

HCR

6

Alaska State Legislature



House of Representatives

Committee on Transportation

Rep. Bette Cato, Chairman

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858

February 20, 1987

FOR TODAY'S MEETING YOU HAVE:

A FOLDER ON HCR 6 THAT INCLUDES:

- * a copy of HCR 6
- * a current status report of HCR 6
- * a fiscal note on HCR 6
- * a fiscal note on SCR 5, the senate companion bill
- * Financial Statement on Alaska's International Airports
- * two media articles

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HCR No. 6
Publish Date: _____

REQUEST _____

Revision Date: _____
Title: Promotion & Marketing of the State-Operated International Airports.
Sponsor: Rieger
Requestor: Cato

Agency Affected: DOT&PF
BRU: International Airports
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL SUPPLIES	250.0	750.0	750.0	750.0	750.0	750.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	250.0	750.0	750.0	750.0	750.0	750.0
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (IARF)	250.0	750.0	750.0	750.0	750.0	750.0
TOTAL	250.0	750.0	750.0	750.0	750.0	750.0

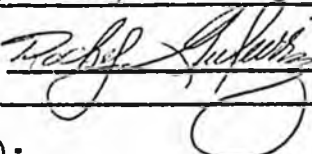
POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: See Attached.

Prepared by: Ron Lind, Director
Division: Plans, Programs, & Budget

Phone: 465-2171
Date: 02/09/87

Approved by Commissioner: 
Agency: DOT & PF

Date: 2/10/87

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

Fiscal Note Analysis

HCR No. 6

1. ANALYSIS OF FISCAL IMPACT ON EXISTING PROGRAMS.

DOT&PF has assumed IARF funding. Airport tenants and airlines pay fees sufficient to meet the costs of operating and improving the international airport system. At current total landed weight levels, each \$250,000 in expenses equals roughly \$.01 added to the landing fee. A \$750,000 increase in operating expenses could increase current landing fees by \$.03 per 1,000 pounds of aircraft takeoff weight.

Under the operating agreement between the Department and the airlines any material change in the operating and any change in the capital budget should be reviewed by the signatory airlines.

2. ANALYSIS OF FISCAL IMPACT ON NEW PROGRAMS.

A successful marketing plan should generate increased revenues. In this instance, anticipated revenue increases are impossible to predict because much of the marketing focus is to attract traffic to replace existing international traffic forecasted by the resolution to overfly Alaska because of new long-range aircraft technology making the Alaska stop unnecessary.

3. ANALYSIS OF EXPENDITURES

The contractual costs for FY 87 represent estimated costs for developing a marketing plan. FY 88 - 90 contractual costs represent estimated marketing program costs based on the Portland marketing budget. Portland and Seattle appear to be analogous to Anchorage since both are targeting worldwide markets. The Port of Seattle spends approximately \$1.2 million annually for tourism, cargo marketing and airport public relations. Assuming the Air Cargo Feasibility Study currently underway defines much of the cargo market potential, the tourism and public relations needs at Anchorage and Fairbanks may be able to be addressed with the \$750,000 annually --Portland's annual budget for marketing. Until further development work is done the mixture of direct staffing versus contractual activities cannot be determined.

4. OTHER INFORMATION

DOT&PF is in the process of gathering information on other airport marketing programs. Many of them are coordinated efforts with multimodal port authorities, municipal and state tourism agencies, local Chamber of Commerce groups, etc. Typically, a destination is marketed -- not an airport per se. DOT&PF envisions the same basic approach for Anchorage and Fairbanks airports. The marketing program needs to be a coordinated one with the IARF contributing to the overall efforts to market the State and promote broadbased economic development. The appropriate financial commitment for the airports will undoubtedly be a subject of negotiation with the other parties involved in promoting Alaska.

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE SENATE

BILL VERSION: SCR 5

PUBLISH DATE: 2/3/87

REQUEST

Bill/Resolution No. : SCR 5
 Title : Re: promotion & marketing of state-operated international airports
 Sponsor : Sturqulewski
 Requestor : Senate Labor & Commerce
 Date of Request : _____

FISCAL DETAIL

Agency Affected : DOTPF
 BRU : International Airports
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER IARF	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Mark K. Johnson, Counsel
 Division : Senate Labor & Commerce Committee

Phone : 465-3822
 Date : 2-2-87

Approved by Commissioner : _____
 Agency : _____

Date : _____

Distribution (by Agency preparing fiscal now):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



STATE OF ALASKA
INTERNATIONAL AIRPORTS
(An Enterprise Fund
of the State of Alaska)
FINANCIAL STATEMENTS
JUNE 30, 1986 AND 1985

STATE OF ALASKA INTERNATIONAL AIRPORTS
(An Enterprise Fund of the State of Alaska)
STATEMENT OF INCOME
YEAR ENDED JUNE 30, 1986

	<u>Anchorage</u>	<u>Fairbanks</u>	<u>Total</u>
Operating Revenues:			
Landing fees	\$ 6,456,781	\$ 487,510	\$ 6,944,291
Parking fees	348,139	169,340	517,479
Gas and oil fees	9,699,120	562,193	10,261,313
Vehicle parking fees	1,866,960	168,350	2,035,310
Terminal building rental	5,344,614	1,263,509	6,608,123
Aircraft docking fees	697,800	7,058	704,858
Federal inspection fees	169,627		169,627
Concession fees	18,985,697	264,973	19,250,670
Land rental	734,249	420,912	1,155,161
Electric energy fees	37,408	36,416	73,824
Flight service station rental		31,140	31,140
Other airport charges	45,479	49,711	95,190
Lease of state property		12,000	12,000
Interest	12,928	3,095	16,023
Other	11,567	14,234	25,801
Total operating revenues	<u>44,410,369</u>	<u>3,490,441</u>	<u>47,900,810</u>
Operating Expenses:			
Security	3,626,172	2,612,524	6,238,696
Field maintenance	2,604,442	1,190,360	3,794,802
Administrative	4,916,287	1,588,645	6,504,932
Building and equipment maintenance	4,442,026	1,203,009	5,645,035
Custodial	2,729,622	591,456	3,321,078
Total operating expenses	<u>18,318,549</u>	<u>7,185,994</u>	<u>25,504,543</u>
Operating income (loss) before depreciation	26,091,820	(3,695,553)	22,396,267
Depreciation expense	<u>6,270,761</u>	<u>2,883,512</u>	<u>9,154,273</u>
Income (loss) from operations	<u>19,821,059</u>	<u>(6,579,065)</u>	<u>13,241,994</u>
Non-Operating Income (Expense):			
Interest income	3,438,698	270,793	3,709,491
Interest expense	<u>(2,625,603)</u>	<u>(206,763)</u>	<u>(2,832,366)</u>
	<u>813,095</u>	<u>64,030</u>	<u>877,125</u>
Net income (loss)	<u>\$20,634,154</u>	<u>\$(6,515,035)</u>	<u>\$14,119,119</u>

BASIS OF ALLOCATION

All items above are charged directly to the individual airports except for interest income, interest expense, and administrative expenses as discussed in Note 5. These items are allocated on the basis of gross revenues generated by each airport.

1/26/87
Anchorage
1/26/87
metro

Trade, tourism linked

By Dean Fossick
The Associated Press

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

Protecting the future of Anchorage

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 295,000 square feet of total floor area, three runways, extending up to 10,900 feet, 36 aircraft gates, and six baggage claim areas. All of this is contained within approximately 2,600 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 \$375 million dollars.

HOW WOULD you like your business to have a financial statement like this: In FY '86, the airport took in \$45 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 facili-

Comments by Al Parrish



ties 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.

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 consultates, 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 148,000 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, is going to become increasingly critical. And not just in the years ahead. At this time, Anchorage faces a very critical challenge in the development of aviation technology.

