms of a separate agreement that provides for payment of rents or fees to cover" financing, maintenance and operation.

NLT 7/15 of each Fiscal Year, DOTPF will meet with Signatory Airlines to discuss Capital Improvements. Unless 67% of the Signatory Airlines withhold approval of Capital Improvements in writing within 30 days after the meeting, Capital Improvements can go ahead.

If approval is withheld, DOTPF can ask for reconsideration at a meeting within 15 days. If approved by 67%, it passes.

If approval is withheld, DOTPF will either postpone for 1 full Fiscal Year or will exclude the capital costs from the rents and fees.

If after 1 full Fiscal Year postponement, DOTPF proposes to go ahead with the same project, it must be resubmitted to the Signatory Airline and rents and fees may be raised to cover it.

4.03

Capital Improvements may proceed if --
-- cost under \$500,000
-- necessary to comply with govt. agency
-- necessary for health and safety

5.01

Rent is \$28.99/sq.ft./yr. for exclusive use space. Common use space is \$28.99/sq.ft./yr. prorated by use.
Fuel flowage fee is .02/gallon for aviation

fuel.

- 6.01 DOTPF to maintain cost accounting system for Airports that shows:
- revenues
 - maintenance and operation expenses
 - expenses of DOTPF allocable to the Airport System
 - annual debt service
 - amortization of assets acquired with IARF funds

Records must be kept for these cost centers:

- Airfield Area
- Domestic Terminal Building
- Fairbanks Terminal
- International Terminal
- Other buildings and Grounds

- 6.02 By 9/30 DOTPF will give following to Signatory Airlines:
- Proposed annual capital and operating budgets
 - Schedule of annual debt service
 - Preliminary calculation of rents and landing fees for next Fiscal Year.

- 6.03 IARF financial statements to be audited

- 7.01 Rents and fees must be adjusted annually without formal amendment to agreement.

- 7.02 Each year the Airport System terminal building rental rate per square foot per year is recalculated. Calculation takes into account:
- Total estimated maintenance and operation expenses including administrative overhead allocable to the terminal building cost centers.
 - An amount for amortization of capital expenditures for assets placed in service on or before 7/1/77 and before the new rental rate is to take effect. Assets funded by bonds, loans, grants are excluded
 - Annual Debt Service (including any amount required to satisfy the rate covenant in the bond resolution) allocable to the terminal building cost.
 - Any required deposit to reserve accounts allocable to the terminal building costs.
 - Estimated assessments, judgments, settlements or charges payable by DOTPF directly related to the Airport System and allocable to terminal building cost centers.

Airport System parking revenues offset terminal building rents as of 1/1/86.

7.03

Landing Fee Rate is recalculated each year.
-- reductions are allowed by subtracting the following amounts:
-- revenue derived by DOTPF from all sources other than Signatory Airlines
-- Signatory Airlines terminal rent
-- all fuel flowage fees paid by Signatory Airlines
-- the amount transferred from the Prepaid Airline Revenue Account to the Revenue Account net of any overpayment or underpayment from operation of the Airport System.

7.04

Landing fees can be raised after 30 days written notice to the Signatory Airlines in the event there is not enough revenue to cover the landing fee requirement in 7.03.

If landing fee revenue from all Signatory Airlines for any quarter varies by more than 10% from the estimated landing fee requirement, DOTPF may adjust landing fee rate for balance of Fiscal Year.

8.01

This agreement subordinate to all present IARF Bond resolutions.

Signatory Airlines have the opportunity to review and comment on proposed amendments to Bond resolutions and DOTPF will give consideration to comments before adopting amendments or issuing new bonds.

8.02

DOTPF deposits all revenues from Anchorage and Fairbanks Internationals into IARF. Receipts are applied in the following order:

- Interest Fund and Retirement Fund of the Revenue Bond Redemption Fund to satisfy payments due during Fiscal Year on all outstanding Bonds.
- Bond Reserve Fund (to maintain a balance equal to the maximum annual debt service on all Bonds outstanding at the time
- Repair and Replacement Reserve Account of at least \$2 Million dollars
- Operating Account (reasonable and necessary expenses for operation, maintenance, repair, ordinary replacement, and reconstruction.
- Operation and Maintenance Reserve Account

(one-quarter of amount of annual budget for operation and maintenance expenses)

- Capital Improvement Account
- Prepaid Airline Revenue Account
(min. \$1 Mil. and any amount remaining in the Revenue Account at the end of the Fiscal Year after all amounts have been deposited into other funds in the section

9.01

Airline Responsibilities

- to give required information
- perform reasonable, ordinary maintenance within their Exclusive Use Space
- remove disabled aircraft

9.02

DOTPF's Responsibilities

- retain FAA certification
- operate and maintain Airports in reasonable condition and repair
- keep terminal buildings clean, heated, etc.

10.01

Indemnification

10.02

Insurance - DOTPF maintains comprehensive general liability and fire for Airport and terminal building.

Airline carries public liability, aviation liability, premises, property damage, etc.

Limits: \$1 Million/seat for airline/aircraft/
public liability insurance or equivalent
insurance

- for propeller aircraft \$10 Million
- for jet aircraft \$20 Million

10.03

Waiver of Subrogation

10.04

Additional Insured

10.05

Notice of Claim

10.06

Insurance Rates - Airline may not use the airport in any manner that will increase the DOTPF's insurance rates.

11.01

Assignment and sublease allowed with advance written approval

.....balance of agreement is standard airport leasing provisions.

2/10/87 - JLF

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

ANCHORAGE INTERNATIONAL AIRPORT
AIRLINE OPERATING AGREEMENT AND
TERMINAL BUILDING LEASE
(DOMESTIC TERMINAL)

February, 1986

ANCHORAGE INTERNATIONAL AIRPORT AIRLINE OPERATING AGREEMENT
AND TERMINAL BUILDING LEASE (DOMESTIC TERMINAL)

EXHIBITS

Exhibit

- A Airport Layout Plan, Anchorage International Airport
- B Property Plan, Anchorage International Airport
- C Airport Layout Plan, Fairbanks International Airport
- D Property Plan, Fairbanks International Airport
- E Exclusive Use Space, Common Use Space
- F Airport System Cost Centers, Anchorage International Airport
- G Airport System Cost Centers, Fairbanks International Airport
- H Aircraft Parking Positions
- I Flow of Funds
- J AIRLINE's Space Designations
- K Approved Capital Improvements

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ANCHORAGE INTERNATIONAL AIRPORT
AIRLINE OPERATING AGREEMENT AND
TERMINAL BUILDING LEASE
(DOMESTIC TERMINAL)

This Airline Operating Agreement and Terminal Building Lease (the Agreement) is offered this _____ day of _____, by and between the State of Alaska, Department of Transportation and Public Facilities (DOT&PF), and Airline, (AIRLINE), a corporation organized and existing under the laws of _____.

DOT&PF and AIRLINE agree as follows:

DOT&PF is the owner and operator of the Anchorage International Airport in Anchorage, Alaska and has the right to enter into leases and grant operating privileges at the Airport.

AIRLINE is a corporation engaged primarily in the business of providing Air Transportation.

Both DOT&PF and AIRLINE have mutually agreed to establish procedures for the periodic setting of rents and fees for the use of the Airport System. Both DOT&PF and AIRLINE have mutually negotiated and desire to enter into this Agreement in order to set forth the rights, privileges, and obligations of both parties and to facilitate the development, promotion, and improvement of Air Transportation.

ANCHORAGE INTERNATIONAL AIRPORT AIRLINE OPERATING AGREEMENT
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ARTICLE 1
DEFINITIONS

Section 1.01. Definitions

The words and phrases defined below have the following meanings when used in this Agreement:

1. "Airline" means a business entity that provides Air Transportation services.
2. "Air Transportation" means the carriage of persons, property, cargo, or mail by aircraft and the activities, functions, and operations incidental to an air transportation business.
3. "Aircraft Arrival" means any aircraft arrival at the Airport including scheduled, charter, sightseeing, test, ferry, courtesy, inspection, training, or any other flight. Aircraft Arrival does not include any flight that immediately returns to the Airport because of mechanical, meteorological, or other precautionary reason.
4. "Airport" means the real property and facilities of Anchorage International Airport as it exists on the date of execution of this Agreement or in the future. The existing facilities and boundaries of the Airport are shown in Exhibit A and described in the property plan, Exhibit B.
5. "Airport Directives" means the Airport notices and instructions issued by the Airport Director facilitating day to day operation of the Airport and implementing rules and regulations promulgated by state and federal agencies requiring coordination by the Airport.
6. "Airport Director" means the person DOT&PF delegates to act on its behalf at the Airport.
7. "Airport System" means the Anchorage and Fairbanks International Airports as they exist now or in the future. The existing facilities and boundaries of both airports are shown in Exhibits A and C and described in the property plans, Exhibits B and D.
8. "Annual Budget" means the capital and operating budgets for the Anchorage and Fairbanks International Airports as signed by the Governor of the State of Alaska.
9. "Annual Debt Service" means the total amount required as deposits in a Fiscal Year to any interest, principal, or sinking fund account established by the Bond Resolution for any Bonds issued for any Airport System purpose and

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to replenish the Bond Reserve Fund and the Repair and Replacement Reserve Account under the Bond Resolution.

10. "Apron Area" means the aircraft parking and maneuvering areas abutting a terminal building up to its dripline.
11. "Bond" or "Bonds" means revenue bond or bonds supported by the IARF and issued by the State of Alaska pursuant to Alaska Statutes 37.15.410-37.15.550 or as amended.
12. "Bond Resolution" means Resolution No. 68-4 adopted by the State Bond Committee of the State of Alaska and any additional resolutions providing for the issuance of Bonds.
13. "Capital Improvement" means any physical asset that costs more than \$100,000 including design and planning costs, has an expected useful life greater than three years, and is purchased or constructed to improve, protect, maintain, or develop the Airport System.
14. "Certificated Maximum Gross Takeoff Weight" means the maximum takeoff weight at which each aircraft is authorized by the FAA to operate from the Airport.
15. "Common Use Space" means the space that is available for lease and use in common with other Airlines.
16. "Exclusive Use Space" means the space leased exclusively by AIRLINE.
17. "FAA" means the Federal Aviation Administration.
18. "Fiscal Year" means any fiscal year adopted by DOT&PF. The Fiscal Year of the DOT&PF currently begins on July 1 and ends on June 30.
19. "International Airports Revenue Fund" (IARF) means the fund or funds established now or in the future pursuant to Alaska Statute 37.15.430 or as amended.
20. "Premises" means all of the Common Use Space and Exclusive Use Space leased to AIRLINE under this Agreement.
21. "Rate Covenant" means Section 6.12 of the Bond Resolution and any similar provision of any supplemental or additional resolution providing for the issuance of Bonds.
22. "Signatory Airline" means an Airline that has executed an airline operating agreement with DOT&PF for the use and occupancy of Airport facilities that is substantially similar to this Agreement.

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ARTICLE 2
USE OF AIRPORT FACILITIES

Section 2.01. Term

This Agreement is effective from 12:01 a.m. on July 1, 1985 until 12:01 a.m. on July 1, 1990.

Section 2.02. Uses of the Airport

AIRLINE is granted the right to use the Airport, in common with others, for the sole purpose of conducting AIRLINE's Air Transportation business. In addition to all rights granted elsewhere in this Agreement, AIRLINE's use of the Airport for conducting its Air Transportation business includes the right to:

1. Land, takeoff, fly, taxi, push, tow, load, or unload aircraft.
2. Repair, maintain, condition, service, test, park, or store aircraft.
3. Perform or cause to be performed by contract, customary aircraft fueling, servicing, and line maintenance at aircraft parking positions adjacent to the terminal building or on exclusively leased aprons before loading and takeoff or as soon as practical following landing and unloading. AIRLINE may perform other maintenance of aircraft, vehicles, or equipment only at exclusively leased aprons or at locations designated by DOT&PF.
4. Sell tickets, document shipments, handle reservations, and sell transportation of cargo, mail, and personal property by air, and perform, or cause to be performed by contract, the customary handling of passengers, baggage, cargo and mail.
5. Install, maintain, or operate, by AIRLINE alone or in conjunction with any other Airline, air-to-ground and other communication, meteorological, and aerial navigation systems between locations on the Airport, subject to prior written approval of DOT&PF and Section 15.11.
6. Ground train personnel on the Airport necessary to the conduct of AIRLINE's Air Transportation business.
7. Transport by air, load, and unload persons, property, cargo, and mail at the Airport.
8. Use motor vehicles or other ground transportation equipment required for the conduct of AIRLINE's Air Transportation business. This Agreement does not give

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AIRLINE the right to operate a ground transportation business to or from the Airport.

9. Install, maintain, and operate passenger clubs, lounges, or VIP rooms in AIRLINE's Exclusive Use Space. AIRLINE may not sell food or beverage items in clubs, lounges, or VIP rooms if the sales violate the contractual rights of the Airport's food and beverage concessionaire.
 - a. If AIRLINE sells food or beverage items in its passenger clubs, lounges, or VIP rooms, AIRLINE will submit to DOT&PF a monthly report of the gross sales of food and beverage items and pay DOT&PF a monthly percentage of gross fee for those sales. The percentage amounts used to calculate this fee will be the same as the percentage amounts that DOT&PF requires the food and beverage concessionaire to pay.
 - b. If AIRLINE sells food or beverage items in its passenger clubs, lounges, or VIP rooms, AIRLINE will use the Airport's food and beverage concessionaire as AIRLINE's supplier of food and beverage services if required by the terms of the food and beverage concessionaire's contract with DOT&PF. In this event, the monthly report to DOT&PF and the monthly percentage of gross sales fee described in Section 2.02.9.a do not apply to AIRLINE but to the concessionaire only. Nothing in this Agreement prevents AIRLINE from selling memberships in its VIP rooms. The sale of memberships for use of a VIP room is not considered a sale of food and beverage.
10. Install and maintain AIRLINE's identification signs, advertising, or similar matter on AIRLINE's Premises. The size, type and location of signs must be approved in writing by the Airport Director before installation.
11. Purchase AIRLINE's requirements of personal property or services, including fuel, lubricants, inflight food or beverages, and other supplies. AIRLINE may purchase goods and services from any person or company of AIRLINE's choice.
12. Sell, lease, transfer, dispose, or exchange AIRLINE's aircraft, engines, accessories, equipment, or supplies necessary to conduct its Air Transportation business.
13. Use non-exclusive employee vehicle parking facilities for employees at the Airport at locations designated by the Airport Director. The Airport may charge a separate fee for employee vehicle parking which fee must be the

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same for AIRLINE's employees as the employees of other Airport tenants.

14. Sell or provide any of the services listed in this Section to any other Airline.

Section 2.03. Exclusive and Common Use Space

- A. AIRLINE leases Exclusive Use Space as listed on Exhibit E and depicted on Exhibit J. AIRLINE leases in common with others the Common Use Space listed on Exhibit E and depicted on Exhibit J. AIRLINE may only use each space for the purpose designated on Exhibit E unless the Airport Director approves a change.
- B. AIRLINE is granted the preferential but nonexclusive use of the Apron Area at the aircraft parking positions designated for AIRLINE's use on Exhibit H. This is AIRLINE's preferential apron area. AIRLINE may use the parking positions to park a reasonable amount of service equipment required for AIRLINE's operations, subject to the Airport Director's approval.
- C. The Airport Director may authorize other Airlines to use AIRLINE's holdrooms, loading bridges, and AIRLINE's designated aircraft parking positions whenever they are not required for AIRLINE's scheduled, extra section, delayed, and charter passenger flight activities or the passenger flight activities of any Airline for which AIRLINE is providing contract services pursuant to a written agreement. As a condition of the use of AIRLINE's facilities, AIRLINE has the right to require the Airline to enter into an agreement covering the use of AIRLINE's facilities and may charge the other Airline a reasonable fee not to exceed the rates designated in the Mutual Assistance Ground Handling Service Agreement (MAGSA) for the use of holdrooms, loading bridges, and associated equipment.
- D. DOT&PF grants the right of adequate ingress to and egress from the Airport and the Premises to AIRLINE and its officers, employees, agents, passengers, contractors, invitees, suppliers, and furnishe-s of services, subject to the Airport Directives.
- E. DOT&PF has the right to close, relocate, reconstruct, or modify any access to space provided for AIRLINE's use after reasonable notice so long as adequate substitute access is simultaneously provided. DOT&PF is not obligated to compensate AIRLINE for any change in access. AIRLINE's obligation to perform under this Agreement may not be altered or affected by any change in access described in this subsection.

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ARTICLE 3
ACCOMMODATION OF OTHER AIRLINES

Section 3.01. Accommodation Procedures

- A. If an Airline initiates or expands regularly scheduled Air Transportation at the Airport and needs terminal space and facilities, DOT&PF will require the Airline to use its best efforts to make suitable arrangements for the Airline's operations at the Airport by:
 - 1. Attempting to secure existing available space or facilities from the DOT&PF, or
 - 2. Attempting to obtain the use of facilities from Signatory Airlines using the terminal.
- B. The DOT&PF will use its best efforts to accommodate the Airline by:
 - 1. Attempting to accommodate the Airline in existing available space or facilities for direct lease or use; or, if none is available, by
 - 2. Reviewing the feasibility of immediate construction of new space or facilities for the Airline's lease or use.
- C. Upon written request from the Airline, AIRLINE will use its best efforts to make suitable arrangements to either handle the operations of or share its Exclusive Use Space with the Airline.
- D. If the efforts of the Airline, DOT&PF, AIRLINE, and other Signatory Airlines do not satisfy the Airline's reasonable space requirements, DOT&PF will, in writing, notify all of the Signatory Airlines at the terminal that all of the requirements of Section 3.01.A, B, and C have been undertaken and have failed to satisfy the requesting Airline's reasonable space requirements.

Section 3.02. DOT&PF's Right to Require Accommodation

- A. If the events specified in Section 3.01 have occurred, if 30 days have elapsed since the DOT&PF's notice has been given, and if the Airline is still unable to meet its reasonable requirements for space and facilities, then DOT&PF may require that AIRLINE provide space or facilities to the Airline pursuant to a sublease, assignment, license, use agreement, ground handling agreement, or any combination of them. The type of agreement is at the discretion of AIRLINE.

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- B. If the proposed accommodation unreasonably interferes or is incompatible with AIRLINE's use of its space and facilities for handling its scheduled passenger and cargo operations, (including the passenger flight activities of any operation for which AIRLINE is providing contract services pursuant to a written agreement) then AIRLINE is under no obligation to provide accommodation.
- C. If the proposed accommodation does not unreasonably interfere or is not otherwise incompatible with AIRLINE's use of the space and facilities for handling its scheduled passenger and cargo operations (including the passenger flight activities of any operation for which AIRLINE is providing contract services pursuant to a written agreement), AIRLINE will accommodate the Airline. AIRLINE may charge the Airline for AIRLINE's operating and capital costs related to the space and facilities and an administrative fee that does not exceed 15 percent of AIRLINE's operating and capital costs for the accommodation space.

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ARTICLE 4
CAPITAL IMPROVEMENTS

Section 4.01. Capital Improvement Report

- A. During the term of this Agreement, DOT&PF will provide a Capital Improvement report to AIRLINE and each Signatory Airline no later than the beginning of the Fiscal Year before the Fiscal Year in which DOT&PF intends to undertake new Capital Improvements. The Capital Improvement report must identify Capital Improvements that will impact AIRLINE's rents and fees.
- B. The Capital Improvement report will include the following information:
 - 1. A description of the proposed Capital Improvement, including cost estimates, available preliminary drawings, project descriptions, and location maps;
 - 2. The supporting data used to allocate the proposed Capital Improvement cost to the appropriate Airport System cost centers;
 - 3. The estimated effective date and amount of any adjustment to rents or fees resulting from the proposed Capital Improvement's cost;
 - 4. DOT&PF's evaluation of the need for an anticipated benefit from the proposed Capital Improvement, including any appropriate economic justification; and
 - 5. DOT&PF's preferred source of funding.

Section 4.02. Approval of Capital Improvements

- A. All Airport System proposed Capital Improvements whose costs are to be included in the rents and fees charged to AIRLINE and the Signatory Airlines will be subject to Signatory Airline review except those Capital Improvements undertaken by DOT&PF for the benefit of an Airline or other Airport System tenant under the terms of a separate agreement that provides for payment of rents or fees to cover the financing of the improvement and the cost of its maintenance and operation.
- B. Two weeks after the beginning of the Fiscal Year, DOT&PF will meet with AIRLINE and the other Signatory Airlines to discuss the proposed Capital Improvements. Unless 67 percent of the number of Signatory Airlines, either directly or through a designated Signatory Airline

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representative, withhold approval of specific proposed projects in writing within 30 days after the meeting, the Capital Improvement will be deemed approved by the Signatory Airlines.

- C. If DOT&PF receives notice that approval of the Capital Improvement is withheld under Section 4.02.B, the Commissioner of DOT&PF may request reconsideration of the Capital Improvement at a meeting to be held with the Signatory Airlines within 15 days after the notice that approval is withheld has been received. Unless approval is again specifically withheld in writing within 30 days after the reconsideration meeting by 67 percent of the number of Signatory Airlines, either directly or through a designated representative, the proposed Capital Improvement will be deemed approved.
- D. If approval is withheld as provided in Section 4.02.B and C, DOT&PF will either postpone the proposed Capital Improvement for one Fiscal Year after the Fiscal Year in which DOT&PF originally intended to undertake the Capital Improvement or will exclude the capital cost of the Capital Improvement from the calculation of AIRLINE's rents and fees.
- E. If after the one Fiscal Year postponement DOT&PF proposes to construct the postponed Capital Improvement, the Capital Improvement must be submitted to the Signatory Airlines for review in accordance with Section 4.01.
- F. If a Capital Improvement is begun after a one year postponement, approval by the Signatory Airlines is not required and DOT&PF may include the amortization of capital cost, debt service, or lease payments of the Capital Improvement in the rents and fees charged to AIRLINE and the Signatory Airlines after the Capital Improvement has been completed and placed in service.
- G. After the postponement described in Section 4.02.D, any Capital Improvement project listed in the Capital Improvement report may be constructed so long as the Capital Improvement project can be completed within the Capital Improvement project scope originally provided to the Signatory Airlines. Any Capital Improvement project that is materially increased beyond the original scope must be resubmitted to the Signatory Airlines for review as a new project.

Section 4.03. Capital Improvement Exceptions

Even if approval of a Capital Improvement is withheld under Section 4.02, DOT&PF may proceed with the Capital Improvement and

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upon completion include the cost, net of gifts and grants-in-aid, in the rents and fees charged to AIRLINE and the Signatory Airlines if:

1. DOT&PF determines that the Capital Improvement will cost less than \$500,000 including all planning, design, and construction costs, or,
2. The Capital Improvement is necessary and prudent to:
 - a. Comply with any regulation or order of any governmental agency (including DOT&PF acting in its nonproprietary capacity) that has jurisdiction over the operation of the Airport System;
 - b. Maintain or create Airport System functional capability at the level required by the Bond Resolution or the Bond trustee (whose responsibilities are defined in the Bond Resolution) pursuant to the Bond Resolution for the security of Bonds;
 - c. Maintain the public health, safety, or welfare;
 - d. Defend and settle litigation, or satisfy judgments against the Airport System rendered by a court of competent jurisdiction;
 - e. Repair or prevent casualty damage to Airport System property; or
 - f. Acquire land reasonably necessary to preserve the Airport System.