I'm sure most of you are familiar with the Boeing 747-400 series as an advanced version of the 747-300. In the next 10 years, however, the new two-person flight crew aircraft will require four crew members required to carry between 400 and 500 passengers. This will allow direct flights to Tokyo and Frankfurt, Hong Kong and London.

OUR WINDOW of opportunity is closing and we can't afford to wait. Anchorage International as a major hub on their route schedule is essential for passengers, cargo or simply as a direct way to go about marketing campaign, promotional services to the world.

Funds for marketing are not readily available. Revenues from the airport go into a reserve account.

Once a line item dedicated to the airport is budgeted by the city, it can be developed, where public sources would be used for a generic campaign. We need approximately \$3-\$5 million to develop a comprehensive marketing program to reach the world.

Which revenue stream should be developed?

Obvious ones are, of course, those who are stopping over in Anchorage or from a primary destination. Shows that 84 percent of the passengers who stop over in Anchorage would stay for four to seven days. On average, they stopped on the trip they were on, known they could.

One good example of a program developed by the Port of New Jersey for passenger service at three major airports: Newark International and L. B. Owens. Your Way Over, Stopover, one-night hotel at a cost of \$100, VIP shopping service with language assistance, theatre tickets, a welcome

insights

f Anchorage's international airport

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 400 and 600 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 reserve 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 transitting 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 \$9 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.



Seattle-Tacoma of Seattle, which had an aggressive marketing transpacific market and the

brochures and an have a staff of actively calls on Tac's excellent in-rt premises, such ight forwarders, plentiful terminal mple runway cal- al concerns.

es have helped to 1 airports in the : volume. In 1982, 8,000 metric tons -Tac. By 1985, the increased to 11.5 Freight went up t.

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.

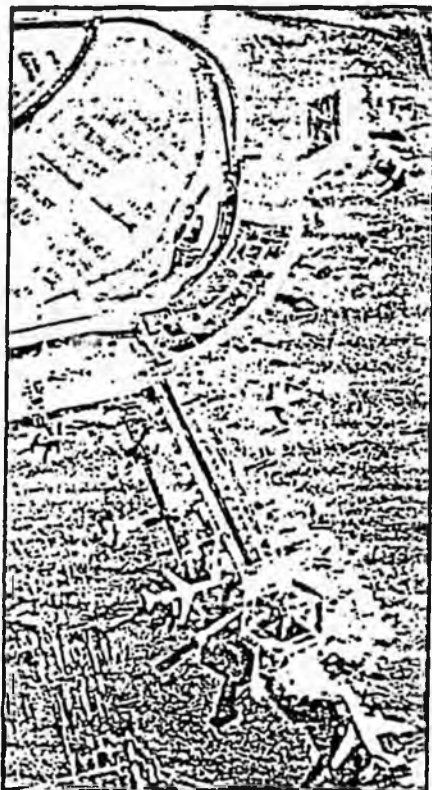
Among the nation's 36 medium-sized air traffic hubs, Anchorage ranks second in number of revenue passengers. Indeed, last year more than 4.6 million passengers were handled at the airport.

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 reprovioning, 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.

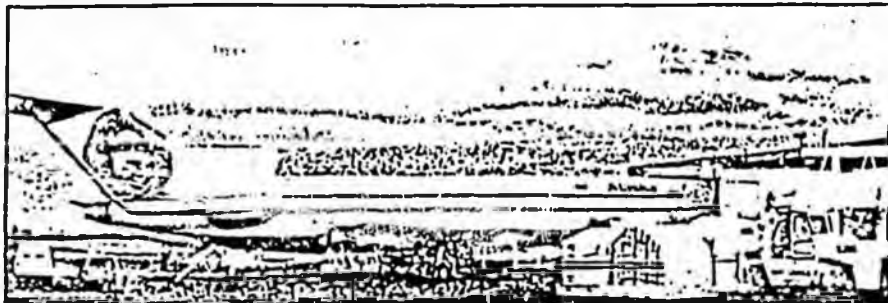
He observed that the 747-400 will be capable of flying 8000 statute miles—enough to fly the plane nonstop between Asia and Europe via the American and Canadian airspace polar route.

"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 redevelopment 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 316.8 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 in 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. ■

STATEMENT OF ANCHORAGE/FAIRBANKS AIRLINES AIRPORT AFFAIRS COMMITTEE

TO STATE OF ALASKA LEGISLATURE, FEBRUARY '20, 1987

My name is Clifford T. Argue, and I am Staff Vice President of Properties and Facilities for Alaska Airlines. However, I am appearing before you today as Chairman of the Anchorage/Fairbanks Airlines Airport Affairs Committee, which is an organization representing some 22 international and domestic airlines serving Anchorage and Fairbanks airports. These airlines have signed the recently negotiated Airline/Airport Lease and Operating Agreement.

The relationship between the airport operator, in this case the State of Alaska, and the carriers is a partnership. We must continually work together in a spirit of cooperation to ensure the best possible and most cost effective air transportation facilities serving a particular community. Our business relationship has been documented in the operating agreement, which was signed last year following almost two years of intensive negotiation.

This relationship is simple. The airlines are responsible for paying the majority of the costs of the construction, operation, and maintenance of the Anchorage and Fairbanks airports. While there are Federal grants, concession revenues, and other sources of income, our agreements provide that the airlines will make up any difference between revenues and expenses through the rates, fees, and charges we pay to the Department of Transportation and Public Facilities. The burden does not fall back on the general fund of the State.

With respect to the resolution before you, I would like to clearly state that the airlines are not opposed to the concept of the promotion and marketing of Anchorage and Fairbanks International Airports. Such programs, which are in place at various other airports throughout the United States, are sometimes, but not always, beneficial in stimulating additional traffic. Many of these programs are in conjunction with and financially supported by other local agencies and organizations, so that the destination is being marketed, not just the airport. Anchorage and Fairbanks Airports both have excellent airfield and terminal facilities and services; and it is very doubtful that an airline management, anywhere in this country or the world, would necessarily be convinced to fly to one of these airports if there are not operational, technical, market-related, or other business reasons to do so. In other words, there is no assurance that an airport marketing program will bring any new traffic.

The airlines are extremely concerned by the current airport marketing proposals, because, at this point, they lack any definition of how a marketing program would be organized and implemented. We know nothing about the scope of the effort, its management, and overall control. The only information we have heard in recent weeks is the proposal to spend anywhere from \$3 million to \$5 million per year on an airport marketing program. These amounts are incredibly high compared with other airports and seem to have no basis or solid rationale.

Because of the business relationship noted earlier in my remarks, the airlines also are extremely uneasy about a funding proposal of this magnitude, if it is contemplated to come from the International Airports Revenue Fund. Contrary to some reports, there is not a big fund of unallocated money in the IARF, nor do the airports produce a large "profit." Any apparent "profit" is, in reality, money that is already committed to planned capital projects. Therefore, wherever in the IARF marketing money is budgeted, it will, by necessity, place an additional burden on the airlines through increasing our landing fees paid to the State. Every one million dollars in additional annual cost would require an additional four cents per one thousand pounds of aircraft takeoff weight in landing fees.

We have already seen substantial increases in our landing fees in the past two years to support the extensive construction at both airports, and additional increases can only be counterproductive and burdensome. Such additional costs must be passed on to the consumer through higher air fares and air freight rates; or, as in the recent examples of Boston, Las Vegas, and Florida, recovered through a surcharge on each ticket stated separately. For example, an additional five million dollars in annual costs would cost Alaska Airlines \$436,000 and Japan Air Lines \$989,000. These are not the types of costs that can be just absorbed by the airlines. Such additional costs might also have the negative effect of causing airlines to curtail service to Anchorage and Fairbanks and seek lower-cost locations. This would certainly be the exact opposite of what is desired in a marketing program.

ANC/FAI AAAC
2/20/87
Page Four

The airlines recommend that in considering the current resolution, the Legislature request that the Department of Transportation and Public Facilities work cooperatively with other interested agencies in first developing a coordinated marketing plan with specific tasks identified, goals set, and a realistic budget supported not only by the IARF, but all involved organizations.