Section 4.04. Approved Capital Improvements

The Capital Improvements listed in Exhibit K are exempt from review under Section 4.02 except as provided in Section 4.02.G.

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ARTICLE 5
RENTS AND FEES

Section 5.01. Consideration

The consideration that AIRLINE agrees to provide DOT&PF for this Agreement, including use of the Exclusive Use Space, Common Use Space, and the use of preferential aircraft parking positions, is the following:

- A. Provide regularly scheduled Air Transportation to and from the Airport, and
- B. Pay the rents and fees and perform all the obligations described in this Agreement. The rents and fees include the following:
 1. The initial rent for the Exclusive Use Space set forth in Exhibit E and depicted on Exhibit J that AIRLINE will pay to DOT&PF is the terminal building rent of \$28.99 per square foot per year, payable monthly. All rent for the Exclusive Use Space is due on the first day of each month.
 2. a. AIRLINE will pay rent for the Common Use Space that is available for use by all Airlines as set forth in Exhibit E and depicted on Exhibit J. The Common Use Space rent that AIRLINE will pay to DOT&PF is AIRLINE's prorated share of the terminal building rent calculated initially at \$28.99 per square foot per year, payable monthly. Ten percent of the rent will be prorated equally among the Airlines (including AIRLINE) using the Common Use Space and the remaining ninety percent of the rent will be prorated among the Airlines using the space based on enplanements. AIRLINE's share of the remaining 90 percent will be based on the ratio of the number of AIRLINE's enplaning passengers at this terminal to the total number of enplaning passengers at this terminal based upon the previous month's certified activity reports. During the first two months after initiating service, enplanements of an Airline initiating service at the Airport will be included in the total number of enplaning passengers at the Airport using the number as reasonably estimated by the Airline initiating service. DOT&PF will invoice AIRLINE its prorated share of the rent for the Common Use Space by the 15th of the month for the following month's rent. DOT&PF will base the prorated rent on enplanements

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from the preceding month as reported in AIRLINE's certified activity reports described in Section 5.02.

- b. If AIRLINE fails to furnish DOT&PF with a certified activity report by the 10th day of the month as required in Section 5.02, the prorated rent may be calculated by assuming AIRLINE's enplanements were 110 percent of the enplanements used for the previous month's calculation. After delivery of a late certified activity report by AIRLINE, DOT&PF will invoice AIRLINE for any actual enplanements that exceeded the assumed 110 percent used for the first invoice calculation. No adjustment will be made to the rent of any Airline that submits a timely and accurate certified activity report. Any overpayment will not be repaid to AIRLINE.
 - c. A different prorated rent formula may be applied to the Common Use Space if all of the Signatory Airlines and DOT&PF agree. If all of the Signatory Airlines cannot agree on a different prorated rent formula, DOT&PF may use its management prerogative to determine an equitable formula.
 - d. All rent for the Exclusive Use Space and Common Use Space is calculated using the terminal building rental rate and is subject to adjustment as provided in Section 7.02. The terminal building rental rate for the Exclusive Use Space and Common Use Space may not be less than \$15.00 per square foot per year.
3. AIRLINE, directly or through its supplier or agent, will pay for the term of this Agreement a fuel flowage fee of \$0.02 per gallon for aircraft fuel measured as specified in either the Master Agreement Aviation Fueling Operations entered into between Anchorage Fueling Service Company and the State of Alaska, or DOT&PF agreements with suppliers. The fee must be paid monthly and is due on the 20th day of the month after receipt of the fuel.
 4. Upon the effective date of this Agreement, rents and fees for the use of all other facilities, rights, and privileges granted to AIRLINE, except as provided elsewhere in this Agreement, will be combined in and represented by a landing fee that is subject to adjustment pursuant to Article 7. No

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other fee may be charged AIRLINE for the facilities, rights, and privileges granted under this Agreement.

- a. Upon the effective date of this Agreement, the landing fee rate for the Fiscal Year is \$.37 per 1,000 pounds of Certificated Maximum Gross Takeoff Weight. The landing fee rate must be recalculated for each Fiscal Year thereafter as set forth in Article 7, but in no event may the landing fee rate be less than \$0.30 per 1,000 pounds of Certificated Maximum Gross Takeoff Weight.
- b. The landing fees for Aircraft Arrivals must be invoiced monthly by DOT&PF and are due from AIRLINE 30 days after the date on the invoice. The landing fee must be calculated by multiplying the number of 1,000 pound units of the Certificated Maximum Gross Takeoff Weight of AIRLINE during the month by the current landing fee rate established by DOT&PF in accordance with Section 7.03 of this Agreement. Acceptance by DOT&PF of any payment does not preclude DOT&PF from verifying the accuracy of AIRLINE's calculations and from refunding or recovering any difference established by DOT&PF.

Section 5.02. Certified Activity Reports Required

- A. By the 10th day of each month, AIRLINE will provide DOT&PF with a certified activity report of AIRLINE's operations at the Airport during the preceding month. The certified activity report must be on Form Anchorage 05-002 provided by DOT&PF and include all data necessary to calculate the landing fee due as well as any other data that DOT&PF reasonably requests.
- B. If AIRLINE fails to furnish DOT&PF with the certified activity report required by Section 5.02.A by the 10th day of each month, DOT&PF may determine AIRLINE's landing fee by assuming that the total takeoff weight for AIRLINE during the preceding month was 110 percent of the total takeoff weight of AIRLINE used for the previous month. After delivery of a late certified activity report by AIRLINE, DOT&PF will recalculate the landing fee and will invoice AIRLINE for any underpayment, but any overpayment will not be repaid to AIRLINE. AIRLINE remains responsible for submitting a certified activity report for each month regardless of any estimate made by DOT&PF.

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Section 5.03. Interest on Overdue Payments

Any payment due and not received accrues interest from the due date until paid in full at the highest lawful contract rate in Alaska as defined by Alaska Statute 45.45.010 or as amended. Interest on disputed amounts may not be charged to AIRLINE if the dispute is resolved in AIRLINE's favor.

Section 5.04. Additional Rent

After 10 days' written notice to AIRLINE, DOT&PF may, but is not obligated to, cure any default by AIRLINE of its obligation to perform under Article 9 of this Agreement. Any amount paid or cost incurred by DOT&PF to cure any default by AIRLINE, plus a 15 percent administrative fee, is agreed to be additional rent. Unless otherwise provided, all additional rent is due from AIRLINE with the next installment of monthly rent due under this Agreement.

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ARTICLE 6
RECORDS AND REPORTS

Section 6.01. DOT&PF Records of Airport System Cost Centers

- A. As soon as practicable following the execution of this Agreement, DOT&PF will establish and thereafter maintain a cost accounting system that identifies and segregates by account and cost center the following items for each Fiscal Year: (1) revenues; (2) operation and maintenance expenses, including administrative expenses of the Airport System; (3) expenses of DOT&PF allocable to the Airport System; (4) Annual Debt Service, plus any amount required to satisfy the Rate Covenant of the Bond Resolution; and (5) amortization of assets acquired with International Airport Revenue Funds allocable to the Airport System.
- B. Records must be kept for the following cost centers:
1. "Airfield Area Cost Center" includes the aprons, runways, taxiways, approach and clear zones, infield areas, navigational aids, and other facilities of the Airport System that surround the terminal buildings up to the building driplines, are on the airside, and are necessary for aircraft operations.
 2. "Domestic Terminal Building Cost Center" includes the domestic terminal complex at Anchorage International Airport including the terminal building with all its fixtures and equipment within the dripline of the building, public parking, employee parking, curbside areas, related landscaping, and access or circulation roads with rights-of-way.
 3. "Fairbanks Terminal Cost Center" includes the terminal complex at Fairbanks International Airport including the terminal building with all its fixtures and equipment within the dripline of the building, public parking, employee parking, curbside areas, related landscaping, and access or circulation roads and rights-of-way.
 4. "International Terminal Building Cost Center" includes the international terminal complex at Anchorage International Airport including the terminal building with all its fixtures and equipment, public parking, employee parking, curbside areas, related landscaping, and access or circulation roads and rights-of-way.

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5. "Other Buildings and Grounds Area Cost Center" includes all other areas of the Airport System not included in the above cost centers including facilities, installations, and improvements.
- C. The Airport System cost centers as they presently exist are shown on Exhibits F and G.
- D. DOT&PF will maintain records that allocate capital funds from the IARF, contributions, Bonds, securities, or other sources to each Airport System cost center. Bond issuance expenses, capitalized interest, and funding of special funds from Bond proceeds as described in Article 8 must be prorated to each Airport System cost center in proportion to the amount of Bond proceeds expended in each Airport System cost center. If it becomes necessary to provide any amount required to satisfy the Rate Covenant of the Bond Resolution, the amount must be prorated among the Airport System cost centers in proportion to the amount of Bond proceeds expended in each Airport System cost center.

Section 6.02. DOT&PF Financial Reports

- A. At least nine months before the end of its Fiscal Year, DOT&PF will submit the following items to each of the Signatory Airlines:
 1. The proposed annual capital and operating budgets prepared prior to submission to the commissioner that include all estimated Airport System expenses such as maintenance, operation, and administrative expenses. The proposed Annual Budget must include a statement of estimated Airport Systems revenues.
 2. A schedule of annual debt service payments required to be made during the next Fiscal Year.
 3. A preliminary calculation of the Signatory Airline rents and landing fees for the next Fiscal Year.
- B. Within 30 days after receipt of the reports described in Section 6.02.A, AIRLINE may present written comments concerning the reports. Upon request by the Signatory Airlines, a meeting for additional comments must be held between the Signatory Airlines and DOT&PF. DOT&PF will give due consideration to any comments submitted by AIRLINE and the other Signatory Airlines.
- C. The proposed budget may be revised as a result of DOT&PF's discussions with AIRLINE, others, or as a result of DOT&PF's budget process. DOT&PF will promptly furnish AIRLINE with a copy of the budget submitted to

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the Governor's Office including the schedule of rents and fees.

- D. If an Annual Budget is not adopted by the State of Alaska before the Fiscal Year begins, the rents and fees in effect during the preceding Fiscal Year remain in effect until the State of Alaska has adopted a new Annual Budget. The final computation of the new rents and fees will then be made by DOT&PF. The new rents and fees will be retroactively effective as of the beginning of that Fiscal Year.

Section 6.03. IARF Annual Audit

To keep AIRLINE informed of the financial performance of the Airport System, DOT&PF will make available to AIRLINE the annual audit of the IARF financial statements. Upon request by AIRLINE, DOT&PF will answer questions about the audits or statements.

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ARTICLE 7
RECALCULATION OF RENTS AND FEES

Section 7.01. Annual Adjustments

Airport System rents and fees must be adjusted annually effective the first day of each Fiscal year without a formal amendment to this Agreement.

Section 7.02. Recalculation of Terminal Building Rental Rate

- A. Each year DOT&PF will calculate the Airport System terminal building rental rate per square foot per year for the next Fiscal Year. Whenever the adjustment calculation involves an estimate, the estimate of DOT&PF must be used.
- B. DOT&PF will calculate the terminal building rent requirement for each Fiscal year by totaling the following amounts:
 1. The total estimated direct and indirect operation and maintenance expenses including DOT&PF's administrative overhead allocable to the terminal building cost centers (combined Domestic, International and Fairbanks Terminal Building Cost Centers).
 2. An amount for the amortization of capital expenditures for any asset that has been or will be placed in service on or after July 1, 1977 and before the date the new rental rate is to take effect. Only capital expenditures made by DOT&PF from funds other than Bonds, loans, or grants-in-aid qualify for amortization. Except for planning studies, maintenance equipment, or fleet vehicles that are acquired in the future, amortization of Capital Improvements must be computed at an interest rate of 5 percent per year for an assumed 25-year economic life. Amortization of a Capital Improvement that is a planning study must be computed at an interest rate of 5 percent per year for an assumed 5-year economic life. Amortization of a Capital Improvement that is either maintenance equipment or a fleet vehicle must be computed at an interest rate of 5 percent per year for an assumed 10-year economic life.
 3. The Annual Debt Service (including any amount required to satisfy the Rate Covenant of the Bond Resolution) allocable to the terminal building cost

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centers or any other amount required by the Bond Resolution.

4. Any required deposit to reserve accounts established pursuant to either the Bond Resolution of this Agreement that is allocable to the terminal building cost centers.
 5. The estimated amount of any assessment, judgment (net of insurance proceeds), settlement, or charge to become payable by DOT&PF relating directly to the Airport System that is allocable to the terminal building cost centers.
 6. Any adjustment resulting from any difference between the actual versus budgeted costs of the Airport System terminal building cost centers.
- C. Effective January 1, 1986 the estimated terminal building rent requirement will be reduced by the estimated amount of Airport System automobile parking revenue.
- D. The net terminal building rent requirement for the Fiscal Year must be divided by the total square footage in all of the Airport System terminal buildings minus the square footage used for mechanical and electrical equipment, in order to determine an average rental rate per square foot per year for terminal building space.

Section 7.03. Recalculation of Landing Fee Rate

- A. Each year DOT&PF will calculate the Airport System Landing fee for the next Fiscal Year. Whenever the adjustment involves estimated data, the estimate of DOT&PF must be used.
- B. The landing fee requirement must be calculated for each Fiscal Year by totaling the following amounts for the Airport System:
 1. The total estimated direct and indirect operation and maintenance expenses, including administrative overhead, for the Airport System.
 2. An amount for the amortization of Capital Improvement expenditures for any asset that has been or will be placed in service on or after July 1, 1977 and before the date the new landing fee is to take effect. Only Capital Improvement expenditures made by DOT&PF from funds other than Bonds, loans, or grants-in-aid qualify for amortization. Except for planning studies, maintenance equipment, or fleet

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vehicles that are acquired in the future, amortization of Capital Improvements must be computed at an interest rate of 5 percent per year for an assumed 25-year economic life. Amortization of a Capital Improvement that is a planning study must be computed at an interest rate of 5 percent per year for an assumed 5-year economic life. Amortization of a Capital Improvement that is either maintenance equipment or a fleet vehicle must be computed at an interest rate of 5 percent per year for an assumed 10-year economic life.

3. The Annual Debt Service (plus any amount required to satisfy the Rate Covenant of the Bond Resolution) of the Airport System or any other amount required by the Bond Resolution.
 4. Any required deposits to Airport System reserve accounts established pursuant to the Bond Resolution or this Agreement.
 5. The estimated amount of any assessment, judgment (net of insurance proceeds), settlement, or charge to become payable by DOT&PF relating directly to the Airport System operation.
 6. Any overpayment or underpayment from operation of the Airport System during the then-current Fiscal Year or any adjustment carried over from any preceding Fiscal Year covered by this Agreement resulting from the difference between the actual versus budgeted revenues and expenses of the Airport System.
 7.
 - a. An amount equal to 50 percent of the annual revenue from the duty free concession contract in the International Terminal Building Cost Center or \$7.1 million, whichever is greater; or
 - b. The amount of the revenue if the total annual revenue from the duty free concession contract is less than \$7.1 million.
 8. An amount equal to 10 percent of all projected revenue excluding Airline landing fees, Airline terminal rents, and Airline fuel flowage fees.
- C. The DOT&PF will reduce the Airport System landing fee requirement for Signatory Airlines for each Fiscal Year by subtracting the following amounts, as presented in the Annual Budget:

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1. The operating revenue derived by DOT&PF from all sources other than Signatory Airlines.
 2. Signatory Airline terminal rent.
 3. All fuel flowage fees paid by Signatory Airlines.
 4. The amount transferred from the Prepaid Airline Revenue Account to the Revenue Account net of any overpayment or underpayment from operation of the Airport System as described in Section 7.03.B.6.
- D. The Signatory Airline landing fee rate must be calculated for each Fiscal Year by dividing the Airport System landing fee requirement for Signatory Airlines as calculated in Section 7.03.A, B and C by the estimated Certificated Maximum Gross Takeoff Weight for all Signatory Airlines.

Section 7.04. Extraordinary Adjustments of Landing Fee Rate

- A. If at any time the revenue of the Airport System is not sufficient to cover the Airport System landing fee requirement described in Section 7.03.B, DOT&PF, after consultation with the Signatory Airlines, and consideration of reducing operation and maintenance costs or using reserve funds to meet the requirement, may immediately increase the landing fee rate to the amount necessary to cover the landing fee requirement after 30 days' written notice to AIRLINE.
- B. If the total landing fee revenue from all Signatory Airlines for any quarter of the Fiscal Year varies by more than 10 percent from the estimated total Airport System landing fee requirement for that quarter, DOT&PF may adjust the landing fee rate for the balance of the Fiscal Year.

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ARTICLE 8
BOND RESOLUTION AND FLOW OF FUNDS

Section 8.01. Subordination to Bond Resolution

- A. This Agreement is subordinate in all respects to all present IARF Bond Resolutions.
- B. AIRLINE will be given an opportunity to review and comment on drafts of proposed amendments to all existing IARF Bond Resolutions and drafts of official statements for the issuance of additional IARF Bonds. DOT&PF will give due consideration to the comments before adopting the amendments or issuing new Bonds.

Section 8.02. Flow of Funds

DOT&PF will deposit all revenue received from the Airport System into the IARF. The receipts must be applied in accordance with the Bond Resolution in the following order:

1. a. To the Interest Fund and Retirement Fund of the Revenue Bond Redemption Fund, the amount that will be necessary to satisfy the principal, interest, and minimum sinking fund payments due during the Fiscal Year on all outstanding Bonds.
b. The Interest Fund and Retirement Fund must be used to pay the principal, premium if any, and interest on Bonds as they become due or for the purchase or redemption of Bonds before their fixed maturity date.
2. a. To the Bond Reserve Fund of the Revenue Bond Redemption Fund, the amount required to maintain a balance equal to the maximum annual debt service on all Bonds outstanding at the time.
b. The Bond Reserve Fund must be used to pay principal and interest on outstanding Bonds, make minimum sinking fund payments if no other funds are available, or to retire any outstanding Bonds.
3. a. To the Repair and Replacement Reserve Account within the revenue fund, the amount required to maintain a balance of \$2,000,000 or any greater amount required by the Bond Resolution.
b. The Repair and Replacement Reserve Account is to be used to either eliminate any deficiency in the Bond Reserve Fund or to pay the cost of unanticipated or

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nonrecurring repairs and replacements to the Airport System as permitted by the Bond Resolution.

4. To the Operating Account, the amount required to pay the reasonable and necessary expenses for the operation, maintenance, repair, ordinary replacement, and reconstruction of the Airport System each Fiscal Year.
5.
 - a. To an Operation and Maintenance Reserve Account, the amount required to maintain a balance equal to one-quarter of the amount in the Annual Budget for operation and maintenance expenses for the Airport System.
 - b. The Operation and Maintenance Reserve Account is to be used for the reasonable and necessary expenses for the operation, maintenance, repair, or ordinary replacement and reconstruction of the Airport System to the extent other funds are not available.
6.
 - a. To the Capital Improvement Account, the amount remaining in the Revenue Account at the end of the Fiscal Year after all deposits to the above accounts or uses have been made. No additional deposits may be made into this account after the balance is \$12.5 million in excess of the amounts required to fund Capital Improvement projects designated for funding from the IARF as contained in the Annual Budgets. As Capital Improvement projects in the Annual Budgets are completed, the Annual Budget component of the Capital Improvement Account will be reduced by the cost of these Capital Improvement projects.
 - b. Beginning July 1, 1986 and each July 1 thereafter, \$1 million will be transferred to the Prepaid Airline Revenue Account as the minimum annual deposit. The Capital Improvement Account may be used for any purpose permitted by the Bond Resolution for use of surplus revenue.
7.
 - a. To a Prepaid Airline Revenue Account, an annual minimum deposit of \$1 million and any amount remaining in the Revenue Account at the end of the Fiscal Year after all amounts have been deposited into all of the funds and accounts described in this Section.
 - b. The Prepaid Airline Revenue Account is the account into which annual Airport System revenue is recorded after all other required fund or account balances are satisfied. Unless 67 percent of the Signatory Airlines agree to an alternate use for the account, the amount in the Prepaid Airline Revenue

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Account at the beginning of each Fiscal Year must be transferred to the Revenue Account and used to calculate the Airport System landing fee requirement in the succeeding Fiscal Year as described in Section 7.03.C.4.

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ARTICLE 9
ADDITIONAL RESPONSIBILITIES OF PARTIES

Section 9.01. AIRLINE Responsibilities

- A. Upon a form provided by DOT&PF, AIRLINE will file with DOT&PF information describing its operations at the Airport within 30 days after the execution of this Agreement. AIRLINE will update this information within 30 days after the beginning of each Fiscal Year. The report must include:
1. Names and telephone numbers of AIRLINE officials responsible for various major AIRLINE functions including station operations, flight operations, scheduling, properties, facilities, and similar information;
 2. A general description of AIRLINE's operation including number of employees and employee parking requirements;
 3. The current schedule of AIRLINE's flights and as periodically adjusted;
 4. A description of AIRLINE's fleet and identification of AIRLINE's aircraft that will serve the Airport and the Certificated Maximum Gross Takeoff Weight for each aircraft; and
 5. The identification of AIRLINE's current facility requirements at the Airport.
- B. At least ten months before the end of the Fiscal Year, AIRLINE will submit to DOT&PF, in writing, its Certificated Maximum Gross Takeoff Weight forecast for the next Fiscal Year.
- C. AIRLINE has the following maintenance, repair, and alteration responsibilities. AIRLINE will at its sole expense and in a manner acceptable to DOT&PF:
1. Maintain and keep in good repair the preferential Apron Area adjacent to its exclusive use holdrooms in a neat, clean, and orderly condition free from litter, debris, refuse, petroleum products, or grease that may result from the activities of its passengers, employees, licensees, invitees, agents, or suppliers. All oil and grease spills must be removed promptly.

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2. Perform reasonable, ordinary, and preventive maintenance within its Exclusive Use Space including:
 - a. Repair of all personal property and equipment including fixtures, doors, interior windows, baggage conveyors and belts, floor coverings, and ticket counters that are not provided by DOT&PF.
 - b. Maintenance and repair of all electrical, plumbing, heating, ventilating, and air conditioning appliances and fixtures that are not provided by DOT&PF.
3. Immediately repair any uninsured damage in any other space at the Airport caused by the fault or negligence of AIRLINE, its servants, contractors, agents, licensees, or employees.
4. Pay as additional rent to DOT&PF any extraordinary cost to provide AIRLINE with water, sewer service, electricity, or extraordinary use of any other utilities as are required.
5. AIRLINE will assure that DOT&PF has emergency access to AIRLINE's Exclusive Use Space either by delivering keys to the Airport Director or by providing emergency telephone numbers by which AIRLINE or its agent can be reached on a 24-hour basis.

D. Disabled or Abandoned Aircraft

1. If any aircraft owned or operated by AIRLINE, through accident or any other reason, is disabled or abandoned in any area on the Airport which could interfere with the continuous, normal operations or any landing and field facilities, AIRLINE will:
 - a. Immediately remove the aircraft to a location designated by the DOT&PF unless the aircraft is required to remain in place pending investigation by the appropriate regulatory agencies of the federal government; and
 - b. In the event of any accident where federal investigation in place is required, immediately, upon receiving clearance so to do from the appropriate federal agency investigating such accident, remove the aircraft and any resulting wreckage or debris to the area designated by the federal agency authorizing the removal; otherwise the aircraft wreckage and debris

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will be immediately removed from the Airport and stored at a location approved by DOT&PF.

If AIRLINE fails to proceed immediately to remove the disabled aircraft as provided above, or if any aircraft owned or operated by AIRLINE is abandoned on Airport, DOT&PF has the right, after reasonable advance written notice to the AIRLINE station manager listed in the report described in Section 9.01.A.1, to remove the aircraft by any reasonable means DOT&PF deems necessary under the circumstances, and AIRLINE will reimburse DOT&PF for all costs and expenses (including storage costs) incurred in the removal and will indemnify, save harmless, and defend the State from any liability, cost, or expense resulting from the removal to the extent set forth in Section 10.01.

Section 9.02. DOT&PF's Responsibilities

A. During this Agreement, DOT&PF will:

1. Retain FAA Airport certification;
2. Operate and maintain the Airport in reasonable condition and repair including the runways, taxiways, aprons, roadways, vehicle parking areas, public areas of the terminal buildings, and all appurtenances, facilities, and services;
3. Keep the public areas of the terminal buildings adequately and attractively equipped, furnished, and decorated as well as clean and presentable. In the public view areas of the terminal buildings, DOT&PF will provide and supply directional and informational signs, heat, electricity, light, power, air conditioning, waste-water disposal, water, and janitorial services including rubbish removal. DOT&PF will also keep in good repair and condition the exterior and structural portions of the walls, roof, and floor of the Exclusive Use Space and Common Use Space, as well as all central electrical and mechanical distribution systems; and
4. Maintain existing and future utility systems on the Premises in reasonable condition and repair, including heat, electricity, fire alarm, fire protection, sprinkler, air conditioning, telephone, telegraph, teleregister and intercommunication services, and any lines, pipes, mains, wires, conduits and equipment connected with or

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appurtenant to all those systems. DOT&PF may enter the Premises at all reasonable times to make any necessary repairs, alterations, and replacements.

- B. DOT&PF will use its best efforts to restore service as soon as practical after any interruption in the services described in this Section.

Section 9.03. DOT&PF's Right to Inspect and Make Repairs

- A. DOT&PF or its representative has the right, at reasonable times and with as little interruption of AIRLINE's operations as practical, to enter AIRLINE's Exclusive Use Space and Common Use Space for the following purposes:
 - 1. Inspections to verify AIRLINE's compliance with this Agreement.
 - 2. To do anything that DOT&PF has the right or obligation to do.
- B. Except in the case of an emergency reasonable notice must be given and DOT&PF will coordinate with AIRLINE in order to minimize interference with AIRLINE's activities.

Section 9.04. Alterations and Improvements

- A. Before beginning construction of any improvement or alteration, AIRLINE will first submit to the Airport Director:
 - 1. Detailed drawings of the proposed construction, and
 - 2. Written proof of approval of the proposed construction from all appropriate agencies.
- B. DOT&PF will review and approve or disapprove the proposed construction in writing within 45 days after receipt of the construction drawings.
- C. Any construction by AIRLINE must be performed in a safe, neat manner and meet the following criteria:
 - 1. Not interfere with the activities of other tenants;
 - 2. Be compatible with the architecture of the building as determined by the Airport Director;
 - 3. Be performed at no cost to DOT&PF; and

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4. Comply with all federal, state and local building codes.
- D. Within 30 days after completion of the construction of any alteration or improvement, AIRLINE will deliver to DOT&PF detailed copies of as-built drawings showing the location and dimensions of the alteration or improvement constructed, including structural, mechanical, and electrical systems.

Section 9.05. DOT&PF Modification and Relocation

- A. The Airport Director may relocate AIRLINE or modify any portion of AIRLINE's Premises if necessary to renovate or modify the terminal building or apron if that renovation or modification is not inconsistent with the Airport masterplan. If it is necessary to relocate AIRLINE to implement a Capital Improvement, AIRLINE will be notified during the review of Capital Improvements described in Section 4.01.
- B. Upon 90 days advance written notice, AIRLINE will vacate and surrender the affected Premises to DOT&PF.
- C. If AIRLINE's Premises are modified or relocated, DOT&PF will:
 1. Reimburse AIRLINE for the undepreciated capital cost of AIRLINE's improvements that are acquired, demolished, or not replaced in kind by DOT&PF at the new location. Reimbursement must be made on the basis of capital cost figures furnished by AIRLINE and subject to verification by the Airport Director.
 2. Provide AIRLINE with substantially similar space so that AIRLINE's operations are not unreasonably disrupted. In the event of relocation, this Agreement will be modified to include AIRLINE's new assigned space.
 3. Construct the demising walls and interior improvements to AIRLINE's new area. Interior improvements include wall coverings, floors, ceilings, lighting, electrical, heating units, air ventilation, and fixtures. All material replacement will be similar in type and quality to those on the Premises being relocated.
 4. Refinish the remainder of the Premises, if any, for the functions authorized by this Agreement.

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5. If requested by AIRLINE, DOT&PF will relocate AIRLINE's fixtures, furnishings, and equipment at DOT&PF expense.

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ARTICLE 10
INDEMNIFICATION, INSURANCE, AND SUBROGATION

Section 10.01. Indemnification

- A. AIRLINE will indemnify, save harmless, and defend the DOT&PF, its officers, agents and employees from liability of any nature or kind including costs and expenses for or on account of any and all legal actions or claims of any character whatsoever resulting from death or injury to any person(s) or damage to property to the extent caused by any wrongful error, omission, or negligent act of AIRLINE arising out of this Agreement.
- B. All liability or costs for legal actions or claims including defense costs resulting from death or injury to any person(s) or damage to property which are caused by the joint negligence of the DOT&PF and AIRLINE arising out of this Agreement will be apportioned on a comparative fault basis.

Section 10.2. Insurance

- A. DOT&PF will, during the term of this Agreement, procure and maintain comprehensive general liability and fire and extended coverage insurance for the Airport, terminal building, and other DOT&PF facilities at the Airport in such amounts and for such insured coverages as may be reasonably required for the prudent operation of the Airport.
- B. AIRLINE will, during the term of this Agreement, procure and maintain liability insurance for public liability, aviation liability, the leased Premises, property damage, bodily injury and death, with contractual liability endorsements insuring all of AIRLINE's operations under this Agreement, including its obligations under the indemnity clause in Section 10.01 of this Agreement. These policies will be with limits not less than those set forth below. These policies and minimum limits will be consistently applied to all air carriers with similar operations and will be consistent with prudent airport industry practices and this Agreement. Within 30 days after signing this Agreement, AIRLINE will report to DOT&PF the maximum seating capacity installed in each aircraft or type of aircraft operated by AIRLINE at the Airport. If the maximum seating capacity for any aircraft or type of aircraft operated by AIRLINE is changed, AIRLINE will report the change to DOT&PF and obtain any required additional insurance coverage before operating the aircraft at the Airport.

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<u>Insurance Coverages</u>	<u>Minimum Limits</u>
Airline/Aircraft/Airport Public Liability Insurance or Equivalent Insurance	\$1 million per seat*

With the following minimum limits regardless of seat capacity or cargo configuration:

-- for propeller aircraft	\$10 million
-- for jet aircraft	\$20 million

* Based on the maximum seating capacity reported by AIRLINE as described in Section 10.02.B in an aircraft operated by AIRLINE at the Airport.

- C. All policies of insurance must be in a form and from a company satisfactory to DOT&PF. Each policy must provide that it may not be cancelled or materially changed during its term without at least 30 days' advance written notice to DOT&PF.
- D. A certificate certifying coverage of required insurance must be delivered to DOT&PF within 30 days of the effective date of this Agreement.
- E. Where any such policy has a normal expiration during the term of this Agreement, AIRLINE will provide a certificate or satisfactory written evidence of continued coverage prior to such expiration. Within 10 days prior to the effective date of any cancellation or reduction in the amount or extent of insurance coverage, AIRLINE will deliver to DOT&PF a certificate or satisfactory written evidence certifying coverage that reinstates or otherwise provides at least the required insurance coverage.
- F. The failure by either party at any time to enforce the provisions in this section will not be construed as a waiver of these provisions and will not reduce their obligations under this Agreement.

Section 10.03. Waiver of Subrogation

AIRLINE and DOT&PF agree to waive their respective rights of recovery or claim against the other for any loss or damage to the Premises, the terminal building or their contents (excluding aircraft) resulting from fire or other "all-risk" insurable property hazards caused by the other. Notwithstanding Section 10.01, any fire or "all-risk" property insurance policies carried by either party will include a waiver of subrogation clause waiving any rights of subrogation against the other party to this Agreement.

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Section 10.04. Additional Insured

AIRLINE agrees that every insurance policy required under Section 10.02.B will include an endorsement naming DOT&PF as an additional insured to the extent of DOT&PF's indemnified interest under Section 10.01.

Section 10.05. Notice of Claim

Each party will give the other party prompt and reasonable notice of any claim or action involving this Agreement.

Section 10.06. Insurance Rates

AIRLINE may not use the Airport in any manner that will increase DOT&PF's insurance rates. If AIRLINE's activities on the Airport result in increased insurance costs for DOT&PF, then DOT&PF may charge the increased cost to AIRLINE as additional rent.

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ARTICLE 11
ASSIGNMENT OR SUBLEASE

Section 11.01. Assignment or Sublease

- A. No assignment or sublease is valid without the advance written approval of the Airport Director.
1. The Airport Director may approve a sublease of AIRLINE's Premises, if:
 - a. In the Airport Director's opinion, the proposed sublease is in the best interest of the Airport's operation;
 - b. AIRLINE subleases the space for an amount not exceeding the rent DOT&PF charges for that space plus AIRLINE's maintenance and operation costs, an additional allowance for amortization of AIRLINE's improvements, and a 15 percent administrative charge.
 - c. The term of any sublease does not extend beyond the expiration of the term of this Agreement; and
 - d. DOT&PF has no comparable vacant space available for lease. The requirement in this sub-paragraph 11.01.A.1.d may be waived in the discretion of the Airport Director.
 2. DOT&PF's consent to any sublease does not relieve AIRLINE from obtaining DOT&PF's consent to any future sublease.
 3. The Airport Director may approve an assignment of this Agreement if all of the following conditions are met:
 - a. In the Airport Director's reasonable opinion, the proposed assignment is in the best interest of the Airport's operation;
 - b. AIRLINE assigns the Agreement to an Airline qualified under the State's regulations to execute the Agreement and capable of complying with all the requirements in this Agreement;
 - c. AIRLINE assigns this Agreement for an amount not exceeding the cost of AIRLINE's tenant improvements and personal property transferred as part of the assignment; and

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- B. If this Agreement is assigned pursuant to the bankruptcy code, 11 U.S.C. 101 et seq., any consideration for the assignment greater than the amount permitted under Section 11.01.A.3.c is the exclusive property of DOT&PF and is not the property of AIRLINE or AIRLINE's estate under the bankruptcy code.

Section 11.02. Merger

This article does not prevent the assignment of this Agreement to any corporation or business entity that merges, consolidates, or succeeds to the business of AIRLINE, so long as written documentation of the assignment is given to DOT&PF within 30 days after the merger, consolidation, or succession.

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ARTICLE 12
DEFAULT AND TERMINATION

Section 12.01. Reentry and Reletting After Default

- A. Without terminating this Agreement and time being of the essence, DOT&PF may immediately reenter, renovate, and relet all or part of the Premises to others and reassign preferential aircraft parking positions to others for the account of AIRLINE if AIRLINE either:
1. Fails to pay any rent or fee, including interest, within 10 days after receipt of written notice of default.
 2. Fails to immediately cure a default in performance of any obligation under this Agreement within 30 days after receipt of written notice of default. If the nature of the default is such that it cannot be cured within 30 days after the written notice of default by DOT&PF to AIRLINE, AIRLINE will be deemed to have cured the default if AIRLINE commences to cure the default within the 30 day period and thereafter diligently continues the cure to completion.
 3. Fails to continue to perform any obligation of this Agreement after performance is commenced, or
 4. Any petition, proceeding, or action by, for, or against AIRLINE is filed under any insolvency, bankruptcy, reorganization, relief of debtors, or receiver law.
- B. DOT&PF will charge AIRLINE renovation costs necessary to restore the Premises to their original condition plus a 15 percent administrative fee for all relet sublease rent received by DOT&PF for AIRLINE's relet space. AIRLINE will reimburse DOT&PF for any deficiency in rents or fees received for the reentered or relet space. A deficiency is the difference between AIRLINE's rent and the relet rent before considering the 15 percent administrative fee.
- C. At any time before or after a reentry and reletting as provided in this Section, DOT&PF may terminate AIRLINE's rights under this Agreement, reenter and take possession of the Premises, and cancel all rights and privileges granted to AIRLINE without any restriction on recovery by DOT&PF for past due rents and fees owed by AIRLINE.
- D. DOT&PF has any and all additional rights and remedies as provided by law.

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Section 12.02. Partial Termination Due to Damage or Destruction

- A. If the Exclusive Use Space, Common Use Space, terminal buildings, structures, or any portions of them are damaged by fire or other casualty, DOT&PF will notify AIRLINE within 90 days of the damage whether the damaged space is to be repaired. If the damaged space is to be repaired, DOT&PF will repair the damage with due diligence and will abate the rent allocated to the particular building, room, or other portion of the space rendered untenable for the period from the occurrence of the damage to the completion of the repairs. DOT&PF will do its best to provide AIRLINE with any available temporary substitute space at the rent deemed reasonable by DOT&PF until the repairs are completed.
- B. If DOT&PF fails to notify AIRLINE within 90 days after destruction that DOT&PF will repair the damaged space, AIRLINE may elect within 120 days after destruction to terminate this Agreement as to the space damaged or destroyed, effective on the date of the damage.

Section 12.03. Events Permitting Termination by AIRLINE

AIRLINE may terminate this Agreement if:

- A. AIRLINE is prohibited by lawful authority from using the Airport because of any deficiency or unsafe operating condition at the Airport for a period exceeding 60 days. AIRLINE may terminate this Agreement after the 60 days by giving DOT&PF 30 days' advance written notice.
- B. DOT&PF does not perform any material covenant in this Agreement for a period of 60 days after written notice of default to DOT&PF by AIRLINE. DOT&PF will be deemed to have cured the default if DOT&PF commences to cure the default within the 60-day period and diligently continues the cure to completion.
- C. The IARF statute (AS 37.15.410-37.15.550) is amended to substantially change the structure or operation of the Airport System.

Section 12.04. Events Permitting Termination by DOT&PF

Time being of the essence, DOT&PF may terminate this Agreement immediately and exercise all rights of entry and reentry upon the Premises, with or without process of law, after the occurrence of any of the following events:

- A. AIRLINE fails to provide regularly scheduled air transportation to and from the Airport. DOT&PF will not

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seek any other damages from AIRLINE for breach of this provision.

- B. AIRLINE fails to pay any rent or fee due, including interest, within 10 days after AIRLINE's receipt of written notice of default from DOT&PF.
- C. AIRLINE does not perform any other material provision in this Agreement for a period of 60 days after receipt of written notice of default from DOT&PF. If the nature of the default is such that it cannot be cured within 60 days after written notice of default by DOT&PF to AIRLINE, AIRLINE will be deemed to have cured the default if AIRLINE commences to cure the default within the 60-day period and diligently continues the cure to completion.
- D. AIRLINE or its creditors file a request for AIRLINE's relief under any state or federal insolvency, bankruptcy, reorganization, relief of debtors, or receivership statute.
- F. A custodian, trustee, receiver, or agent, or any similar person is appointed or authorized to take charge of a substantial part of AIRLINE's property on the Airport.

Section 12.05. Surrender of the Premises

DOT&PF is not required to give AIRLINE notice to quit possession of the Premises at the expiration of this Agreement. Upon the expiration or termination of this Agreement, DOT&PF has the right to take possession of the Premises. AIRLINE agrees to surrender the Premises peaceably and in good condition, except for reasonable wear and tear.

Section 12.06. Ownership of Improvements

- A. The ownership of improvements, furnishings, equipment, and fixtures that are constructed or installed on the Premises by AIRLINE is as follows:
 - 1. Title to all removable furniture, furnishings, fixtures, or equipment remains vested in AIRLINE at all times during the term of this Agreement.
 - 2. Title to any structure or other improvement that cannot, in the Airport Director's reasonable determination, be removed without damage to the Premises, vests in DOT&PF upon the expiration or final termination of this Agreement or its extension. These improvements include interior walls, ceilings, carpeting, finished flooring, electrical

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wiring, air conditioning ducts and equipment,
furnishings, interior decoration, or finishing.

- B. AIRLINE may not abandon any property on the Premises without the advance written consent of the Airport Director. Title to any property not removed by AIRLINE at the expiration or termination of this Agreement immediately vests in DOT&PF at its option. At its sole expense, AIRLINE will restore all damaged DOT&PF property to its previous condition or reimburse DOT&PF for the expense to repair any property damage.

Section 12.07. Holdover

If AIRLINE holds over without a written renewal after the expiration of this Agreement, the holding over does not operate as a renewal or extension of the term of this Agreement but only creates a month to month extension of this Agreement regardless of any rent or fee payment accepted by DOT&PF. The obligations of DOT&PF and AIRLINE to perform under this Agreement continue until the month-to-month holdover is terminated. Either party may terminate the holdover at any time by giving the other party at least 30 days' advance written notice.

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ARTICLE 13
COMPLIANCE WITH LAW, TAXES, POLICIES AND NONDISCRIMINATION

Section 13.01. Compliance With Law

- A. AIRLINE will comply with all present and future statutes, regulations or ordinances of all federal, state, or local governments that apply to or affect AIRLINE or its operations under this Agreement. DOT&PF will comply with all applicable laws governing its operations under this Agreement.

Section 13.02. Taxes

- A. AIRLINE will pay, but payment may not be considered part of Airport System revenue, all applicable taxes (including any possessory interest tax, assessment, or similar charge) that at any time during this Agreement may be levied or liened against AIRLINE, the Airport facilities made available for AIRLINE's exclusive use, or AIRLINE's personal property. AIRLINE will pay all taxes, assessments, and charges directly to the taxing or assessing authority.
- B. AIRLINE will indemnify and defend DOT&PF from all costs that result directly or indirectly from tax or assessment that AIRLINE is liable for including taxes, penalties, expenses, and reasonable attorney's fees incurred by DOT&PF.
- C. At its own expense, AIRLINE may contest the amount or validity of any tax or assessment or the inclusion of the space leased under this agreement as taxable or assessable property directly against the taxing or assessing authority. AIRLINE will indemnify DOT&PF for all taxes, penalties, costs, expenses, and reasonable attorney's fees incurred by DOT&PF resulting directly or indirectly from any tax contest.
- D. Upon termination of this Agreement, AIRLINE will promptly pay in full all applicable taxes and liens.

Section 13.03. Policies

- A. AIRLINE will comply with all State of Alaska regulations and DOT&PF Policies and Procedures governing the use of Airport facilities.
- B. AIRLINE will comply with all local Airport Directives as set forth by the Airport Director.

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- C. DOT&PF agrees not to promulgate any State of Alaska regulations governing use of the Airport Facilities, DOT&PF Policies and Procedures, or local Airport Directives as set forth by the Airport Director contradictory to:
1. This Agreement,
 2. Any regulation of the FAA, or
 3. Any government agency regulation that is binding upon AIRLINE. .
- D. AIRLINE will be given an opportunity to review and comment on periodic changes to all State of Alaska regulations and Airport Directives before implementation.

Section 13.04. Nondiscrimination

- A. AIRLINE will not permit discrimination in violation of federal or state law on the grounds of race, color, religion, national origin, ancestry, marital status, age, or sex against any patron, employee, applicant for employment, other person or groups of persons. DOT&PF may take any action necessary to enforce this provision, including actions required by any federal or state law or FAA grant agreement.
- B. AIRLINE will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to ensure that no person is excluded from participating in any employment, contracting, or leasing activity on the ground of race, creed, color, national origin, or sex. AIRLINE agrees that no person may be excluded on those grounds from participating in or receiving the services or benefits of any program or activity covered by the regulation. AIRLINE will require its covered suborganizations to provide assurance that they will also undertake affirmative action programs and require assurances from their suborganizations, as required by 14 CFR Part 152.

ARTICLE 14
AGREEMENT NOT TO GRANT MORE FAVORABLE TERMS

Section 14.01. Agreement Not to Grant More Favorable Terms

DOT&PF agrees not to enter into any lease, contract, or other agreement with any other Airline containing substantially more favorable rights and privileges than granted in this Agreement. DOT&PF will not grant any right or privilege that is not accorded AIRLINE to any other Airline unless the same right or privilege is made available to AIRLINE. This covenant does not apply to any Airline that only operates aircraft weighing less than 30,000 pounds Certificated Maximum Gross Takeoff Weight.

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ARTICLE 15
GENERAL PROVISIONS

Section 15.01. Delivery of Notices

- A. Required notices must be hand delivered or sent by registered or certified mail to the addresses below:
1. DOT&PF:

 2. AIRLINE:
- B. If notice is given in any other manner or at any other place, notice must also be given in writing at the place and in the manner specified in this section in order to be effective under this Agreement. All notice periods begin on the date of receipt of written notice at the address listed in Section 15.01.A except as provided elsewhere in this Agreement.
- C. Either party may change the address in this section by written notice to the other party.

Section 15.02. Severability

If any part of this Agreement is declared to be invalid by a court of competent jurisdiction, the other parts of the Agreement remain in full force.

Section 15.03. Quiet Enjoyment

Upon Payment of the required rents and fees, and subject to its performance of this Agreement, AIRLINE may peaceably use the Airport.

Section 15.04 Officers, Agents, and Employees

No commissioner, councilman, director, officer, agent, employee, or other representative of either party may be charged personally nor held contractually liable by the other party for the enforcement, attempted enforcement, or breach of this Agreement if acting within the scope of their duties. DOT&PF and AIRLINE remain

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liable for the acts of these persons that are within the scope of their duties.

Section 15.05. Subordination to Agreements with the U.S. Government

This Agreement is subject to any present or future agreement between DOT&PF and the United States of America concerning the operation or maintenance of the Airport System. AIRLINE may not hold DOT&PF liable for any failure to perform any part of this Agreement as a result of any national emergency declared by the federal government.

Section 15.06. Incorporation of Required Provisions

The parties agree to incorporate into this agreement any provision required by any governmental agency, including DOT&PF acting in its non-proprietary capacity, now or in the future.

Section 15.07. Nonwaiver of Rights

No waiver of default of any part of this Agreement by either party may operate as a waiver of any subsequent default of any part of this Agreement that is to be performed by the other party. Consent or notice by either party may not be construed as consent or notice in the future.

Section 15.08 Force Majeure

Notwithstanding Section 12.02, neither DOT&PF nor AIRLINE will be in violation of this Agreement if it is prevented from performance, by reason of strike, boycott, labor dispute, embargo, shortage of energy or materials, act of God, act of public enemy, act of superior governmental authority, weather condition, riot, rebellion, sabotage, or any other circumstance for which it is not responsible and which is beyond its control.