The airlines are willing to participate in some manner, but only if we are convinced that a prudent and cost-effective approach is being followed.

Thank you.

ANCHORAGE CONVENTION & VISITORS BUREAU
INTERNATIONAL AIRPORT MARKETING

1987

ACVB LEGISLATIVE & COMMUNITY RELATIONS PRIORITIES

Governmental

1. Cargo and passenger marketing program to protect the future revenue streams of the Anchorage International Airport.
1. \$8.2 Million Alaska Division of Tourism Budget.
2. Creation of a Legislative Committee on Tourism.
3. Year-round operation of the Begich Boggs Center At Portage Glacier.
4. Visitor related improvements and enhancements on state highway projects to include but not be limited to pull outs, interpretive displays and signage.
5. Whittier access toll road.

Community

1. Continue joint meetings between the ACVB and AVA Board of Directors at least twice each year to communicate and understand respective legislative goals.
2. Encourage combined monthly membership meetings by the ACVB and the local AVA Chapter.

**ANCHORAGE BUSINESS COUNCIL
AIRPORT COMMITTEE
MARKETING PROPOSAL
January 14, 1987**

Problem

Alaska's International Airports presently generate enough revenues to be self-supporting. Last year, even after accounting for the deficit at FIA, the airports had an income of \$14 Million. However, competitive and technological changes threaten to undermine Alaska's traditional airport revenue streams within five years.

There is clear evidence Alaska is losing its position as a re-fueling stop for Transpolar and Trans Pacific flights. This raises at least two concerns. If the trend continues, eventually domestic carriers and passengers will be required to pick up the slack which will dramatically impact domestic tourism, the cost of shipping and "lower 48" travel. Even more significantly, Alaska will begin to lose undeveloped opportunities for International Trade.

Solution

Since the late 1970s, de-regulation and other developments have increasingly required airports to proactively market themselves in order to remain competitive and hold market position. Newark, Kennedy, LaGuardia, Baltimore/Washington, Atlanta/Harsfield, Miami, and Seattle/Tacoma are good examples.

Following the successful example of these airports, Alaska's International Airports should establish a marketing function as a standard part of their mission and operation. The marketing funds should come from airport operating reserves. The airport marketing effort should protect existing revenue streams and seek to attract and facilitate new ones working in cooperation with economic development partners in each airport location.

Marketing Partners

Airport marketing efforts aimed at passenger development are customarily mounted in conjunction with community convention and visitor bureaus and those aimed at cargo and land development are mounted in conjunction with local economic development coalitions involving communities, utilities, transportation companies, resource development corporations, foreign trade zones, chambers of commerce etc. Partnerships such as these permit airport marketing efforts to stretch and avoid duplication.

Programs

Marketing the airport will involve research and target identification, direct sales, advertising, publicity, trade shows, promotions, and tools including brochures, audio visuals etc. Quantitative measurement in the short term will be carrier, passenger, cargo retention and growth and airport land and new businesses development. In the long term, measurement will include self supporting income and overall position in the world market.

Funding

Based on formulas used in private sector marketing, the airports should initially devote a greater percentage of gross sales or margin to marketing and then lower the rate when marketing effort and positioning are well established. Based on the size of the airports and the urgency of the problem, it makes sense to transfer at least \$5 Million from "International Airport Fund" reserves to establish an annual marketing line item for the two International Airports.

PROTECTING THE AIRPORT'S FUTURE

Al Parrish, Speaker
President, Sheffield Enterprises, Inc.
Anchorage, Alaska

Speech Prepared for the **ACVB Membership Luncheon**
December 18, 1986

Thank you. It's good to see so many friends in the audience today and to see such a good turn-out of those in our community who share a growing concern over the future of the Anchorage International Airport.

Before I begin, I'd like to tell you an aviation story: Some time ago, I was on a flight into Kennedy Airport, one of a plane's engines died while flying over Pennsylvania. In a reassuring voice, the captain spoke to the passengers, "I'm sorry to say that our outside port engine has stopped functioning. There is no cause for alarm. However, we'll be about twenty minutes late reaching Kennedy Airport."

A little later, the captain spoke over the intercom again, announcing that a second engine had failed, and again he said there was no cause for alarm -- the other two engines were more than sufficient. "However," he said, "we'll now be about an hour late in landing."

A few minutes later, the captain reported a third engine had conked out, but that the remaining engine would get us down safely. "Now,

however," he said, "our estimated arrival time will be about two hours later than scheduled."

"Ye gods!" cried a lady sitting next to me, who happened to be on her first flight, "if that fourth engine goes, we may be up here all night!"

As the story points out, it is one thing to recognize that a challenge exists, but making a correct interpretation of that challenge is another matter.

Today, I will focus on the challenges facing Anchorage International Airport. First, I'll discuss the growth of the airport since it began operating; next, I'll point to opportunities that await international airports willing to market their facilities and services; third, I'll talk about the advance of aviation technology and how it may effect Anchorage's airport; fourth, I will provide recommendations as to how we may market our airport, to which likely targets, and finally, who supports the marketing of Anchorage International.

But first, I'd like to digress for a moment and tell you about a concept some of you may already be familiar with. Back in 1979, the late R. Buckminster Fuller visited Anchorage to speak at the Future Frontiers conference. It was at this three-day symposium, sponsored by the State Legislative Council, that Mr. Fuller spoke of Alaska's prime location in relation to the world.

During his address, Mr. Fuller presented a map he had developed back in 1930, called the "Dymaxion Sky Ocean World Map". This map was first printed in Life Magazine in 1943 and also published in his book, Critical Path. If you look at this map, you'll see that Alaska is positioned in the center of the map, and that it does absolutely link Asia and America. Alaska anchors the Pacific Rim, around whose circumference clusters 2/3 of the population of the world.

In Anchorage, we have always seen ourselves as the "Air Crossroads of the World". That expression was used for many years as the slogan for the Anchorage Chamber of Commerce. But Mr. Fuller (and several others) have advanced the theory to say that Anchorage and Alaska are not only the crossroads, but the veritable center of the world for trade, commerce and travel. Our markets are not just transpacific, but are, in essence, global.

Bearing that perspective in mind, let's return to our topic today. 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, twenty-six years later, Anchorage International still serves those primary functions. The plant, however, has grown to include two passenger terminals encompassing 295,000 square feet of total floor area, three runways, extending up to 10,900 feet, 36 aircraft gates, and 6 baggage claim areas. All of this is contained within approximately 2,600 acres. The

airport is serviced by 16 major carriers, 9 of which are international, 5 commuters and approximately 25 non-scheduled airlines.

According to a DOT/PF 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 \$375 million dollars.

How would you like your business to have a financial statement like this: In FY '86, the airport took in \$45 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! In today's competitive marketplace, it's nearly impossible to believe, but that is precisely the situation at Anchorage International.

The times, they are a'changin', and more and more, international airports are beginning to be seen by the private sector as trade centers, offering enormous potential for economic development within the communities they serve.

As I pointed out earlier, 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 show rooms 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.

They've produced numerous brochures and an audio-visual presentation. They have a staff of marketing representatives which actively call on transpacific clients, touting Sea-Tac's excellent international services on the airport premises, such as banks, customs brokers, freight forwarders, warehouses, foreign consultates, plentiful terminal space, excellent ground access, ample runway capacity and minimum environmental concerns. Sea-Tac representatives are even stationed in Tokyo.

By working closely with planning officials of Boeing's aviation market research company, Sea-Tac is able to track aviation trends and target markets for air travel services. The results of their research indicate that

their marketing approach should include such selling points as, lower landing fees than other airports; lower fuel prices; fewer airport delays; improved custom clearance; and greater amenities. These would include duty free shops, foreign language signs, interpreters, exchange facilities, ground transport access and egress.