Section 15.09. Contract Interpretation

The headings of articles and sections are used only for convenience and reference, and may not be used to define or interpret the scope or intent of this Agreement. The language in all parts of this Agreement must be construed according to its fair meaning and not strictly for or against either DOT&PF or AIRLINE.

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Section 15.10. Federal Aviation Act, Section 308

This Agreement may not be construed to grant AIRLINE any exclusive right or privilege within the meaning of Section 308 of the Federal Aviation Act of 1958, as amended, except that AIRLINE has the right to exclusive possession of its Exclusive Use Space.

Section 15.11. Radio Interference

At DOT&PF's request, AIRLINE will stop using any machine or device that interferes with any government-operated transmitter, receiver, or navigation aid until the cause of the interference is eliminated.

Section 15.12. Obtaining Federal and State Funds

DOT&PF will use its best efforts to obtain maximum entitlement grants from federal, state, or other sources when consistent with prudent management of the Airport System.

Section 15.13. Management Audits

DOT&PF will conduct periodic management and operation audits of the Airport System and the IARF. DOT&PF will use its best efforts to implement the reasonable recommendations of the audits.

Section 15.14. Project Management

DOT&PF will use its best efforts to implement Capital Improvements with efficient and responsive project management.

Section 15.15. Passenger Facility Charges

If the current prohibition against passenger facility charges (sometimes referred to as "head taxes") is removed, DOT&PF reserves the right to institute the charge if it desires. If a passenger facility charge is instituted, the revenue from this charge will be Airport System revenue and will be dedicated to funding the Airport System Capital Improvements.

Section 15.16. Governing Law

This Agreement is governed by the laws of the State of Alaska. Any legal action involving this Agreement must be filed by AIRLINE in the State of Alaska.

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Section 15.17. Inspection of Books and Records

At its own expense and upon reasonable notice, each party has the right from time to time to inspect the books, records, or other data of the other party relating to this Agreement. Inspections must be conducted during regular business hours.

Section 15.18. Generally Accepted Accounting Principles

Any report or disclosure referred to in this Agreement that contains financial information must be prepared in accordance with applicable generally accepted accounting principles unless otherwise noted in this Agreement.

Section 15.19. Modification Necessary for Grant of FAA Funds

- A. If the FAA requires that this Agreement be amended as a condition precedent to the granting of funds for the improvement of the Airport, AIRLINE agrees to consent to any amendment that is reasonably required in order to enable DOT&PF to obtain the grant of funds.
- B. If any FAA required amendment impairs AIRLINE's rights under this Agreement or causes AIRLINE any unreasonable expense, AIRLINE may terminate this Agreement within 60 days by notice to DOT&PF.

Section 15.20. Consent Not to be Unreasonably Withheld

Neither DOT&PF nor AIRLINE will unreasonably withhold any consent or approval required by this Agreement.

Section 15.21. Prudent Operations

DOT&PF will manage the Airport System in a prudent and reasonable manner.

Section 15.22. Independent Contractor

AIRLINE is neither an agent nor an employee of DOT&PF but is an independent contractor with respect to all AIRLINE's activities on the Airport, including any installation, construction, or service provided.

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Section 15.23. Entire Agreement

Except as described in Section 15.26, this Agreement with all attached exhibits constitutes the entire agreement between DOT&PF and AIRLINE at the Airport. Statements previously made, verbal or written, are merged in this Agreement. Until signed by the Commissioner of DOT&PF or his designated representative, this Agreement is of no effect. This Agreement may only be amended in a writing that is signed by the authorized representatives of both parties.

Section 15.24. Condemnation

If any of AIRLINE's rights and privileges under this Agreement are condemned by any proper authority, including the State of Alaska, this Agreement terminates automatically on the date AIRLINE is required to surrender possession of the property. DOT&PF is entitled to all the condemnation proceeds except AIRLINE will be paid only the portion of the proceeds attributable to the fair market value of any improvements placed on the property by AIRLINE according to the provisions of 17 AAC 40.330(g), and not any compensation for consequential or severance damages including business damage, lost profits, or leasehold advantage. Rent will be adjusted according to the provisions of 17 AAC 40.330(g).

Section 15.25. Incorporation of Exhibits

Exhibits A through K are a part of this Agreement.

Section 15.26. Preexisting Agreements

- A. On the effective date of this Agreement, the following agreements between AIRLINE and DOT&PF at the airport are terminated:

DOT&PF FILE NO.

SPACE OR PROPERTY LEASED

- B. The following agreements between AIRLINE and DOT&PF at the Airport are not terminated by the execution of this Agreement:

DOT&PF FILE NO.

SPACE OR PROPERTY LEASED

- C. AIRLINE and DOT&PF agree that the only agreements in existence at the Airport between AIRLINE and DOT&PF on the effective date of this Agreement are this Agreement and those listed in Section 15.26.B.

[METROPOLITAN WASHINGTON AIRPORTS ACT OF 1986]

[§ 3965]

Act of October 18, 1986 (P. L. 99-500)

TITLE VI—METROPOLITAN WASHINGTON AIRPORTS

[§ 3965a]

SHORT TITLE

Sec. 6001. This title may be cited as the "Metropolitan Washington Airports Act of 1986".

[§ 3965b]

FINDINGS

Sec. 6002. The Congress finds that—

(1) the two federally owned airports in the metropolitan area of Washington, District of Columbia, constitute an important and growing part of the commerce, transportation, and economic patterns of the Commonwealth of Virginia, the District of Columbia, and the surrounding region;

(2) Baltimore/Washington International Airport, owned and operated by the State of Maryland, is an air transportation facility that provides service to the greater Metropolitan Washington region together with the two federally owned airports, and timely Federal-aid grants to Baltimore/Washington International Airport will provide additional capacity to meet the growing air traffic needs and to compete with other airports on a fair basis;

(3) the Federal Government has a continuing but limited interest in the operation of the two federally owned airports, which serve the travel and cargo needs of the entire Metropolitan Washington region as well as the District of Columbia as the national seat of government;

(4) operation of the Metropolitan Washington Airports by an independent local agency will facilitate timely improvements at both airports to meet the growing demand of interstate air transportation occasioned by the Airline Deregulation Act of 1978 (Public Law 95-504; 92 Stat. 1705);

(5) all other major air carrier airports in the United States are operated by public entities at the State, regional, or local level;

(6) any change in status of the two airports must take into account the interest of nearby communities, the traveling public, air carriers, general aviation, airport employees, and other interested groups, as well as the interests of the Federal Government and State governments involved;

(7) in recognition of a perceived limited need for a Federal role in the management of these airports and the growing local interest, the Secretary has recommended a transfer of authority from the Federal to the local/State level that is consistent with the management of major airports elsewhere in the Nation;

(8) an operating authority with representation from local jurisdictions, similar to authorities at all major airports in the United States, will improve communications with local officials and concerned residents regarding noise at the Metropolitan Washington Airports;

(9) a commission of congressional, State, and local officials and aviation representatives has recommended to the Secretary that transfer of the federally owned airports be as a unit to an independent authority to be created by the Commonwealth of Virginia and the District of Columbia; and

(10) the Federal interest in these airports can be provided through a lease mechanism which provides for local control and operation.

[§ 3965c]

PURPOSE

Sec. 6003. (a) IN GENERAL.—It is therefore declared to be the purpose of the Congress in this title to authorize the transfer of operating responsibility under

long-term lease of the two Metropolitan Washington Airport properties as a unit, including access highways and other related facilities, to a properly constituted independent airport authority created by the Commonwealth of Virginia and the District of Columbia, in order to achieve local control, management, operation, and development of these important transportation assets.

(b) **INCLUSION OF BWI NOT PRECLUDED.**—Nothing in this title shall be construed to prohibit the Airports Authority and the State of Maryland from entering into an agreement whereby Baltimore/Washington International Airport may be made part of a regional airports authority, subject to terms and conditions agreed to by the Airports Authority, the Secretary, the Commonwealth of Virginia, the District of Columbia, and the State of Maryland.

[§ 3955d]

DEFINITIONS

Sec. 6004. In this title—

(1) **ADMINISTRATOR.**—The term "Administrator" means the Administrator of the Federal Aviation Administration.

(2) **AIRPORTS AUTHORITY.**—The term "Airports Authority" means the Metropolitan Washington Airports Authority, a public body to be created by the Commonwealth of Virginia and the District of Columbia consistent with the requirements of section 6007.

(3) **EMPLOYEES.**—The term "employees" means all permanent Federal Aviation Administration personnel employed on the date the lease under section 6005 takes effect by the Metropolitan Washington Airports, an organization within the Federal Aviation Administration.

(4) **METROPOLITAN WASHINGTON AIRPORTS.**—The term "Metropolitan Washington Airports" means Washington National Airport and Washington Dulles International Airport.

(5) **SECRETARY.**—The term "Secretary" means the Secretary of Transportation.

(6) **WASHINGTON DULLES INTERNATIONAL AIRPORT.**—The term "Washington Dulles International Airport" means the airport constructed under the Act entitled "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", approved September 7, 1950 (64 Stat. 770), and includes the Dulles Airport Access Highway and Right-of-way, including the extension between the Interstate Routes I-495 and I-66.

(7) **WASHINGTON NATIONAL AIRPORT.**—The term "Washington National Airport" means the airport described in the Act entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes", approved June 29, 1940 (54 Stat. 686).

[§ 3965e]

LEASE OF METROPOLITAN WASHINGTON AIRPORTS

Sec. 6005. (a) **AUTHORITY TO ENTER INTO LEASE.**—The Secretary is authorized to enter into a lease of the Metropolitan Washington Airports with the Airports Authority for a 50-year term and to enter into any related agreement necessary for the transfer of authority and property to the Airports Authority. Authority to enter into a lease and agreement under this section shall lapse two years after the date of the enactment of this title.

(b) **PAYMENTS.**—

(1) **LEASE PAYMENTS.**—The lease shall provide for the Airports Authority to pay to the general fund of the Treasury annually an amount, computed using the GNP Price Deflator, to equal \$3,000,000 in 1987 dollars. The Secretary and the Airports Authority may renegotiate the level of lease payments attributable to inflation costs every ten years.

(2) **RETIREMENT OBLIGATIONS.**—

§ 3965d

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(A) **DISCONTINUED SERVICE.**—Not later than one year after the lease takes effect, the Airports Authority shall pay to the Treasury of the United States, to be deposited to the credit of the Civil Service Retirement and Disability Fund, an amount determined by the Office of Personnel Management to represent the actual added costs incurred by the Fund due to discontinued service retirement under section 8336(d)(1) of title 5, United States Code, of employees who elect not to transfer to the Airports Authority.

(B) **UNFUNDED LIABILITY.**—Not later than one year after the lease takes effect, the Airports Authority shall pay to the Treasury of the United States, to be deposited to the credit of the Civil Service Retirement and Disability Fund, an amount determined by the Office of Personnel Management to represent the present value of the difference between (i) the future cost of benefits payable from the Fund and due the employees covered under section 6008(e) of this title that are attributable to the period of employment following the date the lease takes effect, and (ii) the contributions made by the employees and the Airports Authority under section 6008(e). In determining the amount due, the Office of Personnel Management shall take into consideration the actual interest such amount can be expected to earn when invested in the Treasury of the United States.

(c) **MINIMUM TERMS AND CONDITIONS.**—The Airports Authority shall agree, at a minimum, to the following conditions and requirements in the lease:

(1) **OPERATION OF AIRPORTS AS A UNIT.**—The Airports Authority shall operate, maintain, protect, promote, and develop the Metropolitan Washington Airports as a unit and as primary airports serving the Metropolitan Washington area.

(2) **AIRPORT PURPOSES.**—The real property constituting the Metropolitan Washington Airports shall, during the period of the lease, be used only for airport purposes. For the purposes of this paragraph, the term "airport purposes" means a use of property interests (other than a sale) for aviation business or activities, or for activities necessary or appropriate to serve passengers or cargo in air commerce, or for nonprofit, public use facilities. If the Secretary determines that any portion of the real property leased to the Airports Authority pursuant to this Act is used for other than airport purposes, the Secretary shall (A) direct that appropriate measures be taken by the Airports Authority to bring the use of such portion of real property in conformity with airport purposes, and (B) retake possession of such portion of real property if the Airports Authority fails to bring the use of such portion into a conforming use within a reasonable period of time, as determined by the Secretary.

(3) **AIP REQUIREMENTS.**—The Airports Authority shall be subject to the requirements of section 511(a) of the Airport and Airway Improvement Act of 1982 and the assurances and conditions required of grant recipients under such Act as of the date the lease takes effect. Notwithstanding section 511(a)(12) of such Act, all revenues generated by the Metropolitan Washington Airports shall be expended for the capital and operating costs of such airports.

(4) **CONTRACTS.**—In acquiring by contract supplies or services for an amount estimated to be in excess of \$200,000, or awarding concession contracts, the Airports Authority shall obtain, to the maximum extent practicable, full and open competition through the use of published competitive procedures. By a vote of seven members, the Airports Authority may grant exceptions to the requirements of this paragraph.

(5) **CONTINUATION OF REGULATIONS.**—

(A) **IN GENERAL.**—Except as provided in subparagraph (B), all regulations of the Metropolitan Washington Airports (14 C. F. R. part 159) shall become regulations of the Airports Authority on the date the lease takes effect and shall remain in effect until modified or

revoked by the Airports Authority in accordance with procedures of the Airports Authority.

(B) EXCEPTIONS.—The following regulations shall cease to be in effect on the date the lease takes effect:

(i) section 159.59(a) of title 14, Code of Federal Regulations (relating to new-technology aircraft); and

(ii) section 159.191 of title 14, Code of Federal Regulations (relating to violations of Federal Aviation Administration regulations as Federal misdemeanors).

(C) OPERATIONS.—The Airports Authority may not increase or decrease the number of instrument flight rule takeoffs and landings authorized by the High Density Rule (14 C. F. R. 93.121 et seq.) at Washington National Airport on the date of the enactment of this Act and may not impose a limitation after the date the lease takes effect on the number of passengers taking off or landing at Washington National Airport.

(6) TRANSFER OF RIGHTS, LIABILITIES, AND OBLIGATIONS.—

(A) IN GENERAL.—Except as specified in subparagraph (B) of this paragraph, the Airports Authority shall assume all rights, liabilities, and obligations (tangible and incorporeal, present and executory) of the Metropolitan Washington Airports on the date the lease takes effect, including leases, permits, licenses, contracts, agreements, claims, tariffs, accounts receivable, accounts payable, and litigation relating to such rights and obligations, regardless whether judgment has been entered, damages awarded, or appeal taken. Before the date the lease takes effect, the Secretary shall also assure that the Airports Authority has agreed to cooperate in allowing representatives of the Attorney General and the Secretary adequate access to employees and records when needed for the performance of functions related to the period before the effectiveness of the lease. The Airports Authority shall assume responsibility for the Federal Aviation Administration's Master Plans for the Metropolitan Washington Airports.

(B) EXCEPTIONS.—The procedure for disputes resolution contained in any contract entered into on behalf of the United States before the date the lease takes effect shall continue to govern the performance of the contract unless otherwise agreed to by the parties to the contract. Claims for monetary damages founded in tort, by or against the United States as the owner and operator of the Metropolitan Washington Airports, arising before the date the lease takes effect shall be adjudicated as if the lease had not been entered into.

(C) PAYMENTS INTO EMPLOYEES' COMPENSATION FUND.—The Federal Aviation Administration shall remain responsible for reimbursing the Employees' Compensation Fund, pursuant to section 8147 of title 5, United States Code, for compensation paid or payable after the date the lease takes effect in accordance with chapter 81 of title 5, United States Code, with regard to any injury, disability, or death due to events arising before such date, whether or not a claim has been filed or is final on such date.

(D) COLLECTIVE BARGAINING RIGHTS.—The Airports Authority shall continue all collective bargaining rights enjoyed before the date the lease takes effect by employees of the Metropolitan Washington Airports.

(7) AUDITS.—The Comptroller General of the United States may conduct periodic audits of the activities and transactions of the Airports Authority in accordance with generally accepted management principles, and under such rules and regulations as may be prescribed by the Comptroller General. Any such audit shall be conducted at such place or places as the Comptroller General may deem appropriate. All books, accounts, records,

reports, files, papers, and property of the Airports Authority shall remain in possession and custody of the Airports Authority.

(8) **CODE OF ETHICS.**—The Airports Authority shall develop a code of ethics and financial disclosure in order to assure the integrity of all decisions made by its board of directors and employees.

(9) **RESTRICTION ON USE OF CERTAIN REVENUES.**—Notwithstanding any other provision of law, no landing fee imposed for operating an aircraft or revenues derived from parking automobiles—

(A) at Washington Dulles International Airport may be used for maintenance or operating expenses (excluding debt service, depreciation, and amortization) at Washington National Airport; or

(B) at Washington National Airport may be used for maintenance or operating expenses (excluding debt service, depreciation, and amortization) at Washington Dulles International Airport.

(10) **GENERAL AVIATION FEES.**—The Airports Authority shall compute the fees and charges for landing general aviation aircraft at the Metropolitan Washington Airports on the same basis as the landing fees for air carrier aircraft, except that the Airports Authority may require a minimum landing fee not in excess of the landing fee for aircraft weighing 12,500 pounds.

(11) **OTHER TERMS.**—The Secretary shall include such other terms and conditions applicable to the parties to the lease as are consistent with and carry out the provisions of this title.

(d) **SUBMISSION TO CONGRESS.**—The Secretary shall submit the lease entered into under this section to Congress. The lease may not take effect before the passage of (1) 30 days, or (2) 10 days in which either House of Congress is in session, whichever occurs later.

(e) **ENFORCEMENT OF LEASE PROVISIONS.**—The district courts of the United States shall have jurisdiction to compel the Airports Authority and its officers and employees to comply with the terms of the lease. An action may be brought on behalf of the United States by the Attorney General, or by any aggrieved party.

[[3965f] **CAPITAL IMPROVEMENTS, CONSTRUCTION,
AND REHABILITATION**

Sec. 6006. (a) **IMPROVEMENTS.**—It is the sense of the Congress that the Airports Authority should—

(1) pursue the improvement, construction, and rehabilitation of the facilities at Washington Dulles International Airport and Washington National Airport simultaneously; and

(2) to the extent practicable, cause the improvement, construction, and rehabilitation proposed by the Secretary to be completed at both of such Airports within 5 years after the earliest date on which the Airports Authority issues bonds under the authority required by section 6007 of this title for any such improvement, construction, or rehabilitation.

(b) **SECRETARY'S ASSISTANCE.**—The Secretary shall assist the three airports serving the Washington, D. C. metropolitan area in planning for operational and capital improvements at those airports and shall accelerate consideration of applications for Federal financial assistance by whichever of the three airports is most in need of increasing airside capacity.

[[3965g] **AIRPORTS AUTHORITY**

Sec. 6007. (a) **POWERS CONFERRED BY VIRGINIA AND THE DISTRICT OF COLUMBIA.**—The Airports Authority shall be a public body corporate and politic, having the powers and jurisdiction as are conferred upon it jointly by the legislative authority of the Commonwealth of Virginia and the District of Columbia or by either of the jurisdictions and concurred in by the legislative authority of the other jurisdiction, but at a minimum meeting the requirements of this section.

(b) PURPOSE.—The Airports Authority shall be—

(1) independent of the Commonwealth of Virginia and its local governments, the District of Columbia, and the Federal Government; and

(2) a political subdivision constituted solely to operate and improve both Metropolitan Washington Airports as primary airports serving the Metropolitan Washington area.

(c) GENERAL AUTHORITIES.—The Airports Authority shall be authorized—

(1) to acquire, maintain, improve, operate, protect, and promote the Metropolitan Washington Airports for public purposes;

(2) to issue bonds from time to time in its discretion for public purposes, including the purposes of paying all or any part of the cost of airport improvements, construction, and rehabilitation, and the acquisition of real and personal property, including operating equipment for the airports, which bonds—

(A) shall not constitute a debt of either jurisdiction or a political subdivision thereof; and

(B) may be secured by the Airports Authority's revenues generally, or exclusively from the income and revenues of certain designated projects whether or not they are financed in whole or part from the proceeds of such bonds;

(3) to acquire real and personal property by purchase, lease, transfer, or exchange, and to exercise such powers of eminent domain within the Commonwealth of Virginia as are conferred upon it by the Commonwealth of Virginia;

(4) to levy fees or other charges; and

(5) to make and maintain agreements with employee organizations to the extent that the Federal Aviation Administration is so authorized on the date of enactment of this title.

(d) CONFLICT-OF-INTEREST PROVISIONS.—The Airports Authority shall be subject to a conflict-of-interest provision providing that members of the board and their immediate families may not be employed by or otherwise hold a substantial financial interest in any enterprise that has or is seeking a contract or agreement with the Airports Authority or is an aeronautical, aviation services, or airport services enterprise that otherwise has interests that can be directly affected by the Airports Authority. Exceptions to requirements of the preceding sentence may be made by the official appointing a member at the time the member is appointed, if the financial interest is fully disclosed and so long as the member does not participate in board decisions that directly affect such interest. The Airports Authority shall include in its code developed under section 6005(c)(8) of this title the standards by which members will determine what constitutes a substantial financial interest and the circumstances under which an exception may be granted.

(e) BOARD OF DIRECTORS.—

(1) APPOINTMENT.—The Airports Authority shall be governed by a board of directors of 11 members, as follows:

(A) five members shall be appointed by the Governor of Virginia;

(B) three members shall be appointed by the Mayor of the District of Columbia;

(C) two members shall be appointed by the Governor of Maryland; and

(D) one member shall be appointed by the President with the advice and consent of the Senate.

The Chairman shall be appointed from among the members by majority vote of the members and shall serve until replaced by majority vote of the members.

(2) RESTRICTIONS.—Members shall (A) not hold elective or appointive political office, (B) serve without compensation other than for reasonable expenses incident to board functions, and (C) reside within the Washington Standard Metropolitan Statistical Area, except that the member appointed by the President shall not be required to reside in that area.

(3) TERMS.—Members shall be appointed to the board for a term of 6 years, except that of members first appointed—

(A) by the Governor of Virginia, 2 shall be appointed for 4 years and 2 shall be appointed for 2 years;

(B) by the Mayor of the District of Columbia, 1 shall be appointed for 4 years and 1 shall be appointed for 2 years; and

(C) by the Governor of Maryland, 1 shall be appointed for 4 years.

(4) REMOVAL OF PRESIDENTIAL APPOINTEES.—A member of the board appointed by the President shall be subject to removal by the President for cause.

(5) REQUIRED NUMBER OF VOTES.—Seven votes shall be required to approve bond issues and the annual budget.

(f) BOARD OF REVIEW.—

(1) COMPOSITION.—The board of directors shall be subject to review of its actions and to requests, in accordance with this subsection, by a Board of Review of the Airports Authority. Such Board of Review shall be established by the board of directors and shall consist of the following, in their individual capacities, as representatives of users of the Metropolitan Washington Airports:

(A) two members of the Public Works and Transportation Committee and two members of the Appropriations Committee of the House of Representatives from a list provided by the Speaker of the House;

(B) two members of the Commerce, Science, and Transportation Committee and two members of the Appropriations Committee of the Senate from a list provided by the President pro tempore of the Senate; and

(C) one member chosen alternately from members of the House of Representatives and members of the Senate, from a list provided by the Speaker of the House or the President pro tempore of the Senate, respectively.