Sea-Tac's programs and policies have helped to establish it as one of the top twenty airports in the United States for passenger-traffic volume. In 1982, over 9.2 million passengers and 148,000 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%. Freight went up to 210,000 metric tons, up 42%.

Other airports are following suit. Hartsfield International in Atlanta employs a marketing staff, using funds from both public and private sources, to produce brochures, audiovisuals, and advertisements. Trade shows and trade missions are also a part of the airport's marketing strategy.

We see similar efforts at Baltimore/Washington International Airport, and Miami International. We're seeing more and more examples of international airports using ad agencies, public relations firms, and outside sales representatives to establish and position themselves in the international market.

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 fifteen years. However, the new 400-series includes some remarkable advancements in engine performance and aerodynamics.

The 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 400 and 600 passengers, depending on configuration, 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. Boeing received its first order in late 1985 from Northwest Orient Airlines. The first production model of the aircraft is expected in late 1988.

If foreign carriers depart Anchorage International Airport, the operating expenses at the airport will not decline in proportion. The difference between the shortfall in revenue and the continuing expense of operating the buildings, the facilities and the runways will have to be borne by higher landing fees from airlines such as Western, United, Alaska, MarkAir, Reeve and all the commuter carriers. In addition, there will be higher tie-down charges. Thus, the entire rate structure will go up. Who will ultimately pay the cost? You and I, every time we purchase an airline

ticket or use the airport for whatever reason. The effect on the visitor industry itself could be diasterous.

As you can see, we're in a race against time to develop a plan to protect our existing revenue streams and to create opportunities using the airport as a hub for new business activity.

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 reserve account. The money is there. From those funds, we now need to dedicate a line item in the airport's budget to marketing.

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. This program would be modeled after cooperative efforts which have been highly successful in marketing Alaska seafood and tourism.

Based on past experience with those successful cooperative programs, we believe it will take approximately \$3 - 5 million dollars 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. Once the groundwork has been laid, we'll have a better feel for what it will take to maintain an on-going marketing program.

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% of those on flights stopping over in Anchorage would be interested in a stay of 4 -7 days. One-half of those would have stopped on the trip they were on if they would have known they could. Once we tell them they are able to stopover, we need offer an irresistible incentive for them to do so.

One good example of a stopover program was developed by the Port Authority of New York and New Jersey for passengers transitting 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, depending on the visitor's selections. They've advertised this program in periodicals all over Europe.

The Anchorage Convention and Visitors Bureau is taking its cue and is moving ahead to develop local stopover programs. But the bigger job before us is to let passengers know ahead of time that stopover opportunities exist.

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% increase in vacation/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. In the private sector, we would see an increase in business and land development surrounding the Anchorage International, as well as crew expenditures at hotels, restaurants, car rental, and retail and service businesses.

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 main reason for this growth has been the overall increase in the importance of speed in international transactions. This is particularly true in Alaska when large volumes of perishables, such as fish, are shipped to outside markets.

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 \$9 million annually in fuel flowage fees.

A natural response to growing freight business would be land and business development near the airport. The development of an airport industrial park and/or a foreign trade zone designation would offer Anchorage new jobs and revenues in a wide range of business activities, including freight forwarding, processing and manufacturing, warehousing and distribution, and much more.

Anchorage presently handles over 300 million pounds of freight each year, a 14.5% increase from ten years ago during the pipeline days. The opportunity is there, but we have to knock on some doors.

There is an old saying regarding the value of advertising: a codfish lays thousands of eggs, and this is done silently. A chicken lays one egg and cackles. The result: nobody eats codfish eggs, and nearly everyone eats chicken eggs. Therefore, we need to cackle about our airport. I guess that would fit in with the bureau's "Wild About Anchorage" campaign.

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.

I've enjoyed this opportunity to speak to you today about protecting our airport's future. I've discussed how we've grown in the past 26 years, and which opportunities and challenges await us; I've explained how, through innovative marketing, we can keep the airport solvent and help spur economic development, and I've noted who supports that kind of thinking.

Buckminster Fuller, in describing his Dymaxion World Map, said that the map showed two things: 1) that the colder an area gets, the more the annual temperature variation. (I'm sure all of us in Alaska would concur.)

And 2) the more the geographical temperature varies annually, the more inventive the humans who live in those areas have to be to survive. "If you live by Lake Victoria in eastern Africa," he said, "you will invent a wooden boat if you wish to cross it. If you live beside Lake Baikal in central Siberia and you wish to cross that body of water, you will invent a wooden boat in the summer and skates and a sled in the winter."

That "inventiveness" has to be harnessed, along with financial resources, in order to develop Anchorage International Airport's future markets. In addition, we need the utmost cooperation and support of our elected officials and the state bureaucracy to establish Anchorage International as a premiere airport for trade, commerce, and passengers, truly the "center" of the world. Let's work together to put Anchorage on Main Street!

Crosswinds at the Crossroads



PHB David Predeger

Changing winds aloft are blowing storm clouds toward Anchorage's status as 'Air Crossroads of the World'

BY JUDITH FUERST

AS AIR TRAFFIC PATTERNS evolve, Anchorage risks losing its claim to the title "air crossroads of the world."

Change is in the winds aloft: There's a bypass now, and the intersection's fuel pumps aren't needed by new aircraft capable of flying increased ranges. Anchorage International Airport is no longer the mandatory pit stop it was for traffic between Europe and Asia less

than a decade ago.

"We've never had to work for our airport traffic; everything has just fallen into place," says Dan Dixon, director of the Office of International Trade in the state Department of Commerce & Economic Development. He identifies three factors endangering Anchorage International's status as a major airport for international traffic: improvements in air transport technology, relative

slowness in marketing the airport and the sluggish development of Alaska as a destination or tourist stopover point for world travelers.

Dixon warns: "Dramatic losses in Anchorage International Airport traffic will have an immediate multimillion-dollar impact on the state's economy in lost revenues. However, the more devastating impact will be on our efforts to sustain and secure growth for our tourist industry and our efforts to provide a foundation for expansion of international trade."

A task force proposed by Dixon began meeting in August to address marketing of the state's major international airport. Its members include representatives of the Division of Tourism, the airport's duty-free shop, the Anchorage Convention & Visitors Bureau (ACVB), the state Department of Transportation & Public Facilities (DOT), the mayor's office and the state legislature.

"It's a baby step in the scheme of things—the first organized step to facing up to what's coming down the road," Dixon says. That specter lurking down the highway is declining revenues for the city, the region and ultimately the state.

It was geography that put Alaska on aviation maps, so to speak. In 1957, Scandinavian Airlines System developed the polar route. Carriers landed at Fairbanks International Airport for refueling in the early years of polar aviation. But as traffic patterns evolved Anchorage became the stopping point for flights traveling from Asia to Europe or the eastern United States.

Sometimes the stops are for refueling only, particularly with cargo flights. Even with planes capable of greater ranges, cargo flights often are routed through a refueling point. By trading payload for fuel weight, the trip becomes more revenue-efficient. Also to be considered in the tradeoff, though, are additional crew and fuel required for landing and takeoff.

Passenger flights, on the other hand, often travel nonstop when able, because most customers prefer direct routing. Typically operational people on carrier staffs argue for stops, while marketing personnel support nonstop routes.

In addition to refueling, many carriers recater planes here, make crew

changes and enter cargo and passengers into the United States to avoid more congested customs clearance in the Lower 48. Each service contributes to airport revenue.

One substantial revenue source for Anchorage International Airport is income from the duty-free concession where international passengers shop during their brief layovers. In 1985 Duty Free Shoppers contributed \$14.25 million to airport operations—30 percent of the system's revenue.

Now, however, what geography giveth technology threatens to taketh. That's already been the fate of three other major refueling points in international air traffic—Gander, New Foundland, Shannon, Ireland, and Bermuda Island. The introduction of the jet eliminated the need to make fueling stops at these locations. Although each has managed to retain traffic, none sees the magnitude of flights—or the revenue from transit air traffic—previously enjoyed.