The members of the Board of Review shall elect a chairman. A member of the House of Representatives or the Senate from Maryland or Virginia and the Delegate from the District of Columbia may not serve on the Board of Review.

(2) TERMS.—Members of the Board of Review appointed under subparagraphs (A) and (B) of paragraph (1) shall be appointed for terms of six years, except that of the members first appointed, one member under each of subparagraphs (A) and (B) shall be appointed for a term of two years and one member under each of subparagraphs (A) and (B) shall be appointed for a term of four years. Members of the Board of Review appointed under subparagraph (C) shall be appointed for terms of two years. A vacancy in the Board shall be filled in the same manner in which the original appointment was made. Any member appointed to fill a vacancy before the expiration of the term for which his or her predecessor was appointed shall be appointed only for the remainder of such term.

(3) PROCEDURES.—The Board of Review shall establish procedures for conducting its business. The procedures may include requirements for a quorum at meetings and for proxy voting. The Board shall meet at least once each year and shall meet at the call of the chairman or 3 members of the

Board. Any decision of the Board of Review under paragraph (4) or (5) shall be by a vote of 5 members of the Board.

(4) DISAPPROVAL PROCEDURE.—

(A) SUBMISSION REQUIRED.—An action of the Airports Authority described in subparagraph (B) shall be submitted to the Board of Review at least 30 days (or at least 60 days in the case of the annual budget) before it is to become effective.

(B) ACTIONS AFFECTED.—The following are the actions referred to in subparagraph (A):

- (i) the adoption of an annual budget;
- (ii) the authorization for the issuance of bonds;
- (iii) the adoption, amendment, or repeal of a regulation;
- (iv) the adoption or revision of a master plan, including any proposal for land acquisition; and
- (v) the appointment of the chief executive officer.

(C) 30-DAY DISAPPROVAL PERIOD.—If the Board of Review does not disapprove an action within 30 days of its submission under this paragraph, the action may take effect. If the Board of Review disapproves any such action, it shall notify the Airports Authority and shall give reasons for the disapproval.

(D) EFFECT OF DISAPPROVAL.—An action disapproved under this paragraph shall not take effect. Unless an annual budget for a fiscal year has taken effect in accordance with this paragraph, the Airports Authority may not obligate or expend any money in such fiscal year, except for (i) debt service on previously authorized obligations, and (ii) obligations and expenditures for previously authorized capital expenditures and routine operating expenses.

(5) REQUEST FOR CONSIDERATION OF OTHER MATTERS.—The Board of Review may request the Airports Authority to consider and vote, or to report, on any matter related to the Metropolitan Washington Airports. Upon receipt of such a request the Airports Authority shall consider and vote, or report, on the matter as promptly as feasible.

(6) PARTICIPATION IN MEETINGS OF AIRPORTS AUTHORITY.—Members of the Board of Review may participate as nonvoting members in meetings of the board of the Airports Authority.

(7) STAFF.—The Board of Review may hire two staff persons to be paid by the Airports Authority. The Airports Authority shall provide such clerical and support staff as the Board may require.

(8) LIABILITY.—A member of the Board of Review shall not be liable in connection with any claim, action, suit, or proceeding arising from service on the Board.

(g) CERTAIN ACTIONS TO BE TAKEN BY REGULATION.—Any action of the Airports Authority changing, or having the effect of changing, the hours of operation of or the type of aircraft serving either of the Metropolitan Washington Airports may be taken only by regulation of the Airports Authority.

(h) LIMITATION ON AUTHORITY.—If the Board of Review established under subsection (f) is unable to carry out its functions under this title by reason of a judicial order, the Airports Authority shall have no authority to perform any of the actions that are required by paragraph (f)(4) to be submitted to the Board of Review.

[[3965h] FEDERAL EMPLOYEES AT THE METROPOLITAN WASHINGTON AIRPORTS

Sec. 6008. (a) EMPLOYEE PROTECTION.—Not later than the date the lease under section 6005 takes effect, the Secretary shall ensure that the Airports Authority

has established arrangements to protect the employment interests of employees during the 5-year period beginning on such date. These arrangements shall include provisions—

(1) which ensure that the Airports Authority will adopt labor agreements in accordance with the provisions of subsection (b) of this section;

(2) for the transfer and retention of all employees who agree to transfer to the Airports Authority in their same positions for the 5-year period commencing on the date the lease under section 6005 takes effect except in cases of reassignment, separation for cause, resignation, or retirement;

(3) for the payment by the Airports Authority of basic and premium pay to transferred employees, except in cases of separation for cause, resignation, or retirement, for 5 years commencing on the date the lease takes effect at or above the rates of pay in effect for such employees on such date;

(4) for credit during the 5-year period commencing on the date the lease takes effect for accrued annual and sick leave and seniority rights which have been accrued during the period of Federal employment by transferred employees retained by the Airports Authority; and

(5) for an offering of not less than one life insurance and three health insurance programs for transferred employees retained by the Airports Authority during the 5-year period beginning on the date the lease takes effect which are reasonably comparable with respect to employee premium cost and coverage to the Federal health and life insurance programs available to employees on the day before such date.

(b) LABOR AGREEMENTS.—

(1) **ADOPTION.**—The Airports Authority shall adopt all labor agreements which are in effect on the date the lease under section 6005 takes effect. Such agreements shall continue in effect for the 5-year period commencing on such date, unless the agreement provides for a shorter duration or the parties agree to the contrary before the expiration of that 5-year period. Such agreements shall be renegotiated during the 5-year period, unless the parties agree otherwise. Any labor-management negotiation impasse declared before the date the lease takes effect shall be settled in accordance with chapter 71 of title 5, United States Code.

(2) **CONTINUATION.**—The arrangements made pursuant to this section shall assure, during the 50-year lease term, the continuation of all collective bargaining rights enjoyed by transferred employees retained by the Airports Authority.

(c) **RIGHTS OF TERMINATED EMPLOYEES.**—Any transferred employee whose employment with the Airports Authority is terminated during the 5-year period beginning on the date the lease under section 6005 takes effect shall be entitled, as a condition of any lease entered into in accordance with section 6005 of this title, to rights and benefits to be provided by the Airports Authority that are similar to those such employee would have had under Federal law if termination had occurred immediately before such date.

(d) **ANNUAL AND SICK LEAVE.**—Any employee who transfers to the Airports Authority under this section shall not be entitled to lump-sum payment for unused annual leave under section 5551 of title 5, United States Code, but shall be credited by the Airports Authority with the unused annual leave balance on the date the lease under section 6005 takes effect, along with any unused sick leave balance on such date. During the 5-year period beginning on such date,

[The next page is 2691-11.]

annual and sick leave shall be earned at the same rates permitted on the day before such date, and observed official holidays shall be the same as those specified in section 6103 of title 5, United States Code.

(e) **CIVIL SERVICE RETIREMENT.**—Any Federal employee who transfers to the Airports Authority and who on the day before the date the lease under section 6005 takes effect is subject to subchapter III of chapter 83 of title 5, United States Code, or chapter 84 of such title shall, so long as continually employed by the Airports Authority without a break in service, continue to be subject to such subchapter or chapter, as the case may be. Employment by the Airports Authority without a break in continuity of service shall be considered to be employment by the United States Government for purposes of such subchapter and chapter. The Airports Authority shall be the employing agency for purposes of such subchapter and chapter and shall contribute to the Civil Service Retirement and Disability Fund such sums as are required by such subchapter and chapter.

(f) **SEPARATED EMPLOYEES.**—An employee who does not transfer to the Airports Authority and who does not otherwise remain a Federal employee shall be entitled to all of the rights and benefits available under Federal law for separated employees, except that severance pay shall not be payable to an employee who does not accept an offer of employment from the Airports Authority of work substantially similar to that performed for the Federal Government.

(g) **ACCESS TO RECORDS.**—The Airports Authority shall allow representatives of the Secretary adequate access to employees and employee records of the Airports Authority when needed for the performance of functions related to the period before the date the lease under section 6005 takes effect. The Secretary shall provide the Airports Authority access to employee records of transferring employees for appropriate purposes.

[[3965i]

RELATIONSHIP TO AND EFFECT OF OTHER LAWS

Sec. 6009. (a) **OTHER LAWS.**—In order to assure that the Airports Authority has the same proprietary powers and is subject to the same restrictions with respect to Federal law as any other airport except as otherwise provided in this title, during the period that the lease authorized by section 6005 of this title is in effect—

(1) the Metropolitan Washington Airports shall be considered public airports for purposes of the Airport and Airway Improvement Act of 1982 (49 App. U. S. C. 2201 et seq.); and

(2) the Acts entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes", approved June 29, 1940 (54 Stat. 686), "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", approved September 7, 1950 (64 Stat. 770), and "An Act making supplemental appropriations for the support of the Government for the fiscal year ending June 30, 1941, and for other purposes", approved October 9, 1940 (54 Stat. 1030), shall not apply to the operation of the Metropolitan Washington Airports, and the Secretary shall be relieved of all responsibility under those Acts.

(b) **INAPPLICABILITY OF CERTAIN LAWS.**—The Metropolitan Washington Airports and the Airports Authority shall not be subject to the requirements of any law solely by reason of the retention by the United States of the fee simple title to such airports or by reason of the authority of the Board of Review under subsection 6007(f).

(c) **POLICE POWER.**—The Commonwealth of Virginia shall have concurrent police power authority over the Metropolitan Washington Airports, and the courts of the Commonwealth of Virginia may exercise jurisdiction over Washington National Airport.

(d) **PLANNING.**—

(1) **IN GENERAL.**—The authority of the National Capital Planning Commission under section 5 of the Act of June 6, 1924 (40 U. S. C. 71d) shall not apply to the Airports Authority.

(2) **CONSULTATION.**—The Airports Authority shall consult—

(A) with the National Capital Planning Commission and the Advisory Council on Historic Preservation before undertaking any major alterations to the exterior of the main terminal at Washington Dulles International Airport, and

(B) with the National Capital Planning Commission before undertaking development that would alter the skyline of Washington National Airport when viewed from the opposing shoreline of the Potomac River or from the George Washington Parkway.

(c) **OPERATIONS LIMITATIONS.**—

(1) **HIGH DENSITY RULE.**—The Administrator may not increase the number of instrument flight rule takeoffs and landings authorized for air carriers by the High Density Rule (14 C. F. R. 93.121 et seq.) at Washington National Airport on the date of the enactment of this title and may not decrease the number of such takeoffs and landings except for reasons of safety.

(2) **ANNUAL PASSENGER LIMITATIONS.**—The Federal Aviation Administration air traffic regulation entitled "Modification of Allocation: Washington National Airport" (14 C. F. R. 93.124) shall cease to be in effect on the date of the enactment of this title.

[§ 3965j] AUTHORITY TO NEGOTIATE EXTENSION OF LEASE

Sec. 6010. The Secretary and the Airports Authority may at any time negotiate an extension of the lease entered into under section 6005(a).

[§ 3965k] SEPARABILITY

Sec. 6011. Except as provided in section 6007(h), if any provision of this title or the application thereof to any person or circumstance, is held invalid, the remainder of this title and the application of such provision to other persons or circumstances shall not be affected thereby.

[§ 3965l] NONSTOP FLIGHTS

Sec. 6012. **PERIMETER RULE.**—An air carrier may not operate an aircraft nonstop in air transportation between Washington National Airport and another airport that is more than 1,250 statute miles away from Washington National Airport.

A SPECIAL REPORT ON THE
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
ANCHORAGE INTERNATIONAL AIRPORT

July 16, 1985

Commissioner, Department of
Transportation and Public Facilities

Richard J. Knapp

Deputy Commissioners, Department of
Transportation and Public Facilities

Warren Sparks
Jon Scribner
George Janssen
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STATE OF ALASKA

THE LEGISLATURE
BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

July 16, 1985

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska
Statutes, the attached report is submitted for your review.

A SPECIAL REPORT ON THE
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
ANCHORAGE INTERNATIONAL AIRPORT

July 16, 1985

Audit Control Number

25-4231-85-S



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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PURPOSE OF THE REPORT

In accordance with a special request of the Legislative Budget and Audit Committee and Title 24 of the Alaska Statutes, this special report has been prepared to:

1. Document the history and current status of the renovation and expansion at the Anchorage International Airport.
2. Document the decision-making process for assigning and leasing airport space to terminal tenants.
3. Provide information on the International Airport Revenue Fund regarding the types of revenues generated and expenses incurred.

ORGANIZATION AND FUNCTION

The two international airports in Alaska, located at Anchorage and Fairbanks, were first authorized by the 80th Congress on May 28, 1948 for \$13 million under the Alaska Public Airport Act. The Civil Aeronautics Authority, predecessor to the present Federal Aviation Administration, operated the airports until their transfer to the State on June 25, 1959.

Alaska Statute 44.42.020 provides that the Department of Transportation and Public Facilities (DOTPF) has the power to manage, operate, and maintain State transportation facilities including airports. As such both international airports have an Airport Director who is responsible for the day-to-day operations at the airport. Together, the international airports are self-supporting and operate from the International Airport Revenue Fund (IARF). The IARF is comprised of receipts from aviation and support industries which are used by the airports to provide terminal space plus field maintenance, crash-fire-rescue, law enforcement, and cleaning services to the tenants and other users of the airport (refer to the IARF section for a detail explanation).

In total, the Anchorage International Airport was authorized 270 positions with an operating budget for FY 86 of \$18,060,600 while Fairbanks International Airport was authorized 88 positions and an operating budget of \$7,350,800.

AUDITOR'S CONCLUSION

In our opinion, the airport renovation and expansion project was not effectively and efficiently managed to minimize total project costs and any inconvenience to the traveling public. During the course of our review we observed or were given several explanations that led us to our conclusion. The following summarizes those findings:

1. The project scope was not finalized prior to a construction commitment. The scope was revised both prior to and subsequent to the construction contract award date. (refer to the Project Scope Revisions Section).
2. Airport tenant requests for scope revisions to the project necessitated redesign by the design consultant at the State's expense (refer to Increased Interest-Airport Tenant Involvement and the sections following).
3. A substantial number of design deficiencies resulted in the general contractor submitting over 750 design clarification or variation requests as of June 11, 1985.
4. The general construction contract was awarded for \$17,844,000 with an original contingency of \$1,602,748. Through June 19, 1985, ninety-nine change orders totaled \$3,126,300.

Currently, the Department of Transportation and Public Facilities (DOTPF) is planning for the expansion of the main terminal over the arrival and departure drives and for the construction of a covered parking facility. Undoubtedly, these projects will cause significant inconvenience to the traveling public, but are recognized as essential needs of the airport. To minimize this necessary inconvenience, DOTPF should ensure that the project scope is finalized and the design completed prior to any commitment for construction. In addition, while it may be prudent to request input from the airport tenants, those requests should be required early in the planning phase and finalized prior to construction. The cost of any changes to accommodate the airport tenants after the construction is started should be borne by the requesting party. Following is our detail of the renovation and expansion project's history and current status.

RENOVATION AND EXPANSION PROJECT HISTORY

Early Project History

The Anchorage International Airport (AIA) first began operations in December 1951 under the Civil Aeronautics Authority (CAA) predecessor to the present Federal Aviation Administration. On May 28, 1948, the 80th Congress passed the Alaska Public Airport Act authorizing \$13 million for construction by the CAA of two international type facilities for Alaska's two largest cities; Fairbanks and Anchorage. The original Anchorage terminal building consisted of a rectangular two-story complex in a north-south direction. Additional, sporadic expansion by the State and Northwest Airlines, the major airport user, occurred between the transfer of airport ownership on June 25, 1959 and 1964.

Much of the terminal facilities were lost as a result of the devastating 1964 earthquake. Consequently, a major renovation project was undertaken to replace the damaged terminal. In 1965, the present West Concourse satellite (hexagon) was constructed to accommodate the expanding international market. In addition, from 1968 to 1970 the main terminal building was expanded westward and connected to the hexagon. The project added approximately 188,000 square feet of space. These additions increased the total terminal building area to 307,000 square feet and consisted of the following:

1. The original two-story passenger terminal (North Concourse C) used primarily for domestic and commuter passenger holdrooms, airline operations, as well as airline, concessionaire, and tenant offices.
2. A two-story main passenger terminal with passenger ticketing, check-in, and baggage claim facilities and passenger convenience and service facilities such as food, beverage, and gift concessions. There also was space for airline operations, offices, and passenger holdrooms.
3. A two-story West Concourse B and hexagon which had international intransit facilities, Federal Inspection Services, domestic airline holdrooms, various offices, tenant storage, and airline operations facilities.

Airport Feasibility Studies - Expansion

Airport growth as measured by enplaning and deplaning passengers continued to grow during the 1970's, in part, as a result of the introduction of transoceanic routes, significant oil discoveries culminating in the Prudhoe Bay exploration and subsequent construction of the Alaska Pipeline,

With the commitment to construct the international terminal, DOTPF determined that a new program statement and scope of work became necessary for work efforts regarding the south terminal as strictly a domestic facility. TRA/Farr was retained through a letter of agreement for \$200,000 to develop alternative concepts for the south terminal. In addition, TRA/Farr was directed to develop a public seating layout and to formulate documents for bidding and purchasing the new seating in addition to developing an interior paint scheme and wall graphics. The effort was completed in January 1981 and a report issued. TRA/Farr recommended the following as part of the scope of work.

1. Expand the main terminal approximately 100 feet to the southeast to increase the length of the ticket counter frontage, offices, gate lobbies, and claim areas.
2. Construct a new commuter facility connected to the 100 foot addition to serve eight to ten aircraft.
3. Remodel West Concourse B to serve ten aircraft positions.
4. Reduce the security checkpoints to two positions.
5. Develop the mechanical plant to accommodate the loads from the expansion.
6. Demolish North Concourse C and expand the main terminal to the north.
7. Increase the depth of the main terminal by expanding over the existing departure and arrival drives.
8. Construct a parking structure east of the terminal building.

DOTPF approved of the plan provided by the architect and subsequently executed a sole source professional services agreement to design the project on April 7, 1981 for \$288,995. The scope was limited to the 100 foot expansion and a single level commuter concourse. The estimated construction cost was \$4.5 million. Funding for the design was provided by chapter 120, SLA 1980.

Project Scope Revisions

In October of 1981, the Commissioner executed the first of twelve contract amendments issued for the design work. Amendment one changed the commuter concourse from a single level non-secure function to a two level structure with full airport security located on the upper level. In addition, the consultant was required to design the Concourse B renovation. Total estimated construction costs increased to \$12.5 million. According to the DOTPF design manager, the

one of the major changes to the project. The amendment, issued on March 21, 1984 for \$743,100, requested the consultant, in part, to design a new baggage delivery and distribution system to accommodate the baggage make-up areas in the lower level of Concourse B. The make-up area increased from the previously approved 8,000 square foot addition to 45,000 square feet. The ATC had requested this area during their June 2, 1983 meeting. As a result of this request, DOTPF awarded a contract for \$1,249,191 to install the new baggage conveyor system into Concourse B. Furthermore, amendments five and nine added work at the request of the ATC. Amendment five was issued on April 27, 1984 and expanded the Alaska Airline ticket office and amendment nine issued on December 14, 1984 revised the Alaska Airline Board Room and also added various changes to concessionaire space.

Issuance of Contract Change Orders

As of June 19, 1985, there have been ninety-nine change orders issued on the general construction contract. The original contract award was for \$17,844,000. As of the last change order the contract has escalated to \$20,970,300 an increase of 17.5 percent. DOTPF stated that there will be additional change orders issued to complete the project.

The scope of the project involved, in part, the renovation of Concourse B. According to the DOTPF project manager, certain change orders were necessary due to the lack of adequate documentation of changes to the original airport structure through periodic construction upgrades. However, many of the change orders were originated by the airport tenants and DOTPF for project additions. As an example, Alaska Airlines requested that the podiums located in the hexagon be relocated. The costs associated with change order twelve amounted to \$253,845. Also, DOTPF requested an upgrade in the carpet to be installed which resulted in change order forty-four costing \$104,820.

The majority of the change orders were for design verifications. According to DOTPF personnel, these changes were the result of inadequate design of the project. The general contractor submitted over 750 design clarification or variation requests as of June 11, 1985. DOTPF has tentatively identified the responsible party for forty-six of the change orders and can be categorized as follows:

	<u>DOTPF</u>	<u>Design Consult- ant</u>	<u>Airport Tenant</u>	<u>Total</u>
Dollar Amount	\$198,924	\$558,116	\$336,728	\$1,157,532
Percentage	18.2%	51.0%	30.8%	100%
Total Number	14	33	7	54
Percentage	25.9%	61.1%	13.0%	100%

Note: Seven change orders involved two parties. Thus, for percentage calculations these were added to each party.

DOTPF expects to finalize their assignment of all change orders by October 1985.

In addition, DOTPF issued a separate contract on January 4, 1985 for the removal of asbestos in the main terminal for \$1,771,300. Asbestos-containing material was discovered during the renovation which necessitated its removal. This contract also covered the carpeting of Concourse C.

Current Status

Phase one of the project including the expansion of the main terminal 100 feet to the southeast, construction of the new commuter facility (Concourse A), remodeling the Concourse B, and the remodeling and expansion of the baggage conveyor system is substantially complete. DOTPF is also planning for future airport expansion. As identified by the Terminal Renovation and Expansion Study by TRA/Farr, future plans involve the following:

1. Increase the depth of the main terminal by expanding over the existing departure and arrival drives. This would increase the existing gate lobbies, airport ticket offices, check-in lobby, and the area of baggage claim.
2. Construct new, two-level arrival and departure drives adjacent to the existing drives capable of expansion towards the north.
3. Demolish the North Concourse C and expand the main terminal to the north, maintaining its depth and profile.
4. Construct a parking structure east of the terminal complex for short-term and daily public parking and the car rental ready-return facility. Estimated construction cost is \$16 million.
5. Demolish the old post office structure to open up the terminal expansion corridor.

(Intentionally left blank)

Concession Leases

Concession leases include, in part, gift shops, book stores, restaurants, lounges, and car rental agencies. All concession leases are public bid with the bidder guaranteeing the highest return receiving the lease with the exception of the car rental leases. The car rental leases are non-exclusive which allows free entry into the terminal.

Car rental agencies pay a percentage of their gross income and, in addition, pay the \$21.12 per square foot for any space that is occupied. All other concession lessees pay a guaranteed percentage of their gross income.

Other Leases

The AIA does have other lessees that include State agencies, Anchorage Municipality, Federal agencies, a bank, and a non-profit native assistance organization. Except for the native assistance organization who is not charged for rent, the lessees pay the basic rental fee of \$21.12 per square foot.

5. Vehicle Parking Fees: Gross receipts from public parking lots.
6. Land Rental: Rental of leased airport land. Rentals are contractually set at varying rates according to the class of usage set forth in 17 AAC 40.

The above types of fees accounted for 98 percent of the gross revenues collected during FY 84 at the international airports. In addition, two customers of AIA, Alaska Fuel and Aviation and Duty Free (gift shop), provided revenues of approximately \$7,866,000 and \$7,151,000 representing 27 and 24 percent, respectively, of the airports' FY 84 operating revenues.

Although the IARF is a self-supporting account, the Legislature appropriates monies from the fund to the Department of Transportation and Public Facilities for anticipated expenditures during the fiscal year.

APPENDIX

APPENDIX A

ANCHORAGE INTERNATIONAL AIRPORT
INTERNATIONAL AIRPORT REVENUE FUND
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
For the Fiscal Year Ended June 30, 1984 and 1983
(Note 1)

	1984			1983		
	Anchorage	Fairbanks	Total	Anchorage	Fairbanks	Total
<u>Revenue</u>						
<u>Operating Revenues</u>						
Landing Fees	\$ 4,092,690	\$ 499,765	\$ 4,592,455	\$ 3,501,479	\$ 658,613	\$ 4,160,092
Parking Fees	151,062	94,185	245,247	393,813	105,704	499,517
Gas and Oil Fees	8,330,292	912,001	9,242,293	7,277,565	1,129,972	8,407,537
Vehicle Parking Fees	1,538,669	35,852	1,574,521	1,259,696	44,307	1,304,003
Terminal Building Rental	2,212,130	413,188	2,625,318	2,144,889	425,683	2,570,572
Coin Locker Fees	3,432	-0-	3,432	3,727	-0-	3,727
Concession Fees	9,397,518	281,461	9,678,979	9,276,791	276,713	9,553,504
Land Rental	727,174	398,321	1,125,495	939,842	382,022	1,321,864
Electric Energy Fees	62,601	22,727	85,328	28,357	11,114	39,471
Flight Service Station Rental	-0-	31,140	31,140	-0-	31,140	31,140
Other Airport Charges	30,701	80,491	111,192	25,672	78,131	103,803
Receipts for Services Rendered	9,135	-0-	9,135	2,245	1,900	4,145
Lease of State Property	-0-	20,871	20,871	-0-	37,007	37,007
Interest	12,460	3,930	16,390	3,714	2,520	6,294
Other	5,894	2,888	8,782	2,550	-0-	2,550
<u>Total Operating Revenues</u>	<u>26,573,758</u>	<u>2,796,860</u>	<u>29,370,618</u>	<u>24,860,340</u>	<u>3,184,886</u>	<u>28,045,226</u>
<u>Non-Operating Revenues</u>						
Interest Income	2,273,614	239,295	2,512,909	2,602,093	321,607	2,923,700
<u>Total Revenues</u>	<u>28,847,372</u>	<u>3,036,155</u>	<u>31,883,527</u>	<u>27,462,433</u>	<u>3,506,493</u>	<u>30,968,926</u>
<u>Expenses</u>						
<u>Operating Expenses</u>						
Security	3,251,964	2,311,821	5,563,785	3,325,409	2,463,304	5,788,713
Field Maintenance	2,345,707	1,207,617	3,553,324	2,712,178	1,193,173	3,905,351
Administrative	2,972,192	670,207	3,642,399	2,693,085	658,938	3,352,023
Building and Equipment Maintenance	4,166,090	1,012,742	5,178,832	3,651,979	997,555	4,649,534
Custodial	1,931,522	441,515	2,373,037	1,857,806	397,003	2,254,809
Provision for Doubtful Accounts	-0-	-0-	-0-	520,961	-0-	520,961
Depreciation Expense	5,234,830	2,104,354	7,339,184	4,290,661	1,507,152	5,797,813
<u>Total Operating Expenses</u>	<u>19,902,305</u>	<u>7,748,256</u>	<u>27,650,561</u>	<u>19,052,079</u>	<u>7,217,125</u>	<u>26,269,204</u>
<u>Non-Operating Expenses</u>						
Interest Expense	36,394	3,830	40,224	894,478	110,553	1,005,031
<u>Total Expenses</u>	<u>19,938,699</u>	<u>7,752,086</u>	<u>27,690,785</u>	<u>19,946,557</u>	<u>7,327,678</u>	<u>27,274,235</u>
<u>Net Income (Loss)</u>	<u>\$ 8,908,673</u>	<u>\$ (4,715,931)</u>	<u>\$ 4,192,742</u>	<u>\$ 7,515,876</u>	<u>\$ (1,821,185)</u>	<u>\$ 3,694,691</u>

Note 1: The information included in this Appendix was obtained from supplementary schedules to the audited financial statements of the Alaska International Airports as contained in the State's Annual Financial Reports for FY 84 and FY 83.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH Z
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

November 12, 1985

RECEIVED

NOV 14 1985

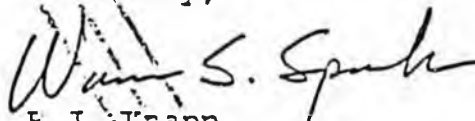
**LEGISLATIVE
AUDIT**

Mr. Gerald L. Wilkerson, CRA
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, Alaska 99811

Dear Mr. Wilkerson,

The Department has reviewed your preliminary audit report on the Department of Transportation and Public Facilities for the Anchorage International Airport and has no comments.

Sincerely,



R. J. Knapp
Commissioner

Long-distance jets may cut JAL refueling stops

The Associated Press

A new generation of jumbo jets with increased flying range may reduce the number of stops that at least one airline makes at Anchorage International Airport, an airline executive said.

Japan Air Lines may stop refueling some jets at Anchorage on flights between Japan and Europe in three to four years, JAL Vice President Mitsuo Kitamota told a Resource Development Council of Alaska meeting Thursday.

The airline plans to start using the Boeing 747-400 series, which the airplane manufacturer says can fly 8,000 nautical miles non-stop, about 2,000 miles more than current jumbo jets.

Boeing spokeswoman Elizabeth Reese in Seattle said the 400 series is to be delivered to its first customer in December 1988, but so far JAL is not a committed customer.

JAL has already dropped Anchorage as a refueling stop on flights between Atlanta and the Orient and has added a non-stop route to Europe across Siberia.

The airline plans to promote Anchorage as a destination, Kitamota said. But he added that it will take at least a tripling of the current 5,000 stopover passengers a year to keep the carrier here.

The airline hopes to carry 10,000 stopover travelers to Anchorage this year, he said.

Kitamota said easier access to sightseeing destinations such as Columbia Glacier will be needed to draw more Japanese visitors.

Something else that might attract more travelers to Anchorage would be creating a foreign trade zone at the airport, said Al Parrish, president of Sheffield Enterprises Inc. in Anchorage.

Parrish told the resource development council that expanding the airport's duty-free zone could lead to the creation of regional shopping centers for stopover visitors to use.

"The airport is a business that generated \$21 million in profit last year without any marketing, without any advertising," said Parrish, also chairman of the Anchorage Business Council's airport subcommittee.

Anchorage International Faces Uncertain Times Ahead

Concerns range from the present domestic traffic drop-off from the oil industry's slump, to the future effects of longer-range aircraft that won't need to refuel at Anchorage. An occasional moose on the runway is just part of the job.

By Bruce Johnson

Anchorage—International flight stopovers, Alaska's dependence on air transportation and the deregulation of the domestic airline industry all are making Anchorage International Airport a much busier place than the area's population of about 250,000 persons would suggest.

Among the nation's 36 medium-sized air traffic hubs, Anchorage ranks second in number of revenue passengers. Indeed, last year more than 4.6 million passengers were handled at the airport.

But unlike in many communities as large as or even much larger than that of the Anchorage vicinity, there is real meaning behind the "international" portion of the Anchorage airport's name. Of its 4.6 million passenger total last year, more than 1.6 million were classified as through passengers—largely visitors to the airport during refueling/reprovisioning of aircraft flying between the Orient and Europe. No less than ten international carriers have stopover operations at Anchorage International. The latest to join the list is Swissair, operating between Tokyo and Zurich.

Because of Anchorage's central position between Europe and Asia on the polar route, Anchorage International ranks seventh in the United States in terms of international operations. Flights take about nine hours between Anchorage and Europe and about seven hours between Anchorage and Tokyo. The longest nonstop flight between Anchorage and Asia is flown by China Airlines to Taiwan—almost 10 hours.

"We average 40 to 55 widebody aircraft per day here," said Guy Russo, airport director. "Most of those widebody visits involve international stopovers, including freighters."

In order to more effectively accommodate this heavy international side of the business, the airport authority recently added five remote fueling pits. The airport now has eight such parking positions—all dedicated to international



With prices so low, at least half of the oil industry's Alaska exploration activity has been halted, resulting in a reduction of personnel and freight moving through the Anchorage airport.

stopovers. In addition, three years ago the airport completed construction of an international terminal that serves passengers while their planes are being refueled and reprovisioned. The terminal contains a duty-free shop that Russo unabashedly claims is "one of the nicest in the world."

The airport's main terminal—dedicated to domestic traffic—accommodates intrastate commuter operations as well as the half-dozen airlines that link Anchorage with the "Lower 48," primarily through Seattle-Tacoma International Airport.

"We run around 6000 seats a day going south from here," Russo said. That capacity includes a daily United Airlines flight direct to Chicago and a Northwest Airlines flight to Minneapolis.

Extremely air-dependent

Deregulation, as well as this giant northern state's extreme dependence on air transportation, is responsible for a marked increase in the number of seats (and decrease in rates—see separate story) being experienced in the Seattle-Anchorage corridor, in particular.

In March, AirCal extended its regional operations to Anchorage and quickly expanded the schedule there to four flights daily. Another newcomer is TWA, with one domestic flight per day out of Seattle.

Anchorage International—state-owned and the largest airport in the state—serves as the main hub for persons flying to or from most places in Alaska, which has a total population of little more than twice that of the Anchorage area. In-state destinations include Fairbanks (which has the second largest airport, also state-owned) in the interior, the Prudhoe Bay oil field area on the North Slope, and remote fishing and other communities in the Kenai Peninsula, Gulf of Alaska mainland, Kodiak Island, western Alaska and the Aleutian Islands areas.

The popular tourist region of Southeast Alaska, also containing the state capital of Juneau, is served directly out of Anchorage as well as from Seattle.

Traffic tied to oil

Although Lower 48 domestic and in-state commuter business remains strong this summer at Anchorage International, the airport is likely to see a

An airport economic impact study last year revealed that airlines paid for nearly 69,000 hotel rooms in Anchorage due to crew and unscheduled passenger layovers.



greater-than-normal drop in business this fall and winter following the summer peak season of tourists, fish processors and fishermen. This is due to the dramatic downturn earlier this year in world crude oil prices. With prices so low, at least half of the oil industry's Alaska exploration activity has been halted, resulting in a reduction of personnel and freight moving through the Anchorage airport.

Also beginning to adversely affect air travel, particularly of business people, is a downturn in North Slope oil revenues flowing into the state government coffers, and the adverse spinoff impact that this is starting to have on Alaska business and individuals in general.

The dominant carriers in the highest-volume portions of the intrastate markets are MarkAir, a relatively new carrier that is solely an in-state operator, and Alaska Airlines, which also is the highest-volume scheduled carrier between the Lower 48 and Anchorage. In addition, United, Northwest, AirCal and TWA compete, as does Western Airlines, a veteran, high-volume operator of the Lower 48-Anchorage trade.

Russo is a longtime Western hand. The airport's director, who has been working in Alaska since 1955, retired as Western's Alaska regional director in January 1983. A year later, he was appointed director of Anchorage International.

Weakening stopovers

During his many years at Anchorage, Russo has seen a dramatic increase in international stopover business. In 1973,

he recalled, the airport logged little more than 700,000 international passengers. "That segment of the airport's business surpassed the one-million-person mark for the first time in 1978," he noted.

International stopovers are good business for the Anchorage community. Besides refueling (32.5 million gallons last April, for example) and re provisioning, fresh flight crews are accommodated for two to four days at a time at Anchorage, depending on flight and personnel schedules. Indeed, an airport economic impact study conducted last year by Applied Economics Associates (AEA), revealed that airlines paid for nearly 69,000 hotel rooms in Anchorage due to crew and unscheduled passenger layovers.

Unfortunately, this lucrative international stopover business is showing signs of weakening somewhat.

Because Asians appear to be traveling to Europe as well as other destinations

in increasing numbers, the slight slowdown in Anchorage's international business does not appear to be linked to the terrorism-caused falloff in American travel to Europe. Rather, the slight weakening of Anchorage's international activity could be related to a rise in increased competition from the Asia-Europe route via northern Siberia.

The AEA report noted that at least two international carriers—JAL and SAS—have exercised transit rights through Soviet airspace and that some other carriers are contemplating route changes via Russia.

Of longer-term concern at Anchorage is the possible adverse effect on international stopovers that Boeing Co.'s development of the longer-range 747-400 will have.

"We're now in a unique position, I guess, similar to what Gander was during the prop aircraft days across the Atlantic; but I suppose we're going to be faced with some loss of business when the Boeing 747-400 comes on line," Russo reflected.

He observed that the 747-400 will be capable of flying 8000 statute miles—enough to fly the plane nonstop between Asia and Europe via the American and Canadian airspace polar route.

"Not all of the airlines of Europe are going to afford the luxury of having a 747-400," Russo reasoned, but he admits that "some" 747-400-caused deterioration of international stopover business is anticipated during the next decade after the new model enters service.

Reacting to the recent downturn in Alaska's economy caused by the collapse of crude oil prices, the state is intensifying its efforts to attract tourists—international as well as domestic visitors. As part of these efforts, it is focusing increased attention on marketing Alaska as a destination—not just a stopover—for Asian and European tourists. Presently, only about 25,000 international passengers disembark each year at Anchorage to spend some time in Alaska.

"We get quite a few (big-game) hunt-

In 1983 Anchorage International handled half of total tonnage flowing through all of the nation's medium-sized airports—an air freight volume only slightly less than that passing through LAX or JFK.



Alaska Airlines carries highest Alaska-Lower 48 volume.

ers from Austria, Germany and other European countries, and the Japanese like to fish," Russo observed. But he said there is considerable untapped potential for attracting international visitors on the basis of Alaska's spectacular scenery of mountains, glaciers and fjords as well as its cultural and other attractions.

"The long-haul seats are what the airlines are going to fill first," Russo acknowledged concerning the superior revenues generated by Asia-Europe traffic as opposed to Asia-Alaska or Europe-Alaska traffic. But because of the state's international promotion efforts, he is optimistic that more international passengers will disembark at Anchorage.

Heavy traffic, plus floats

Anchorage International, which had 36,738 jet aircraft landings last year, has three 11,400-foot runways—two of which are parallel east-west runways that are instrumented. The third, a north-south runway, is not instrumented. Simultaneous landings and takeoffs occur routinely at the airport. Because of prevailing winds, landings usually are from west to east and takeoffs are from south to north.

Air traffic is heavy in the Anchorage area. Not only do the northerly takeoffs encroach on military plane approaches at Elmendorf Air Force Base, but Anchorage International itself has a large general aviation facility for both wheeled and float planes.

The FAA-operated tower at the airport coordinates commercial and general aviation traffic, each of which has separate traffic patterns.

One of the more interesting aspects of the Anchorage International operation is its base for float planes. Two natural lakes—connected through dredging—are located adjacent to the airport and are ideal for float plane operations. In addition, next to one of the lakes is a general aviation dirt strip.

"We have at least a thousand, maybe 1200, general aviation airplanes around the airport here," Russo related. "People jump into their airplanes here on weekends like people in the Lower 48 jump into their cars."

As far as airliner operations are concerned, the only congestion occurs when, as the airport director puts it, the planes are scheduled to "fly out of here in formation."

Anchorage International has the usual morning (7:30 to 9) and late afternoon (4 to 6:30) peaks in traffic. But in a departure from the norm, the airport also has a peak period between midnight and 2 a.m. This is due to the desire of many passengers wanting red eye flights to Seattle for catching early morning Lower 48 flights there.

Because the airport is getting close to

"We're now in a unique position, I guess, similar to what Gander was during the prop aircraft days, but I suppose we're going to be faced with some loss of business when the Boeing 747-400 comes on line."

gate capacity during those three periods, continued development and expansion of terminal facilities is being planned.

Extensive changes coming

The airport, which went on line in 1953 in part to accommodate international refueling stopovers between Europe and Asia, has been undergoing extensive facility changes in recent years.

Last September, a commuter carrier wing was added at Concourse C, and domestic carrier gates were added and renovations were accomplished at Concourse B—at a total cost of about \$25 million. Anchorage International now has eight widebody gates at the international terminal and 20 domestic and five commuter gates at the main terminal. Concourse A has eight gates, but only three are equipped with jetways because of extensive use of combi planes (with freight forward) into Anchorage. Newly renovated Concourse B has 12 gates, all with jetways. Seven of the airport's domestic gates handle widebody aircraft.

In order to keep up with market demand, construction is underway on a \$25 million, 1200-vehicle parking garage with an underground connection to the terminal building lobby. In addition, plans are being made for demolishing the original, 1953-vintage section of the terminal and building another concourse that will be designed for eventual development of a wing stretching between the domestic and international terminals.

When this new building—Concourse

"We have at least a thousand, maybe 1200, general aviation airplanes around the airport. People jump into their airplanes here on weekends like people in the Lower 48 jump into their cars."

C—comes on stream several years from now, there will be a major reassignment of gates at the airport. Said Russo, "Operating efficiency will be enhanced significantly. All commuter flights will be consolidated in one area, narrow-body planes are moved into their own area, and widebody domestic flights will be accommodated out of the new and enlarged Concourse C."

Although state owned and operated, Anchorage International has not shared in the spending spree for capital improvements and other projects undertaken by the state government, whose coffers became swelled with oil revenues. All of Anchorage International's expenditures have been supported by operational revenues, Russo reported.

"We didn't benefit from the (state government financial) upturn, and we're not getting hurt by the downturn," he observed.

Freight—the airport's ace

Besides being an important hub for passengers, Anchorage International is a major factor in the movement of air freight.

In fact, the facility ranks first (among the nation's 36 medium-sized air traffic hubs) in the amount of revenue freight handled. Last year alone the airport logged nearly 16.8 million pounds of freight. In 1983, the AEA economic impact study noted, Anchorage International handled a half of total tonnage flowing through all of the nation's medium-sized airports and that the air freight volume at Anchorage was only slightly less than that passing through LAX or JFK that year.

Lots of time-sensitive general freight flows into or through Anchorage airport as belly and freighter traffic from the Lower 48. Most of the freight flow is one way, although fresh fish is a strong backhaul during summers.

Interestingly, the Anchorage airport traditionally has more departing air freight than arriving air freight. This is mainly due to certain freight arriving on express steamship services operating between Washington state and the Port of Anchorage, from where the freight is trucked to the airport for fast distribution by air to in-state destinations.

Milder than Minneapolis

To someone on the "outside"—a term commonly used is Alaska to denote the Lower 48—Alaska is seen as a state plagued with heavy snow and intense cold. But Anchorage, adjacent to saltwater at the head of Cook Inlet, usually has milder winter weather than is often experienced by cities in the northern tier of the Midwest and the Northeast, Russo observed.

Two feet of snowfall is about average during the winter at Anchorage. Usually, the snow comes only a few inches

at a time, although snowstorms—including an 18-inch snowfall last March—are not uncommon. Twenty degrees below zero is about the coldest the temperature gets at Anchorage, with zero being the usual low temperature during the winter, according to Russo. Average low temperatures in the winter are 15 to 20 degrees.

With winter weather usually being milder than at Minneapolis, for example, Anchorage International does not experience abnormal snow removal problems. The airport authority has about 100 pieces of equipment that can be used for snow removal, including graders, grader-towed sweepers, blowers and trucks, plus front-end loaders for hauling snow to remote areas of the airport.

Even during heavy snowfalls, "we're able to keep at least one runway open at all times," Russo said. "It takes us 45 minutes to an hour to get a runway totally clean and back in operation."

Visitors: VIPs and moose

Actually, moose—not snowfalls—create the biggest runway operation problem at Anchorage International.

"A big concern is keeping moose off the runways in the fall and spring,"

"A big concern is keeping moose off the runways in the fall and spring; they're capable of going through the fence or they can jump over the fence."

Russo said. "They're capable of going through the fence or they can jump over the fence."

The airport perimeter has an eight-foot-high chain link fence topped with barbed wire, but each year eight to 10 moose—which Russo terms "very stubborn animals"—either are detected near the fence or have broken through or jumped over the fence.

"If we can't herd them out, we have permission from (state) Fish and Game to destroy the moose," Russo said. "We give the meat to a charitable organization."

Besides patrolling for moose, airport security personnel occasionally have extra work to do because of stopovers by international dignitaries, whose planes are being refueled. Japan's Prime Minister Nakasone is a frequent visitor.

Also a familiar personality is Great Britain's Margaret Thatcher.

The international terminal has a VIP lounge to accommodate those and certain other international visitors, but frequently international dignitaries desire a trip to and from downtown Anchorage—little more than four miles from the airport.

Russo noted that the U.S. Secret Service has personnel based at Anchorage and that Secret Service people from West Coast states are flown north when necessary to augment the Alaska contingent.

The eruption last Easter weekend of Mt. St. Augustine, a volcano about 150 miles from Anchorage, also has made life interesting lately for Russo.

"We never closed the airport, but some of the carriers chose not to come in," he said. "They were concerned about volcanic ash in the air and the effect it would have on jet engines."

So, for several days while the wind blew some ash into Anchorage, flight schedules were seriously disrupted. During that time, the airport lost about 75 percent of its overall traffic load. Ironically, that disruption was far greater than the airport has ever experienced from winter weather. ■

MEMORANDUM

100-110-1
State of Alaska

TO: Loren Leunsbury
Commissioner
Department of Commerce
& Economic Development

DATE: June 27, 1987 — 1986?

FILE NO:

TELEPHONE NO:

JUN 16 1987

FROM: Dan Dixon, Director
DCED/Office of
International Trade

SUBJECT: Overflight Issue
and the Int'l
Airport

For several years informed sources have been sending warnings with respect to the future health and economic vitality of Anchorage International Airport (AIA). Specifically, these warnings have set out a scenario of drastically reduced air traffic through AIA as a result of the major airlines adopting direct flights in the Europe/Asia sections of their world flight routes. Advancements in long range aircraft and the obvious economic advantages to traveling direct between, say, Tokyo and New York, or Tokyo and Paris, have brought us to the brink of the above referenced scenario.

Dramatic losses in AIA traffic will have an immediate multi-million dollar impact on the State's economy in lost revenues. However, the more devastating impact will be on our efforts to sustain and ultimately secure growth for our tourist industry, and our efforts to provide a foundation for expansion of international trade. Our goal in the tourist industry has been to expand business by promoting Alaska as a destination stop for potential visitors, rather than merely a stopover location. To accomplish this goal we will need to anchor various countries in the state via hotels, tour companies and equity participation in the economic development of the statewide community. In the area of general international trade development, if we were to lose our close connection as a bridge between Europe, the U.S. and the Pacific Rim, we lose much of our strategic advantage in future development efforts.

While many informed individuals have periodically sounded alarms, these have for the most part faded plaintively into the mist of other more "immediate" issues. What we have lacked to date is an organized, well thought out action campaign which addresses both the problem and various solutions. I am proposing the immediate formation and institution of such a campaign. This campaign should include representatives of appropriate state and municipal agencies, private sector business and community leaders and the media. The effort envisions an active, highly visible campaign, requiring a public/private partnership at all levels. Our goals include promoting AIA to our present and potential international economic partners, attracting investment, and encouraging new industries in the state.

I believe that the Governor should make this a visible priority by appointing representatives to perform the action campaign. Preferably the Governor would use the campaign in speeches as a method to bring the issue out in the public forum.