Anchorage International Airport's contribution to the municipality was calculated in an October 1985 study conducted for the Alaska DOT by Applied Economics Associates. Total economic input was valued at \$1.51 billion in 1983, which generated total employment of 13,472.

Contributing to the airport's economic impacts were air transportation, visitor-related, freight forwarding and travel arrangement operations. Those segments directly employed 8,086, with the remaining 5,386 employed as a result of spending by those directly employed.

Total revenue for the Anchorage portion of the state's international airport system (Anchorage and Fairbanks) for the fiscal year ending June 30, 1985, was \$39.5 million. Fairbanks International's contribution was \$3 million. Because operating expenses for Anchorage and Fairbanks were \$16 million and \$6 million, respectively, the income generated at Anchorage International subsidized operations at Fairbanks International, thereby contributing to the Interior's economy as well.

Dixon believes 1990 is a critical year for the future of Alaska's airport system. By then carriers will have made important routing decisions based on the delivery of new Boeing aircraft. The new generation 747-400 has optional crew quarters to eliminate the need for stops to relieve crew and a range of 8,000 miles. It is the increasing range of aircraft that weighs most heavily in carrier decisions on whether to land or bypass Anchorage's crossroads.

Carriers that have ordered the new planes include Northwest Airlines, Cathay Pacific Airways, Lufthansa German Airlines, Korean Air Lines, Singapore Airlines and KLM Dutch

Royal Airlines. Deliveries of the planes are scheduled to begin December 1988. Except for Cathay Pacific and Singapore, these carriers now land at Anchorage International Airport.

Craig Campbell of Coffman Associates, an airport consulting firm, reports Singapore was known to be considering flights through Anchorage, but with the larger planes probably won't have to. Also, KLM has noted a lack of growth in its routes via Anchorage and is one of the carriers likely to reduce services when it begins flying the new planes, according to Campbell.

BOB COE, PRESIDENT of the Alaska Division of Duty Free Shoppers Ltd. and a member of the state-organized task force, has a vested interest in international transit traffic and keeps tabs on international carriers using Anchorage. He notes in April KAL pulled three inbound and four outbound flights, JAL added two overflights—nonstop routes between Europe or the eastern United States and Asia—and Air France added one overflight. In September, JAL pulled one flight stopping at Anchorage and began another overflight. JAL pulled yet another flight in October.

Earlier this year, JAL—which claims to account for one-fourth of Anchorage's entire international operations—landed at least six freighters and six passenger flights a day. But the carrier's business travelers increasingly opt for nonstop flights from Tokyo to New York or Europe.

Those flights are traveling 98 percent full, while others stopping in

Anchorage have seats available, according to Mitsuo Kitamoto, district manager. Consequently nonstop flights that bypass Anchorage are the area expected to grow.

Another factor changing the relative importance of Anchorage as a refueling center is the ability to travel through Russian air space. JAL is one of a select group of carriers now flying over the Soviet Union in accordance with a bilateral agreement allowing limited use. The route shortens the polar trip, saving three hours in transit time, according to Campbell.

He also points out more foreign carriers are opting for other U.S. landing sites—Seattle, for example, which serves a large population center. "Anchorage is behind the power curve in competition from West Coast airports," Campbell notes. Another region of the country winning new international traffic is the South, particularly Atlanta and Dallas. For example, Delta Airlines recently inaugurated a route from Tokyo to Atlanta.

Airport marketing aimed at attracting international carrier routes has become much more sophisticated in recent years. The stakes are high in terms of airport revenue and regional economic impact. Sandy Daggett, public affairs officer for the Port of Portland, which operates the international airport there, says Delta's Portland service is expected to create an economic impact of \$25 million in the State of Oregon.

The carrier will route five flights per week in its new Tokyo-Portland service. The economic impact is based on 1985



© 1986 David Pradeger

CERTIFICATE PROGRAMS

(from 3 months to 24 months):

- Electronics Engineering Specialist
- Financial Management Specialist
- Computerized Accounting Systems Specialist
- Full-Charge Computerized Bookkeeping Specialist
- Paralegal Administrative Assistant
- Executive Administrative Assistant/Office Management
- Computerized Office Specialist/The Modern Secretary

- Approved by the Alaska Commission on Postsecondary Education.
- Professional Placement Services.
- Financial Assistance Available for Tuition and Living Expenses.
- State-of-the-Art Computers and Software.
- Time-Effective and Cost-Effective.
- Day and Evening Programs.
- Word Processing and Computer Hardware and Software Operation.
- Students in computer courses assigned to their own computers. Hundreds of hours of hands-on computer instruction in each program.

**WHERE
SUCCESSFUL
CAREERS BEGIN**

CHARTER
C.O.L.L.E.G.E.

In the Anchorage Business Park
(corner of "C" Street and Tudor Road)

CALL TODAY:
562-4669

figures and considers tourism generated by the routes as well as airport revenue. To land the new service, Portland spent \$300,000, including consulting fees and legal costs.

Daggett says an important factor in securing Portland's position as an international gateway was the more than \$4 billion in trade with Japan attributable to the region, which also includes southwest Washington. In the absence of such a trump card, Anchorage must play on other strengths: lack of congestion, facilities, low pricing and a destination for tourism.

"There is a problem developing on the horizon," says Campbell. "Anchorage must go after carriers. It's going to have to be the cheapest if it's goal is to keep airlines here." Other former fuel stops have retained flight operations in

ple. British Columbia is promoted heavily as a skiing location and attracts many Asian visitors for winter as well as summer travel.

ALTHOUGH ALASKA has the opportunity to sell JAL passengers on tourism in the state when they stop in the international terminal, "the only available display is the duty-free shop" and "bears." Kitamoto suggests one stuffed bear might be enough, but displays currently reinforce misconceptions about a hostile, remote and ice-covered Alaska. Even the stopover tourist booth, which hands out pamphlets, is remembered for its picture of igloos and Eskimos.

"I don't know how the State of Alaska thinks," says Kitamoto. "I would like to say to the state to show more of



In 1985, the Duty Free Shoppers concession contributed \$14.25 million in revenue to Anchorage International Airport.

1986 David Proeger

various ways. Gander, Newfoundland, has been successful at establishing itself as a service base for charter flights, while Shannon, Ireland, and Bermuda have become destination stops.

Anchorage International Airport currently is not taken seriously as a destination for international travelers. Says Robert Gibbons, spokesman for Northwest, "Alaska is viewed as a domestic tourist market." Although Anchorage once was included in the carrier's international service, "the thrust of operations in Anchorage has shifted to international freighter service and domestic passenger traffic. The international passenger side fell apart with the advent of 747 service," according to Gibbons.

"Nobody knows about Alaska," says JAL's Kitamoto. "Alaska means icy." Canada is much more sophisticated in its marketing, he explains. For exam-

Alaska—trains, hotels, facilities at Denali. Give the costs and camping information. Let people know how accessible the glaciers are. Other airports all have pictures; only Anchorage has so few in its gate areas."

Although Kitamoto expects JAL's freight to increase, he feels the passenger traffic is on uncertain footing: "I don't know what will happen in five years." Once passenger traffic is lost to Anchorage International Airport in nonstop routing, he gives it "no chance to recover."

According to Don Dickey, director of the Alaska Division of Tourism, more than \$150,000 has been spent on international tourist promotion in Anchorage International over the last two years. Additionally, the division will be a major funder for the task force to the tune of about \$100,000.

Research firms are sampling to obtain a clearer description of passen-

gers passing through Anchorage International and to better understand attitudes of the Japanese and Germans. A continuing problem Dickey notes is carrier preference for selling through tickets rather than ticketing for a lay-over in Alaska. Hence the Division of Tourism also is meeting with carriers and tour companies to solve those problems and examine incentives.

Reyn Bowman, president and chief executive officer of the ACVB, says the state has been slow to embrace the opportunities of international tourism, but adds, "Now we're making real progress. The Division of Tourism is spending 7-8 percent of its budget on overseas tourists."

According to Rolf Klug, vice president of marketing and sales for ACVB, a 1983 study by Alaska Pacific University showed 84 percent of international transit passengers indicated an interest in visiting Alaska. A further gauge of tourist potential was findings that 62 percent liked winter-oriented travel and 50 percent could have stayed over on that trip.

Says Bowman, "The carriers will keep planes flying in here as long as people want to come. If we don't develop a consumer interest in Alaska as a destination, we stand to lose traffic and see the cost of domestic service increase. If we do develop consumer interest, we've

got a win-win situation. But we've got a race with time before carriers receive new aircraft and shift to nonstop flights."

William R. Snell, deputy commissioner of DOT, says, "We've had some flattening off in international passenger service, but it is not a significant decline." Adds Larry Michou, assistant director of administration for Anchorage International, "Our rate base remains solid because as passenger traffic has dropped, cargo, which is heavier and uses more fuel, has increased."

Michou says if the duty-free concession is lost somewhere down the line due to losses of international passenger traffic, the revenue "could be rolled into other fees."

Gina Marie Lindsey, manager of statewide aviation with DOT, points out Anchorage can be cheaper than some of its competitors because of duty-free revenue. Therefore, the loss of Duty Free, which employs about 270 in its Anchorage operations, could mean an increase in airport user rates, both domestic and international.

Snell reports the airport management has initiated four programs aimed at strengthening Anchorage's position in international airport competition. To benefit carriers serving Anchorage and the airport, the airport has promoted

the development of a fuel consortium in which member airlines own and control distribution of fuel services. He credits the effort with helping attract new business and stabilizing pricing.

Second, for the first time in Anchorage's history, five-year operating agreements have been signed with the major carriers serving Anchorage and Fairbanks. "Now we know our revenues and commitments for five years, and the airlines get predictability too," he says.

Third, DOT is cooperating in a marketing strategy promoting the airport and increased tourist stopovers. He notes, however, "The airport will market itself if we have competitive facilities for cargo and passengers."

FINALLY, DOT is seeking means to advance Anchorage's use as a hub. It is considering ways to raise capital for facilities. Snell notes any development is expected to involve the private sector. The Alaska Industrial Development Authority and DOT may provide the land, with someone else operating the facilities. Establishment of a foreign trade zone is being considered as well.

Anchorage International Airport would have something to celebrate regarding increased cargo tonnage if a corporation consisting of United Parcel Service and DHL Airways—International Parcel Express (IPX)—is awarded the small package service to Japan. The consortium, which has said it will allow other companies to purchase stock in the venture if it's selected, is one of three applicants.

The final selection will be made by the U.S. Department of Transportation following the recommendation of administrative law judges appointed to weigh the merits of each contender. IPX has stated it would use Anchorage, Cincinnati and Louisville with Tokyo. The two other proposals have been filed by Federal Express, which would use Portland and Memphis with Tokyo, and Orion Air, which has specified Seattle with Tokyo for its service.

IPX traffic through Anchorage would be a welcome addition and perhaps start the airport down the road to becoming a cargo hub. One factor weighing against that happening—or at least one that might limit the size of any hub operation—is the relatively small regional population base. In the past, Anchorage has reaped the benefits of being between major trade and tourist centers of the world. But that position already has been eroded and will not draw international traffic a decade from now unless carriers determine Anchorage International Airport has more than geography to offer.

"We could be facing a grave problem in loss of revenue and jobs. It's later than it should be," says Dixon. □

The smart way to Tokyo.



TOKYO

ANCHORAGE

Fly SAS First Business Class for the normal economy fare. More legroom. More comfort. Great meals. Free drinks. And exclusive Scanorama lounges at all major airports.

Who can fly you nonstop to Tokyo

every Wednesday, Friday or Sunday? See, you're getting smarter already.

SAS
The Business Airline

United Mileage Plus credit all across the Pacific.

Please call your travel agent or SAS at (800) 343-4386 for more information and reservations.



Editorials

Unlocking the gates

FOR SEVERAL years Alaskans have been asking for a waiver of visa requirements for international travelers passing through Anchorage International Airport. The waiver, sponsored by Rep. Don Young, became law last week when Congress enacted a new immigration law.

That means it is time for Alaskans to pursue the programs they envisioned as possible if visas were eliminated. The federal government is, more or less, telling us through the waiver action, "Here's what you asked for, now let's see what you can do with it."

More than one million passengers spend an hour or more at the airport while they are traveling between Europe and the Orient. They have been confined to the airport and the airlines faced heavy fines when one failed to re-board the plane he arrived in.

Alaskans have seen these travelers as potential visitors to Anchorage and possible visitors to other areas of the state before going on to their destinations. The visa requirement discouraged efforts to promote stopovers.

A FIRST STEP would be to pursue a concerted program to win support from the airlines. At present they do not want stopovers in Anchorage and it is easy to understand why. When a passenger disembarks here, his seat is usually empty on the

second half of a long journey between continents.

From an economic standpoint, the airlines must have the prospect of boarding as many passengers in Anchorage as disembark. The designation of Anchorage as the Olympic City for 1994, when it comes, will serve as a mighty catalyst to this end.

It is critically important that this program be successful. Anchorage must become a destination city instead of only a transit point on the global airways. Its value as a transit point is diminishing as new planes and technology permit overflying.

Both Northwest and Japan Airlines no longer stop here. United Airlines has initiated service over the North Pacific with no stop in Anchorage. There is talk of flying non-stop between Japan and Europe.

SUCCESS in this venture is essential. If one out of four international travelers stopped to visit Anchorage, there would be at least 1,000 a day in town and if they stayed three days there would be 3,000. To accommodate them there would be more hotels, more tour buses, more restaurants, more service establishments of every sort.

Such growth would be the forerunner of additional growth to accommodate the Olympic games in 1994 and the new era of international status and fame.



Editorials

The new tourist season

THERE WERE a lot of happy numbers in a new report from the state's Division of Tourism, which took a statistical look at people who travel to Alaska during the off-season months of fall, winter and spring.

A surprising number — 42 percent — are pleasure visitors. And 24 percent of those come to visit friends and relatives. Business-related trips are the reason for 52 percent of the off-season travel, the state's survey showed — and that's surprising only in that some might have guessed that and even larger percentage of winter-type travel would be of a business nature.

AMONG THE other pleasant findings of the report was the discovery that off-season visitors sightsee and do other touristy things just

as much, if not more, than do those who come our way in the summer — and they average 10 years younger in age.

They also tend to come here more than once, and stay longer while they're here.

All of which speaks well for the state's effort to expose more and more visitors to the wonders and beauties of Alaska that can't be seen during June, July and August.

And it's something all of us might keep in mind, when the time comes to invite relatives and friends to visit the 49th State. As a matter of fact, you might want to remember to include an invitation in some of the Christmas cards you'll shortly be addressing to family and friends in far away places Outside.

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.

A 1985 study indicated that Anchorage International Airport contributed \$1.5 billion to the Anchorage economy. Indica-



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 AWWR 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.

**Municipality
of
Anchorage**



OFFICE OF THE MAYOR

P.O. BOX 196650
ANCHORAGE, ALASKA 99519-6650
(907) 264-1431

TONY KNOWLES
MAYOR

October 9, 1986

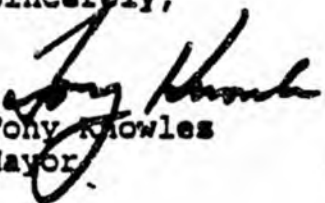
Governor Bill Sheffield
P.O. Box A
Juneau, AK 99811


Dear Governor:

You are aware that Anchorage International Airport is the linchpin of Anchorage's economy. As such, when potential declines in its revenues come to light, we become concerned. This concern is manifest in the attached resolutions from the Assembly and Chamber of Commerce.

Anchorage is concerned about keeping our airport economically healthy and growing. To accomplish this, we need a hard-hitting marketing and public relations program. We would appreciate your assistance in this endeavor.