The Governor's action here and the formation of a centralized campaign is especially important in light of the fact that there are numerous groups and individuals working independently on this issue. The Anchorage Convention and Visitors Bureau, Department of Transportation, Department of Commerce, the Governor's Washington D.C. Office and the Anchorage Chamber of Commerce have all done studies. Moreover, presently there are at least two studies being conducted simultaneously by two different groups on the issue. An organized effort would focus our energies and increase the likelihood of a successful campaign.

POTENTIAL PARTNERS IN THE GATEWAY TO THE PACIFIC CENTURY CAMPAIGN:

Department of Commerce and Economic Development
Department of Transportation (including appropriate
representatives of the international airport section)
Municipality of Anchorage (particularly the Mayor and planning
department)
Anchorage Chamber of Commerce
District Export Council
Resource Development Council
Anchorage Assembly
Alaska State Legislators
Congressional Delegation
Anchorage Convention and Visitors Bureau
Major Airline representatives (both domestic and foreign)
Tour group representatives (particularly hotel interests both
Alaska and foreign)
Foreign Consulate Offices

Like all campaigns it is advantageous to have a good "hook" or catch phrase that the general public and media can make their own. The concept we propose here is to be known as "Anchorage International Airport: Gateway to the Pacific Century". The exposure and excitement within the community generated by this type of campaign may very well create a momentum and an atmosphere conducive to resolving this important issue. An excellent example of this approach is the action recently undertaken by the Anchorage Organizing Committee for the 1992 Winter Olympics. A carefully orchestrated marketing campaign, a community-wide education program and a partnership between the private and government sectors has generated an international

interest in Anchorage which will ultimately bring the Winter Olympics to Anchorage. Public recognition of the possibility of successfully obtaining the Winter Olympics was not very high just two short years ago.

I believe that there are three (3) central components to this campaign: EDUCATIONAL, POLITICAL, AND DEVELOPMENTAL.

EDUCATIONAL

This component should be the first priority of our efforts. It involves a careful presentation of the issues to the general public in a manner which first informs and then builds activities and target plans into an overall marketing strategy. This component will include appropriate speeches by government and private sector representatives on this issue; press releases and interviews; a careful publishing of applicable reports; and the development of a thorough working relationship based upon this education process with State and Municipal agencies and legislative bodies.

As part of this component an international marketing campaign should be instituted. The goals of the campaign will include promoting Anchorage and Alaska in the international arena as a good location to develop business and as an excellent place to invest for long-term positive returns. The effort should include film, brochures, target meetings/presentations, and other appropriate means of communication. I would recommend that this particular campaign would be an ideal project for the Honorary Trade Representative Program which has been sent to the Governor by our Department.

This marketing effort is critical in order to anchor new industries and services in the Anchorage area, all requiring the maintenance of Anchorage as a gateway to the Pacific Rim region. This is particularly imperative in the tourist industry which will require new hotels and other associated industries to anchor international flights at AIA.

The Department of Commerce, Department of Transportation, or some other entity may provide oversight for the marketing campaign, but a private firm with extensive experience should be charged with the execution of a marketing strategy and implementation. With the use of a professional marketing firm, an image plan consisting of the facts pertaining to the advantages of AIA should be organized.

A representative or organization should be charged with developing a reaction plan in conjunction with the marketing campaign to provide diligent and meaningful response to all

inquiries generated by the campaign. It is also imperative that in formulating both the marketing and reaction plans, emphasis should be directed toward identification of those industries and airlines, and firms, which would have the most interest in AIA.

POLITICAL

This component requires us to take this issue to the legislative level in order to obtain sufficient interest to secure funding, if necessary, and pertinent laws assisting the campaign, such as business incentives. This will involve work at both the State and Municipal level. Naturally, the same educational format for the general public could be used with the legislative bodies. However, the format will ultimately need to be put into a lobbying effort to succeed with the agenda. It will be helpful to our efforts if certain key legislators are brought in early to assist in our efforts and perhaps be made part of our campaign. I believe it is critical that this organization be nonpartisan in addition to crossing state and municipal boundaries of authority.

A Final element of the political component involves our congressional delegation and the Federal Government. Our representatives should be involved in the early stages of our efforts since they can assist us in such difficult issues as stopover rights, short-term visas and the like. Moreover, each Senator and our Representative will have contacts throughout the world that we should take advantage of in our efforts. The Federal Government, of course, controls the above-referenced stopover and visa issues.

DEVELOPMENTAL

Due to the nature of this issue and our need to anchor AIA in the community, the objectives of our campaign should include attracting investment, new industries, stimulating an entrepreneurial climate, and improving access to international markets. The strategy of the campaign should focus on the quality of life of Anchorage, the vast potential of our resources and service industries and our proximity to the Pacific Rim nations and Europe. An integral part of the campaign should be a vigorous promotion of reverse investment in Alaska's (and Anchorage's) bright economic future.

Those projects of immediate concern to us include: the development of hotel projects and the various tour activities which spring from that hub, additional stopover by foreign carriers based upon Alaska as a tourist paradise, the institution of foreign trade zones in Anchorage with AIA serving as part of that zone, short term visas, and the general advocacy of our economic potential.

I would be happy to coordinate these efforts with you or do anything else necessary to make this campaign a success. Perhaps our first effort should be to let the referenced potential partners comment on our suggested approach so that we can launch a thorough and unified campaign.

cc: Mayor Knowles •
Greg Baker
Don Dickey
Paul Fletcher
Commissioner Knapp
Gina Lindsey
Larry Michou
Tom Middendorf
John Pearson
Pete Spivey
Bob Coe
Rolf King

Alaska's Economic High Flyer

By MARK HARRIS

Russia never would have sold Alaska to the United States had air transportation been a fact of life in 1867. A vast stretch of wilderness, Alaska has evolved into one of the world's key points in terms of commerce and military defense by air.

Alaska has the distinction of being the most important link in the Orient-North America-Europe air transport chain. It is the vital front line in the United States' northern hemisphere air defense system. Alaska also is the state most dependent on air service for supplying and distributing goods and moving people.

Alaska could not sustain a state capital in Juneau or oil industry operations on the North Slope without aviation services. Small rural communities could not prosper and grow without regular air cargo and passenger service. Mineral and forest development, tourism and even the state's vital fishing industry would be retarded without today's air services network.

Simply put, Alaska would be just another economic backwater — instead of an increasingly important player in national and world trade — without a well-developed domestic and international air-service system.

State and federal governments realize all this, as evidenced by the importance placed on airport construction, upgrades and maintenance funding in Alaska. The Department of Transportation and Public Facilities spent \$39 million on airport construction and improvements in fiscal 1986. Since the funding was mainly federal, fiscal 1986 here refers to the October-to-October federal fiscal year. The state spent another \$13.7 million on airport operations and maintenance in fiscal 1986 — the state's July-to-July fiscal year, that is.

The above figures pertain to rural airfields only. The state's two international airports, Anchorage and Fairbanks, are administered under a separate arrangement with improvements funded partially through revenues generated by airport operations.

AC&O estimates DOT/PF will spend \$30 million to \$35 million on airport-related construction and improvements in FY 1987.

The DOT/PF's ongoing six-year capital improvement program for airports is updated annually. Table 1 shows examples of airport construction projects currently planned through the third quarter of 1987. It should be noted that funding levels, priorities and project completion dates are in constant flux. For this reason, it is impossible to provide a full and accurate listing of upcoming projects.

A single airport construction or expansion project in rural Alaska can run between \$2 million and \$7 million, according to a 1984 DOT/PF study. (See Table 2, p. 11.) This assumes a gravel surface, 5,000-sq.-yd. apron and a 100-ft. by 50-ft. taxiway.

A lighting system could add another \$40 to \$50 per lin. ft. of runway, depending on lighting requirements and power source, according to the report.

A federal-state appropriation ratio of 96 percent to 4 percent makes the costly Bush airport construction program possible. However, this funding level is far from secure. Like federal highway funding, aviation fund money is apportioned to states on a formula constantly subjected to political attack by heavily populated states.

There are some 1,000 recognized airports and airstrips in Alaska, of which 162 are in the Cook Inlet basin population center. Most are little more than private gravel strips.

The Department of Transportation and Public Facilities controls and maintains 270 airports statewide and 23 in the busy Cook Inlet region. The state's airport/air service classification system places airports in nine categories with four main classifications:

- **International airports** — These are major international and interstate access points to Alaska. Anchorage International and Fairbanks International are the state's only international airports.

- **Regional centers** — These are primary intrastate access points to regional centers with populations above 1,000. The Juneau and Ketchikan airports would be examples.

- **Regional** — These are secondary intrastate access points within a region. Homer and Kenai have such airports.

- **Transport** — These are primary access points to medium-sized communities and, like the first three, are bases for private aviation served by scheduled carriers, air taxi, mail and

TABLE 1
DOT/PF Preliminary Schedule for
1987 Airport Construction-Improvement

Project Description	Estimated Value
Petersburg Airport Runway & Apron Repair	\$ 250,000 to 500,000
Angeon Seaplane Basin	1,000,000 to 1,500,000
Haines Airport Improvement	250,000 to 500,000
Ketchikan Seaplane Basin	250,000 to 500,000
Mountain Village Airport Relocation	2,000,000 to 3,000,000
Grayling Airport Improvements	1,000,000 to 1,500,000
Kodiak Airport Lighting	500,000 to 750,000
Anchorage International Airport Ramp	500,000 to 750,000
Bethel Airport South Apron Paving	750,000 to 1,000,000
Birchwood Airport Improvements	750,000 to 1,000,000
Cold Bay Airport Resurfacing	2,000,000 to 3,000,000
Goose Bay Airport Lighting	500,000 to 750,000
Unalaska Runway Extension	1,000,000 to 1,500,000
Kotzebue Airport Improvements	2,000,000 to 3,000,000
Allakaket Airport Lighting	250,000 to 500,000
Golovin Airport Relocation	2,000,000 to 3,000,000
Tok Airport Improvements	750,000 to 1,000,000
Council Airport Improvements	1,500,000 to 2,000,000
Nome Airport N/S Runway Repair	3,000,000 to 4,000,000
Chalkyitsik Airport Improvements	500,000 to 750,000

Source: Alaska Department of Transportation and Public Facilities

air cargo services. The Bethel airport is an example.

The vast majority of airports fall into the community and local categories. These are access points to small rural communities served by non-scheduled service and recreational or emergency airstrips, often privately owned.

Ironically, Merrill Field in Anchorage is classed as a community airport. The municipal airport has about 300,000 operations (take-offs and landings) a year, more than Anchorage International Airport.

A multi-year improvement program will wrap up at Merrill Field this summer. Wilder Construction Co. has nearly completed a \$4-million contract for work on aprons, perimeter roads, tiedowns, lighting, storm drains and landscaping. Rogers and Babler, an Anchorage company, will finish this summer a \$3.2-million project involving more apron work, tiedowns and storm drains. Both are Anchorage-based construction companies.

The Anchorage and Fairbanks airports are the key hubs for international, interstate and intrastate air travel and commerce. Together they open Alaska to the world and comprise the Alaska Airport System, a fiscal entity all its own.

Anchorage International

Anchorage International Airport is the heart of the state's air circulatory system. It also is of great economic importance to the Anchorage economy.

A 1984 Department of Transportation and Public Facilities study showed that AIA had a direct and indirect economic impact of \$1.151 billion on the municipality in 1983. (See Table 3, p. 12.)

The study showed that transportation, visitor-related activities, freight forwarding and travel arrangements were of key importance to the growth of Anchorage. Within these four categories, 13,472 people were employed. Those people, about 12.8 percent of the total Anchorage area workforce, earned \$375 million in a year. That comes to more than \$1 million per day in payroll and \$4.1 million per day in economic benefit to the Anchorage bowl area.

While more current figures are not available, a look at fiscal 1986 airport operations statistics leads us to believe the overall economic impact of AIA has continued to grow.

In fiscal 1986 (ended June 30, 1986) AIA had 4,633,845 passenger boardings, deboardings and transfers. That's equivalent to moving the entire population of Washington state through the airport.

About 150,174 tons of freight entered or left the airport, and 72,034 landings also generated revenue. More than 37,500 commercial jet aircraft made use of the facility.

The airport also supports an Air National Guard base from which C-130 aircraft make about 2,600 takeoffs and landings a year.

The Jet Set

International travel is a mainstay of both the Anchorage and Fairbanks airports, even though Fairbanks serves no international flights. Revenue for both airports is channeled through the International Airports Revenue Fund, created by the Alaska Legislature in 1961. Of the fund's \$47.9 million in revenues during fiscal 1986, all but \$3.5 million was generated by Anchorage International Airport. About 57 percent of the revenue for both airports is generated by international traffic at AIA. Another 38 percent comes from domestic (interstate and intrastate) traffic at both airports, with the remainder generated by general aviation and other activities.

AIA is served by 36 airlines: 19 international carriers (cargo and passenger), nine interstate and eight intrastate airlines. It is strategically located to serve as a refueling stop for nine international cargo and passenger airlines and for 10 airlines that take on (enplane) and let off (deplane) passengers and freight. All these flights use the polar route between the Far East and Europe or routes linking the Lower 48 states with the Orient.

A flight from Paris to Tokyo, for example, must avoid Soviet airspace. So a dogleg route is used over Greenland to Anchorage then over the Pacific to Japan. Also, Anchorage is in a direct flight pattern for a flight from Tokyo to Chicago.

More than 1.5 million international passengers used AIA in fiscal 1986, and they spent more than \$15 million in the duty-free shops and other concessions. Another 27,700 people began their international trips from Anchorage, while 1.5 million more boarded domestic and instate flights.

By June 30 of this year, AIA will have served another 3.2 million domestic and international passengers. That number will grow by some 350,000 by the end of fiscal 1990, according to one consultant's estimate. The same forecast calls for 74,866 domestic, international and all-cargo aircraft departures from the airport by mid 1987 and 82,270 such departures by FY 1990. These figures may be optimistic and certainly don't reflect growth in every sector through the end of the century.

There is increasing concern that new aircraft now being ordered by international carriers will fly over Anchorage. The Boeing 747-400, for example, can carry up to 600 passengers and fly some 8,000 mi. non-stop. This will allow the

TABLE 2
Airport Construction Costs
by Runway Dimensions

Runway Length X Width	Aircraft Capacity	Cost Estimate
2,100-2,500 x 50-60 ft.	Single & light twin-engine, some STOL turbo-prop (twin Otter, Skyvan), VFR operations.	\$1,900,000 to 2,850,000
2,600-3,400 x 75 ft.	Single and multi-engine, some larger STOL (DASH-7), VFR or non-precision IFR operations.	\$2,750,000 to 3,540,000
3,500-4,600 x 100 ft.	Small and medium turbo-prop, VFR or non-precision IFR operations.	\$3,353,000 to 4,400,000
4,700-7,500 x 100 ft.	Medium, large turbo-prop (C-130 Hercules, L188 Electra); precision or non-precision IFR and VFR operations.	\$4,000,000 to 6,830,000

IFR = Instrument Flight Rules

VFR = Visual Flight Rules

STOL = Short Takeoff and Landing Aircraft

Note: Construction costs include 10-percent design engineering and 15-percent administration and inspection costs.

Source: Cook Inlet Transportation and Resource Development Plan, 1984

aircraft to operate between Tokyo and Frankfurt, Singapore and Paris, or Hong Kong and London without the currently required refueling stop in Anchorage.

The city could lose more than 500,000 stopover passengers by 1990 plus the revenue gain from landing fees and refueling, according to a consultant's estimate. That is cause for alarm considering the millions of dollars in Airport System funding generated by international landing fees, fuel flowage fees and patronage of duty-free concessions by in-transit and Alaska destination passengers.

Concern about the potential loss of visitor revenue has led the Anchorage business community to call for greater airport marketing efforts by the state. The Legislature is under pressure to place \$3 million to \$5 million in the airport's FY 88 budget just for marketing promotion.

The idea of the Municipality of Anchorage or an independent authority taking over the airport also has gained new interest. Many feel the city could better administer and promote AIA to potential air carrier customers.

Building to Keep Up

The domestic and regional passenger sector is projected to grow as are the general aviation and air cargo sectors. (See Table 4.) This growth in activity calls for a corresponding growth in facilities. In 1986, AIA spent \$37.6 million on capital projects and will have spent another \$16.4 million by the end of FY 87.

Projects completed or in progress to date include construction and remodeling of a domestic terminal concourse, a 1,200-space parking garage, west apron reconstruction, remote refueling apron construction, installation of concrete hardstands (pads) for remote parking positions, installation of a ground radar system and demolition of the old airport post office building.

Anchorage airport officials have a \$28-million wish list for work to be done in FY 1988 en route to the Alaska Legislature. The full capital improvement spending plan for FY 88 through FY 93 calls for \$211.8 million in project, maintenance and equipment funding.

Key projects for 1988 include overlay and grove runway 6R/24L, \$2 million; structure for consolidating crash/fire/rescue operations, \$4 million; Phase III domestic terminal expansion, \$11 million; domestic and international terminal repair and rehabilitation, \$5 million; reconstruction of five taxiways,

\$1.4 million; concrete ramp surfacing, \$1 million; and general aviation paving, \$1 million.

Another \$11.6 million would be needed to move private aviation parking away from the congested international terminal area, relocate the gravel airstrip and enlarge Lake Hood to provide more floatplane slips. About 1,200 private aircraft operate out of AIA and Lake Spennard-Lake Hood.

Already under way is a \$13.2-million noise monitoring and abatement program. Coffman Associates Inc., an airport consulting firm with offices in Anchorage, is conducting the Airport Noise Compatibility Study in conjunction with an International Airport Master Plan update.

The master plan recommends building consolidated freight handling facilities on vacant land along the north-south runway. Air freight services and cargo handlers would lease airport-owned warehouse, office and apron space.

One 25,000-sq.-ft. apron, capable of accommodating a B-747 aircraft, has been constructed. An estimated 1.7 million sq. ft. of apron area will be needed during the next 20 years, according to Coffman.

A DOT/PF report states, "In 1983, 224,000 tons of enplaned revenue freight passed through the airport, ac-

ording to FAA statistics. That was fully one-half of the total tonnage of all the 36 medium-size hub airports in the United States combined, and only slightly less than the tonnage passing through the Los Angeles International and Kennedy International airports. By comparison, 72,200 tons of freight were enplaned at the Seattle-Tacoma International Airport that year."

The master plan further recommends moving the current airport maintenance storage area from behind the main post office to an area south of Runway 6R and west of South Air Park.

A new fuel tank farm also is suggested, possibly at the corner of West Northern Lights Boulevard and Post Mark Drive or on the west side of the airport. A Coffman report states, "Ultimately, the fuel system could be connected to the Nikiski Pipeline, thereby eliminating use of the Alaska Railroad for fuel transport from the Port of Anchorage to the airport." About 1.2 million gal. of fuel is pumped on an average day at AIA.

Fairbanks International Airport

The Fairbanks facility was designated an international airport in 1948. It has since played a key role in Interior growth and North Slope oil field development.

TABLE 3
Economic Impact of
Anchorage International Airport

Impact Measure	Direct Impact	Indirect & Induced Impact	Total Impact
Output (\$)	\$697,600,000	\$453,500,000	\$1,151,100,000
Earnings (\$)	\$223,000,000	\$151,600,000	\$ 374,600,000
Employees	8,086	5,386	13,472

TABLE 4
AIA Operations Forecast

Activity	1985	1990	1995	2005
Annual Operations:				
Domestic and Regional	92,802	101,200	131,800	165,200
International	26,030	26,000	27,400	33,900
General Aviation	200,340	231,520	267,330	308,570
Military	2,289	3,000	3,000	3,000
Total Operations	321,461	361,720	429,530	510,670
Annual Passengers:				
Enplaned	1,391,470	1,775,400	2,189,200	2,632,700
Transit	1,573,905	1,240,000	1,000,000	1,000,000
Air Cargo*:				
Outbound	189	241	281	363
Inbound	139	165	194	253
Total Air Cargo	328	406	476	652
Based Aircraft:	1,167	1,447	1,692	1,870

*In millions of lb.
Source: Coffman Associates for DOT/PF, January 1986

Classified as a small hub airport, FIA serves as a weather diversion airport for polar route traffic. It can accommodate 747-type aircraft, refuel them with 30,000 gal. and get them back in the air in less than an hour.

FIA handled about 600,000 passengers in fiscal 1985. About 260,500 of them boarded commercial flights at the airport. This was down from the peak of 301,288 in 1983. The number of people boarding flights in Fairbanks increased by about 10 percent a year between 1980 and 1983, but passenger traffic has been declining since.

About 25,000 tons of freight, of which 19,400 tons was enplaned freight, moved through the airport last year. This compares to 50,580 tons of enplaned freight in fiscal 1980.

With 80,000 takeoffs and landings annually, FIA is the second busiest domestic flight destination in Alaska, according to airport director Doyle C. Ruff. In 1986, there were 14,600 cargo and passenger airline revenue landings. This indicates the vast majority of flight operations are related to private aviation.

FIA operations are largely funded through the International Airports Revenue Fund. After deducting operating expenses, AIA showed \$19.8 million in operations income while FIA had a \$6.6-million loss. Consequently, Anchorage's larger traffic base was able to subsidize the smaller Fairbanks operation and show an IARF balance of \$13.2 million.

Capital projects at FIA, as at AIA, are funded largely through federal appropriations. In fiscal 1986, FIA had \$9.4 million in capital projects, \$5.1 million funded with federal dollars. About \$4.3 million in work is programmed for FY 87. Another \$5.1 million of work is on the drawing boards for FY 88.

Construction work over recent years has added a hydrant fuel system capable of handling aircraft serving international as well as domestic routes. Also, a terminal expansion and renovation project doubled the building's capacity to serve the traveling public.

Other work has included a 13-percent increase in apron area, a 41-percent increase in lane miles of road and a 35-percent increase in auto parking spaces. A 1984-85 project upgraded general aviation parking, aprons, runways and taxiways and added new taxiway and aircraft parking facilities.

A float plane pond was expanded to 6,300 ft. and the number of tiedown berths was doubled to 184.

In 1986, the airport's 10,300-ft. main runway was reconditioned and grooved, a parallel taxiway resurfaced and the runway lighting system upgraded.

Fairbanks International is in the enviable position of not needing major capital project financing as it enters a new five-year planning period. However, an airport is never "finished."

New projects on the books include an extension of the main aircraft parking apron, perimeter vehicle road construction and crash/fire/rescue building upgrades.

As noted, DOT/PF operates the two

international airports separately from the network of smaller airfields and landing strips around the state. Yet all the state's air travel and commerce facilities are interdependent.

Alaska is the flyingest state in the union and the one most dependent on air service for daily living and economic growth. Continued long-term planning and timely facility repairs and upgrades, coupled with a sustained capital projects program, translate into a healthy air transport industry — something Alaska will need long after all the oil is gone. □

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Anchorage as international finance center is yet to come

Let's be down to earth about Pacific rim exports. Can we export more commodities — timber, coal, oil and fish — to the Far East? You bet, if the price is right.

But Anchorage as a center for international finance? I'm willing to be convinced, but I suspect this is an idea whose time has yet to come.

Politically, the Pacific Rim is back in vogue. In Juneau,

both the House and Senate have new special committees on international trade, and Gov. Steve Cowper devoted a substantial part of his State of the State address to the subject.