Sincerely,


Tony Knowles
Mayor


Dave Walsh
Chairman of the Assembly

2 Enclosures

cc: Commissioner DOT/FF

A:EJG018.TXT

8-12-86
D. to:

Submitted by: Economic Dev. Subcommittee,
Brockway, Chairman
Prepared by: Assembly Budget Analyst
For Reading: August 12, 1986

ANCHORAGE, ALASKA
AR NO. 86-178

A RESOLUTION SUPPORTING THE DEVELOPMENT OF A MARKETING PROGRAM FOR
ANCHORAGE INTERNATIONAL AIRPORT

WHEREAS, the Municipality is in the process of applying for Foreign Trade Zone status, and

WHEREAS, an important aspect of the success of Anchorage's Foreign Trade Zone is Anchorage International Airport, and

WHEREAS, Anchorage International Airport and the marketing thereof has been a recent topic of discussion for several community groups and in the local news media, and

WHEREAS, stopover air traffic economic opportunities at Anchorage International Airport have not been fully realized, and

WHEREAS, a viable and economically productive international airport is in the best interest of the Anchorage economy, and

WHEREAS, there are sufficient monies in the Airport Fund.

NOW, THEREFORE, the Anchorage Municipal Assembly hereby resolves:

Section 1. That acceleration and expansion of the current airport marketing program is warranted and appropriate.

Section 2. That the creation of a strategic planning program for Anchorage International Airport is of utmost importance to Alaska's economic health.

Section 3. That this Assembly welcomes participation in such an effort.

PASSED AND APPROVED by the Anchorage Assembly this 12th
day of AUGUST, 1986.


Chairman

ATTEST:


Municipal Clerk

ejg/reso 002



Anchorage-Star of the North
Chamber of Commerce

RESOLUTION 86-07

ANCHORAGE INTERNATIONAL AIRPORT

- WHEREAS, the Anchorage Chamber of Commerce has, throughout the history of the Airport, been the leading business organization in support thereof; and
- WHEREAS, Anchorage is the transportation and marketing center for the State of Alaska; and
- WHEREAS, the Chamber recognizes the International Airport has a primary role in the economic growth of Anchorage and Alaska; and
- WHEREAS, existing State policies appear to accept a "status quo" insuring only the mutual support and a common maintenance level at major airports in the state; and
- WHEREAS, there appears to be neither a near-term nor long-term plan to insure the growth for current and future commercial users, or enhancements for the public and other users at the International Airport,

THEREFORE BE IT RESOLVED that the Anchorage Chamber of Commerce calls upon the Municipal Assembly to move forthwith and:

- strongly urge the State to develop and implement a viable marketing plan with state, national and worldwide impacts, specifically for the Anchorage International Airport;
- take the steps necessary that will result in a formal role for the city in the policy development and the future of the Airport.

APPROVED BY THE Anchorage Chamber of Commerce Board of Directors this 22nd day of August, 1986.

Elaine Atwood
Elaine Atwood
President

Wayne K. Beckwith
Wayne K. Beckwith
Executive Vice President

President: Elaine Atwood Executive Committee: Larry Baker,
Ken Calhoon, George Easley, Lee Fisher, Joe Heintz, Harold Heinz, Glenda Rhodes
Board: Rod Bradley, Col. Richard Brown, Mike Burns, Dave Dittman, Sen. Jan Faiks, Al Fleetwood, Alice Hartig,
Jack Hayes, Duane Heyman, Col. Scott Tippin, Kay Linton, Bill MacKay, Earl Miller, George N. Nelson, John Norman,
Al Parrish, Bob Penney, Chief Brian Porter.

415 F Street, Anchorage, Alaska 99501-2254 (907) 272-2401

APPROVED
Date: 4-8-86

Submitted by: Economic Development
Committee/Dana Brockway,
Chairman
Prepared by: Assembly Budget Analyst
For Reading: April 8, 1986

ANCHORAGE, ALASKA
AR NO. 86- 51

A RESOLUTION REQUESTING IMMEDIATE ACTION TO OBTAIN FOREIGN TRADE ZONE STATUS FOR CERTAIN AREAS OF THE MUNICIPALITY OF ANCHORAGE.

WHEREAS, the future of Anchorage's economy depends on appropriate and timely actions to further growth and opportunities; and

WHEREAS, the Economic Development Committee has studied the foreign trade zone concept and has heard the testimony of experts as well as from the Chamber of Commerce and Economic Development Commission; and

WHEREAS, the Economic Development Committee has found no significant negative aspects of foreign trade zone status; and

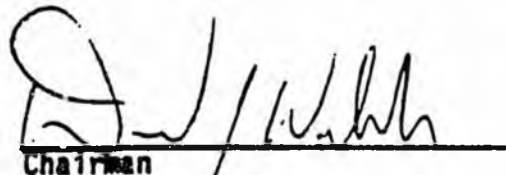
WHEREAS, the Port of Anchorage would be influenced by this change in status and thus is an interested agency.

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

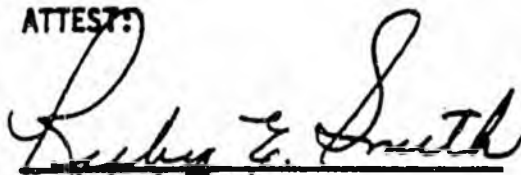
SECTION 1. The Municipality should immediately proceed to assess Anchorage's foreign trade zone potential, and define potential land areas for consideration.

SECTION 2. The Port of Anchorage should function as the action agency for this effort, and shall make application for foreign trade zone status, providing periodic progress reports to the Assembly.

PASSED AND APPROVED by the Anchorage Municipal Assembly this 8th
day of April, 1986.


Chairman

ATTEST:


Municipal Clerk

FINAL REPORT

EXCERPTS FROM
THE ECONOMIC IMPACT
OF
THE ANCHORAGE INTERNATIONAL AIRPORT

SUBMITTED TO:

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

SUBMITTED BY:

APPLIED ECONOMICS ASSOCIATES, INC.

WITH
R.E. HANSEN RESEARCH ASSOCIATES
AND
DR. WILLIAM B. BEYERS

OCTOBER, 1985

CHAPTER III

THE DEVELOPMENT AND GROWTH OF THE ANCHORAGE INTERNATIONAL AIRPORT

The Anchorage International Airport had its genesis when, late in 1951, operations began on an 8,400 foot east-west and a 5,000 foot north-south runway. The Airport was constructed under the auspices of and operated by the U.S. Civil Aeronautics Authority.

In 1959 Alaska became the 49th state of the Union and, in the following year, ownership and administration of the Airport was transferred to the State of Alaska. During the first year of State administration, construction began to extend the east-west runway to 16,600 feet, necessitated by the advent of jets which were displacing propeller driven-aircraft. Additionally, construction of new parking aprons and ramps began.

The airport expansion and modernization program was interrupted by the 1964 Good Friday earthquake which severely damaged the runways and destroyed the control tower and part of the terminal building. Necessary repairs to make the Airport operational were made quickly, but it took until 1967 before reconstruction of the east-west runway was resumed. It was completed in 1970, in time to handle the ever increasing international traffic as well as the expanding domestic operations, the latter due in large measure due to increased oil related activities.



In order to make the Airport a facility which would be accessible under all but the most adverse weather conditions, construction of a new north-south runway began in 1978 and was completed in 1980. Throughout that period, modification and improvements continued to be made to the general facilities and the existing terminal building, and a new dedicated international terminal was completed in 1982.