No harm in brainstorming ideas to help Alaska's battered economy. But in the search for new ideas, let's not overlook some old ones that might be good.

Some specifics: Far East timber markets are looking better than they have in years, but most of these benefits will go to our competitors in the Pacific Northwest, Canada, the Soviet Union and Southeast Asia. A forest products loan program, which could help small Alaska timber operators modernize and compete, has been kicked around the legislature for

years, with no success. Can we re-examine this?

Just as important: Can we resolve tough land-use and environmental conflicts that prevent putting together large blocks of timber, which are necessary to get Southcentral and Interior Alaska timber into export markets?

Another example: Southeast Alaska's two pulp mills are seeing better markets af-

ter years of losses. But good times may be short-lived. There is tough competition from newer plants selling in the Pacific that don't have the high costs and tough environmental problems our Alaska plants face.

Alaska Pulp Co. in Sitka has developed an innovation in water treatment technolo-

See Page E-2, BRADNER



tim bradner

BRADNER COLUMN: Anchorage as an international finance center may be a ways off

Continued from Page E-1

gy that could lower its costs. The Federal Environmental Protection Agency is interested. But Alaska Pulp needs help. Is there a role here for the Alaska Industrial Development Authority?

In coal, we have an insecure toehold in Pacific markets, and that is thanks to international politics, not economics. But we can better our long-range competitive position:

Usibelli Coal Co. is investigating a promising new coal-drying technology that could remove moisture and sharply upgrade the quality of Alaska sub-bituminous coal. With about 25 percent moisture in our coal, essentially every fourth cargo we ship now is water. If that were reduced, and the heat value of the coal

increased an estimated one-third, our ability to compete economically with Canadian, Australian and South African coal would be enhanced greatly.

Can we help Usibelli or other coal producers introducing this new technology? Almost every other coal-producing state helps its coal industry with research and development. Why not Alaska?

Another possibility: Coal-fired power plants are a good bet to meet incremental power demand in the Railbelt, even with the Bradley Lake hydro project. If one or more of these plants were built, the mine supplying the coal would have enough base demand to produce coal for export at very competitive marginal unit costs.

Coal producers say they

won't need a subsidy with any of these plants, but here is another example where state encouragement, by including coal in our long-range energy planning, would greatly enhance Alaska's coal export capabilities.

Here's something that merits more attention: International air cargo is big business for Anchorage International Airport; about 60 percent of international flights are cargo and the volume is expected to double in the next 20 years, as U.S.-Pacific trade grows.

What many don't realize is that the new generation of long-range jumbo jets isn't the threat to Anchorage's role in air cargo that it is to the passenger jets. That's because of air cargo's economics: It's more profitable to carry more payload and less fuel, and

stop here to refuel, than it would be to sacrifice payload for a non-stop trans-Pacific or polar flight.

A major state-sponsored study is underway to assess Pacific air cargo trends and ways Alaska can take advantage of them. Can we be a Pacific cargo "hub," where freight from the Far East is shifted to planes headed for different regions of the United States or Europe?

Or, can we break into the huge Japanese market for fresh fish, shipped by air? Norway ships fresh salmon to Japan right over Alaska. Fresh fish from the U.S. East Coast flies to Japan? Why not from Alaska?

These aren't new ideas. Flying Tigers and Northwest Airlines do a limited amount of cargo-switching here now; Japan Air Lines and MarkAir

Inc. are now exporting fresh seafood.

I'm all for looking at new ideas in international trade. A lot of good can come from it. But the danger we face is that if our approach is too scattered, we risk diverting scarce resources away from things we can do to help companies already exporting

and already employing Alaskans. These should be prominent on the agenda of any discussion of international trade.

□ Tim Bradner writes for an Alaska economic reporting service.

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Marketing plan urged for airport

By SUE CROSS
The Associated Press

JUNEAU — Alaska officials have been trumpeting stopover business at the Anchorage and Fairbanks international airports as a big plus for the state economy, but they're worried about losing that advantage because of new aviation technology and competition.

Several travel promotion groups and nearly all of the Alaska Senate want to offset the changes with an aggressive marketing plan for the airports.

"If we don't do that, we're going to have an international airport system that, instead of making money as it does today, will lose money. When it starts losing money, the landing fees and

fueling fees for domestic flights will go up and all of us will be hurt," says Dale Fox, director of the Alaska Visitors Association. Fox was in Juneau Thursday to ask state officials to boost their airport marketing efforts.

A resolution (SCR5) asking the Cowper administration to come up with a promotional plan for the airports was introduced Wednesday in the Alaska Senate. It was drafted by Sen. Arliss Sturgulewski, R-Anchorage, and co-sponsored



Dale Fox

by 18 other senators.

A major angle of state tourism efforts has been to get international passengers from flights refueling in Alaska off their planes to visit the state enroute to their final destinations.

In addition, cargo flights make up 60 percent of the airports' business, and they must not be lost to other states, Fox said.

But according to the proposed resolution, Alaska airports' success in winning stopover business is being jeopardized by development of new aircraft capable of flying nonstop between Europe and the Orient.

Other airports around the Pacific Rim also are promoting themselves to get a greater share of markets for trans-Pacific flights,

international tourism and air cargo, Sturgulewski said.

Fox said such promotions have long been run by the Seattle, New York, Los Angeles and other major airports, but now such smaller cities as Portland, Oregon, are cutting into the Alaska flights.

"Anchorage has geographic advantages, but Portland, because of its marketing, is getting more than its share of the planes," Fox said.

Sturgulewski said Alaska stands to lose \$14 million net profit generated last year by the Anchorage and Fairbanks airports. That income came from \$45 million in revenues.

"Good business for those airports is good business for the state," she said.

QUALITY SERVICES

Date NOV 30 1986

Anchorage Times

Client No. 576

Alaska's international airports offer economic opportunity

At a time when the state is struggling with the wrong end of OPEC politics, attempting to be the cornerstone of the international fisheries and hopeful of receiving the nod from the International Olympic Committee, we need to remember the economic opportunities at home. In this writer's view, an important part of the state's economy involves some buildings and some asphalt. That's the Anchorage and Fairbanks airports.

The problem is that technology may doom our airports. If we don't come up with a viable plan, a new generation of aircraft may result in stops at Anchorage and Fairbanks being a vestige of the past. In my estimation, the commercial future of our airports is as important to our economic future as our high profile items.

1985 study indicated that Anchorage International Airport contributed \$1.5 billion to the Anchorage economy. Indica-



Courtroom
to
boardroom
by
Tony
Smith

tions were that the airport alone generated employment of 13,472 people. The cost for this is only approximately \$20 million.

There's nothing that says international flights will continue to call at either the Anchorage or Fairbanks airport. Right now, we are the air crossroads of the world, but new long-range Boeing planes may change that. Already some interna-

tional passenger carriers are beginning to fly direct.

The state, the municipality, and those involved with the airport, must concentrate on this issue. The airport may not be the sexiest issue, but it is one area where we haven't experienced a downturn.

For example, there are international carriers, like Korea Airlines, who are unable to pick up or discharge passengers because they do not have landing rights. The reason for this seems to stem from events at the Seoul airport, which have nothing to do with Alaska. We can not accept that.

Visas have been a problem in the past, but the Alaska Congressional delegation has started a program which may solve that. From Alaska's vantage, we need to

have our international friends have the ability to pass a few days in Alaska. We

must market Anchorage and Fairbanks as destination points.

We need Free Trade Zones in order to maximize the opportunities for local businesses to take advantage of our strategic location. Our airports have to provide services competitive with Portland, Seattle, Los Angeles and other gateway locations. We've gone a long way on the services, but we can always do more.

A task force is working on the problem, and that's a start. The downside, however, is such that an all-out effort is called for. It's easy to get people excited about AWR and the Olympics. We need the same excitement about the continued development and marketing of the Fairbanks and Anchorage airports.

An Alaskan since 1971, Tony Smith is an attorney in private practice in Anchorage.

1/26/87
Anchorage
Today

metro

Trade, tourism linked

of Pacific
Airport
Anchorage

By DEAN FOSDICK
The Associated Press

Alaska's chances of selling its resources to Pacific Rim nations would be greatly enhanced if it could step up tourist trade with that region, a spokesman for Japan Airlines says.

Mitsuo Kitamoto, a JAL vice president and head of the company's Anchorage office, said trade follows tourism, and Alaska is missing out on a good thing by not promoting vacation opportunities to people passing through the airport's international terminal.

"After vacations, businessmen often go back to their offices and are more receptive to (trade) offers — especially if those offers are competitive," Kitamoto said.

"Australia and Alaska have many of the same things to offer — coal, ore — and they both have good locations for the (Pacific Rim) market. But Australia changed its tourism policy about two years ago and there's been a rapid increase in the number of (Japanese) tourists there.

"After tourism comes business," Kitamoto said.

Anchorage International Airport is the Alaska gateway for people crossing between Asia and Europe, he said.

But technology and international politics may reduce the number of people passing through the airport, Kitamoto said in an interview.

"Long-range jets are coming that can fly non-stop between Tokyo and Europe ... Paris," he said. "And already last year we started flying a polar route over Siberia."

"Businessmen are asking for more non-stops, for additional flights. And we're looking at it."

"What that means for Anchorage is unclear, but it could cut into the transient traffic from Japan, which for JAL means about 4,500 passengers a year, Kitamoto said.

"There's been almost no change in the number of Anchorage-destined passengers in the last two years," he said. "A lack of promotion here has been one problem."

Kitamoto said JAL has agreed to help promote Alaska to its Japanese passengers this year. Alaska should do the same for overseas visitors, he said, an idea he has been pushing over the past several weeks during speeches before civic groups.

"The state needs some selling. We get the same questions (from Japanese) about Alaska we do about Africa. What kinds of shoes and gear are required? Is there any kind of shopping here?"

"Why should they buy in Europe when they can buy in Alaska? Why not open a corner of the (airport) duty free shop to Alaska crafts?"

"Having resources isn't enough," he said.

Time to



Editorials

Crisis at the airport

WE'RE STILL uncertain whether anybody in the state or city governments is listening to our repeatedly stated concerns about the future of Anchorage International Airport. But somebody should be.

We're convinced there's an urgent need to start aggressively developing a new and innovative marketing and servicing program that will keep the airport a vital part of the operating plans of the big commercial carriers, domestic and foreign.

Unfortunately, we don't see that happening.

We need to sell Anchorage International as a place the airlines want on their route schedules — whether it be for passengers, for cargo or simply for refueling.

And we need to make sure that Anchorage International provides its customers — the airlines, the passengers and the commercial shippers — with the absolute best facilities, best services and best rates that be found.

IF WE can't do those things, the advance of new aircraft technology — which makes possible globe-girdling non-stop flights — is going to leave our airport an empty shell.

We don't want to be doom and gloom about this.

It isn't going to happen overnight.

We've got some lead time — but not much.

But the fact is that the airlines — and our competitor airports — already are making their plans for the 21st Century.

Some of them are well along into operational changes relating to the 1990s.

And that decade of the '90s, we need to emphasize, is just a little more than three years away.

Already, the long-range aircraft are in service — and even longer range jets are on the drawing boards down at Boeing and in the engineering departments of the world's other great aircraft manufacturing companies.

IN THE process of discussing this, we also need to restate another continuing recommendation.

And that is that the city take over ownership and control of Anchorage International Airport.

The state can't do the job that needs to be done here.

The bureaucracy is too big, the chain of command goes through too many departments and the ultimate decisions have to be made in Juneau, which is too far away to understand the problem.

Not only that, so long as the airport remains under state control, its top brass in the state government must look at it from a political perspective in which all kinds of tugs and pulls are at work, not all necessarily beneficial to the task at hand — which is to run the best airport in the world, serving the airlines which use it.

If you think Anchorage felt an economic pinch when the oil companies cut back, you'd be shocked even more so if the Anchorage aviation industry suffered a similar reduction.

This is a priority item — but one which isn't at the top of anybody's list. It should be. And fast.

Robert B. Atwood
President and Publisher

Elaine Atwood
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Vice President, Editor-in-Chief

Change in the cockpit

A CHANGE in managers at Anchorage International Airport is one of those things that usually happens when a new governor takes over. It's a choice assignment and one of the major political prizes that is at the disposal of the man in charge when the time comes to assemble the new team.

Thus the departure of Guy Russo from the post comes as no surprise. On the other hand, at the age of 65, he's earned some time off after a fine career as an airline executive (going back to the old days before Pacific Northern Airlines became part of Western), as an elected public servant (mayor of Douglas), and as a public official on the firing line as airport manager for the last several years.

His successor still remains to be announced. But whoever gets the job had better be aware that he faces a major challenge — no less than the future of the facility as a major international airport.

WE'VE DISCUSSED this problem on many occasions in these columns over the past couple of years. Now, we're pleased to note, a number of civic and political leaders have begun to address the issue.

The problem is that new aircraft technology, which permits intercontinental flights without refueling stops, and the opening of a trans-Siberian route by the Soviet Union, provide the means for airlines flying the polar route to bypass Anchorage.

It isn't all happening at once. But it's happening — little by little.

That means there's time to fight back. But not much time.

And the new airport man-

ager must be a key player that fight, one that also require the best talents: ideas from the state, the city and the business community.

To emphasize the magnitude of the challenge, Alaska vice president Japan Air Lines indicated a meeting here a few days ago that Anchorage's window of opportunity may open only for another three or four years, at best.

By then, said Mitsuo Kimota, JAL will be in the area with Boeing 747-400 long range aircraft — and flight using that equipment simply won't have the need to stop down here. Moreover, JAL already is using the trans-Siberian route on at least one flight between Tokyo and Europe.

WHAT'S THE answer?

Several things. We need to get serious about promoting Anchorage as a stopover point — as a destination, in other words, rather than just a place for passengers to stretch their legs.

We need to get busy developing the airport as a center for trade and commerce. The foreign trade zone has been a topic of idle conversation and chit-chat for more years than we like to remember. Now is the time.

Private enterprise need to be fully cranked into the operation, working with the state and the city to do things that have to be done at the government level.

And, as a final admonition, if the state can't do the job — under a new governor and a new commissioner of Transportation and a new airport manager — then it should get out of the way, turn the airport over to the city, and let the work to preserve and enhance Anchorage International Airport proceed with diligence and vigor.



Opinions ... Other views, other insights

Protecting the future of Anchorage's international airport

Editor's note: this column is excerpted from remarks made by Sheffield Enterprises president Al Parrish to the Dec. 18 membership luncheon of the Anchorage Convention and Visitor's Bureau. Mr. Parrish is chairman of the Anchorage Business Council's airport subcommittee.

ANCHORAGE International Airport, as a state-owned facility, began in the early 60's as a principal transfer point for travelers making connections to points within and outside Alaska. In addition, the airport was a refueling and an entry and exit point for international flights, principally on routes between Europe and the Far East.

Today, 26 years later, Anchorage International still serves those primary functions. The plant, however, has grown to include two passenger terminals encompassing 226,000 square feet of total floor area, three runways, extending up to 10,000 feet, 30 aircraft gates, and six baggage claim areas. All of this is contained within a approximately 2,000 acres. The airport is serviced by 16 major carriers, nine of which are international, five commuters and approximately 25 non-scheduled airlines.

According to a Department of Transportation study conducted in 1983, the airport contributes more than \$1.5 billion to the Anchorage economy. Over 13,000 residents counted on the airport's operation for their jobs, earning a total of \$373 million dollars.

HOW WOULD you like your business to have a financial statement like this: In FY '86, the airport took in \$43 million dollars, showing a profit of \$21 million. Let's take it one step further: imagine having a business that made a profit of \$21 million a year, and that it achieved this profit without any advertising, any public relations, or any marketing studies whatsoever!

Anchorage's strategic location could easily enable it to serve as a platform for business between Europe and Asia. The possibilities are limitless. For example, if Anchorage were to become a foreign trade zone, goods from around the world could be stored here, processed, used in manufacturing other items, exhibited, repackaged, sold or handled in numerous ways. Imports could be used with domestic parts to manufacture new items within the zones — all without paying any customs duties or excise taxes. It would be a tremendous catalyst for development within our business community.

In addition, by expanding the duty free zone at the airport to allow foreign shoppers a much wider range of retail exposure than just gifts and liquors, we could create, in essence, regional shopping centers for stop-over travelers. They could tour duty free trade complexes and showrooms without the necessity of having to go through customs.

More and more, we're seeing international airports taking an active role in marketing their facilities and services. For example, Seattle-Tacoma Airport, together with the Port of Seattle, which owns the airport, has developed an aggressive campaign to attract the expanding transpacific market, the international tourist market and the air cargo industry.

Comments by Al Parrish



They've produced numerous brochures and an audio-visual presentation. They have a staff of marketing representatives which actively calls on transpacific clients, touting Sea-Tac's excellent international services on the airport premises, such as banks, customs brokers, freight forwarders, warehouses, foreign consulates, plentiful terminal space, excellent ground access, ample runway capacity and minimum environmental concerns.

Sea-Tac's programs and policies have helped to establish it as one of the top 20 airports in the United States for passenger-traffic volume. In 1982, over 9.2 million passengers and 143,000 metric tons of air freight were handled by Sea-Tac. By 1985, the number of passengers at Sea-Tac increased to 11.5 million passengers, up 25 percent. Freight went up to 210,000 metric tons, up 42 percent.

THE NEED, then, to make our presence known is going to become increasingly important in the years ahead. And not just because others are doing it. At this time, Anchorage International faces a very critical challenge, that being the advancement of aviation technology.

I'm sure most of you have heard about the new Boeing 747-400 series aircraft. This aircraft is an advanced version of the B-747's which have served Anchorage International Airport for the past 15 years. However, the new 400 series requires only a two-person flight crew, compared with the three crew members required on all other 747's. It will be able to carry between 300 and 400 passengers, and will be able to fly approximately 8,000 miles non-stop. This will allow the aircraft to fly between Tokyo and Frankfurt, Singapore and Paris, or Hong Kong and London without refueling in Anchorage.

OUR WINDOW of opportunity is slowly closing, and we can't afford to wait. We need to sell Anchorage International as a place the airlines will want on their route schedules — whether it be for passengers, cargo or simply refueling. And the most direct way to go about this task is to mount a marketing campaign, promoting our plant and its services to the world.

Funds for marketing the airport are already available. Revenues from the airport's operation go into a trust's account. The money is there.

Once a line item dedicated to marketing the airport is budgeted by the state, a cooperative effort can be developed, whereby funds from private and public sources would be combined, to develop a generic campaign. We believe it will take approximately \$3-\$5 million to develop and implement a comprehensive marketing plan for the airport. This seems like a reasonable amount to launch a program to reach the world's markets.

Which revenue streams need to be protected and developed?

Obvious ones are, of course, those passengers who are stopping over in Anchorage, on their way to or from a primary destination. Our research shows that 84 percent of those on flights stopping over in Anchorage would be interested in a stay of four to seven days. One-half of those would have stopped on the trip they were on if they would have known they could.

One good example of a stopover program was developed by the Port Authority of New York and New Jersey for passengers transiting through the three major airports: Kennedy International, Newark International and LaGuardia. They call it, "On Your Way Over, Stopover." The package includes one-night hotel at a choice of hotels, sightseeing, VIP shopping service at Macy's or Bloomingdales with language assistance, a choice of Broadway theatre tickets, a welcome kit, etc., all at a low

package price. They've advertised this program in periodicals all over Europe.

Other international passengers of great interest to us are those on either end of the transpolar route who could be persuaded to use Alaska as a visitor destination. New research by the state of Alaska shows that the potential for Japanese and German visitors selecting Anchorage as a visitor destination nearly equals the potential for visitors coming from the U.S. If we do our job right in selling our destination, it is possible that we could attract an additional 200,000 visitors a year from Germany and Japan, or a 50 percent increase in vacation or pleasure travel.

WHILE PASSENGERS are important, air freight offers even greater potential for growth. By increasing freight handling at AIA, we would see an increase in landing revenues (which are based on the gross takeoff weight of the aircraft) and fuel revenues for the airport.

International air freight is a rapidly growing market. In recent years, international air cargo shipments have increased at twice the rate of passenger travel.

The most cost-effective freight for air transportation is low-volume, high-value, and relatively low-weight products, such as electronic components, mini-computers, and precision instruments. Other less obvious air freight products are those with time-sensitivity, such as high-fashion apparel, pharmaceuticals, animals, produce, seeds and flowers. These markets need to be actively developed.

I mentioned fuel fees, and I'd like to stress that fuel is an important revenue stream. The airport operates a fuel storage farm and many operators have underground storage tanks. On an average day, approximately 1.2 million gallons are pumped. This means approximately \$24,000 a day, or \$3 million annually in fuel flowage fees.

Who is backing the plan to market the International Airport? This idea was further advanced by the Anchorage Business Council's Airport Committee, which I happen to co-chair, and others. The council, by the way, was formed by Mayor Tony Knowles with the mission of spurring economic development in Anchorage. Both the municipality and the Anchorage Business Council have endorsed our committee's recommendation. The Greater Anchorage Chamber of Commerce has since given the idea its full support, along with the Anchorage Convention and Visitors Bureau.

We'd like to invite your support as well, because as residents of Alaska and users of the airport, you have a stake in its future operation. We presently have the lead time to plan for the decade ahead. But we can't afford to wait. We need to plan for the 21st Century now.

AT

Short cut to Europe

OK, HERE'S an immediate target of opportunity for those committees that are stirring around these days trying to enhance the future of Anchorage International Airport.

Shippers in Japan, if you can believe it, reportedly are moving cargo via ocean freighter to the Port of Seattle, trucking it to Seattle-Tacoma International Airport, and forwarding it to Europe by air.

That's the word, anyway, in the January-February issue of Tradelines, an official publication of the Port of Seattle.

But that's the long way to

go, for heaven's sake.

IF CARGO is bound from Japan to Europe on a ship-air combination, the port of entry should be Anchorage — not Seattle. Anchorage is hundreds of miles closer and many hours quicker from Tokyo.

And it would be just as easy — if not easier — to off-load here, truck the cargo to Anchorage International Airport in minutes, and have it on its way to Europe — again a much quicker flight than the route out of Seattle.

The ball's in your court, Anchorage airport committees.

Some realistic advice

If anyone should know how Alaska can promote trade with Japan, it's Mitsuo Kitamoto. He's vice-president for Japan Airlines and head of the company's Anchorage office. So when Mr. Kitamoto says Alaska can help its trade prospects by luring more Japanese visitors, Alaskans should take note.

Unlike much of today's Pacific Rim rhetoric, his advice sounds realistic. Often it seems that the state's political and business leaders invoke "Pacific Rim trade" as a magic mantra, the mere chanting of which will help lead Alaska out of the economic doldrums. But most of our trade promotion efforts will take years to pay off — if they ever do.

Mr. Kitamoto's strategy would do something here and now. The tourist industry would get a short-term boost while the state builds its long term prospects for Pacific Rim business by showing the Japanese the state.

Some changes already in the works may help do what Mr. Kitamoto suggests. The new immigration law will make it easier for foreign travelers to get off in Alaska without visas. But Alaska shouldn't stop there. As longer range aircraft enter service, there may come a day when the state cannot rely on refueling stops to bring foreigners to our doors.

In the old days, doing more to draw visitors would have meant spending more state money. But in these times, state funding is scarce. State tourism officials will have to find ways to do more with less — or convince Alaska's tourist businesses to come up with the money themselves.