During the 25 years as a State owned and operated airport, the Anchorage International Airport grew from a small regional facility into an important national and international one which, in 1984, served 40 scheduled and non-scheduled airlines. Domestic and international passenger traffic rose from 274,000 in 1960 to over 4,000,000 persons in 1984, making the Airport one of the largest medium size air traffic hubs in the U.S. In 1983, for example, the Federal Aviation Administration (FAA) reported 1.04 million revenue passenger enplanements in Anchorage, compared to 1.04, 1.04 and 1.2 million at the El Paso, Texas, Jacksonville, Florida, and Syracuse, New York airports, respectively [3]. These airports serve metropolitan areas with population bases which (in 1980) ranged from 480,000 to 722,000 persons [4]. Measured on the basis of the number of trips-per-resident population, for example, the Anchorage Airport ranks second (after Reno, Nevada) among all of the 36 medium size hubs in the US with an enplanement ratio of 6.0, compared with 2.2, 1.4, and 1.6, respectively, for the other three cities named above.

Even more striking, and underlining the pivotal role of the Airport in the state's economy, is the volume of freight traffic that passes through it. According to the same FAA source [3], the Airport handled 224,000 tons of enplaned revenue freight in 1983 (20 percent of which were U.S. mail shipments), fully one-half of the total tonnage of

all of the 36 medium size hubs in the U.S. combined, and only slightly less than the tonnage passing through the Los Angeles International and Kennedy International Airports (267,000 and 253,100 tons, respectively) - large hubs serving metropolitan areas with nearly 50 times the population of Anchorage. (In the same year, 72,200 tons of freight were enplaned at the Seattle-Tacoma International Airport.)

The large fraction of U.S. Mail is noteworthy, since subsidized shipments of parcel post are 60 to 80 percent less expensive than airfreight cargo of identical weight. As a result, outlying communities are able to purchase goods at considerably lower than "market" prices, a benefit we have not measured. (Market prices include necessary payments to all factors of production, including a normal return to capital.)

In the sections that follow, we will briefly discuss and document the extraordinary growth of both the domestic and international passenger and freight traffic at and through the Anchorage International Airport between 1960 and 1984.

Passenger Traffic, 1960-1984

Over the 24 year period between 1960 and 1984, total passenger traffic (arriving, departing and in transit) rose from less than 0.3 to over 4.0 million persons, at an average annual rate of 11.9 percent (Table III.1). In only three years, 1965, 1971 and 1972 did passenger traffic fail to increase (Table III.2). (The decrease in 1965 is explained by the 1964 earthquake; the decreases in the other two years are most likely due to the then uncertain future of the Trans-Alaska Pipeline.) The largest growth rate was registered by the "in transit" category, 15.3 percent. Whereas, in 1960, that class of traffic

accounted for only 16.3 percent of total traffic, by 1984 it represented 36.4 percent (Table III.3). However, as Table III.4 shows, growth rates for the several passenger groups varied substantially over time. Thus, for example, "in transit" traffic rose at an annual rate of 33.6 percent during the 1960-1970 period, 4.6 percent between 1970 and 1980, and only 2.0 percent between 1980 and 1984 (Table III.4).

Detailed data on international traffic were available for the fiscal years 1976-1984 and, together with domestic data, are shown in Tables III.5-III.7. Over the 8 year period, total traffic increased at an annual rate of 6.2 percent. However, during the last two years, international traffic declined by more than 155,000 persons, or over 5 percent per year. Over the 8 year period, the number of arriving and departing international passengers decreased by about 50 percent. Domestic traffic, on the other hand, continued to increase throughout that period.

It is unclear whether the recent decrease in international traffic portends a developing trend, or whether it is a cyclical phenomenon.

~~...~~
~~and has) have exercised transit routes through Alaska, Air Force, and~~
~~may have affected the flow of international travel at the Airport.~~
~~Other carriers may also be contemplating route changes via the USSR which~~
~~also may impact international passenger traffic to and through~~
~~Anchorage.~~

TABLE III.1

ANCHORAGE INTERNATIONAL AIRPORT
PASSENGER TRAFFIC, FY 1960 - 1984
(NUMBER OF PERSONS)

YEAR	ARRIVING	DEPARTING	TOTAL ARR & DEP	IN TRANSIT	TOTAL
(1)	(2)	(3)	(4)	(5)	(6)
1960	114,557	114,655	229,212	44,564	273,776
1961	119,468	125,955	245,423	71,536	316,959
1962	131,361	137,758	269,119	127,826	396,945
1963	140,049	143,930	283,979	125,501	409,480
1964	164,441	170,448	334,889	205,060	539,949
1965	189,451	195,335	384,786	152,003	536,789
1966	213,380	219,047	432,427	216,646	649,075
1967	268,557	269,459	538,016	414,809	952,825
1968	331,726	357,519	689,242	418,732	1,107,974
1969	391,050	424,314	815,364	648,821	1,464,185
1970	426,248	433,163	859,411	807,722	1,667,133
1971	413,735	420,249	833,984	778,211	1,612,195
1972	451,455	461,777	913,232	654,681	1,567,913
1973	478,895	488,624	967,519	633,111	1,600,530
1974	540,714	551,767	1,092,481	796,045	1,888,526
1975	694,475	706,739	1,401,214	815,116	2,216,330
1976	857,162	870,024	1,727,186	884,762	2,611,948
1977	945,048	962,392	1,907,440	936,032	2,843,472
1978	955,628	979,636	1,935,264	981,315	2,916,579
1979	995,864	1,018,651	2,014,515	1,166,400	3,180,915
1980	990,547	1,007,566	1,998,113	1,267,474	3,265,587
1981	1,059,854	1,073,108	2,132,962	1,456,894	3,589,856
1982	1,165,338	1,177,757	2,343,095	1,503,206	3,846,301
1983	1,283,720	1,295,433	2,579,153	1,425,082	4,004,235
1984	1,328,793	1,335,646	2,664,439	1,372,679	4,037,118
AARG	10.8%	10.8%	10.8%	15.3%	11.9%

SOURCE: Selected Anchorage International Airport documents.
Calculations by Applied Economics Associates, Inc.

NOTE: AARG - Average Annual Rate of Growth

Freight Traffic, 1960-1984

Reference has already been made to the large volume of freight that moves through the Airport. Table III.8 recapitulates freight movements between 1960 and 1984 and Tables III.9 and III.10 show data for annual percentage changes and the fractions of total freight arriving at and departing from the airport. A major discrepancy is noted between the volume of "departing" freight reported by the Airport in 1983 (92,466 tons) and "enplaned revenue freight" reported by the Federal Aviation Administration for the same year. The FAA data include all freight, originating or transshipped from one aircraft to another. The Airport statistics do not include freight which is transshipped. For purposes of comparing the Anchorage Airport with other US airports, the FAA data [3] were used.

The data show that between 1960 and 1984, total freight movements increased ten-fold, at an average annual rate of 6.1 percent. Growth rates on a year-to-year basis, however, were very uneven. Not surprisingly, and pointing to the Airport's strategic role in the development of the state's economy, are the enormous growth rates (in excess of 23 percent) of freight traffic registered during the pipeline construction period 1973-1977 (Table III.11).

That Anchorage is the Alaskan entrepot and that the Airport is its essential transportation pipeline is manifested by the fact that throughout the 1960-1984 period, "departing" far exceeded "arriving" air freight tonnage. One explanation for these asymmetrical flows is that goods are shipped to the Anchorage maritime port, or arrive over the road, and are then redistributed by air to the rest of the state which has no other transportation links to the "outside"; another is that

large quantities of relatively high value, perishable fish are flown to foreign and domestic markets during peak harvest periods. Rapid access to markets significantly increases the value of these products. At the Seattle-Tacoma International Airport, in comparison, arriving and departing cargo for each of the years during the same period were nearly always in balance. Clearly, many outlying communities could not survive and an array of economic activities would not take place or would be severely curtailed without the cargo services provided through the Airport.

As in the case of passenger traffic, detailed data for international and domestic cargo movements for the fiscal years 1976-1984 are displayed in Tables III.12-III.14. Over the 8 year period, total domestic freight traffic grew at a modest 1.7 percent. Arriving air freight increased at an annual rate of 1.1 percent. Departing traffic, on the other hand, rose nearly twice as fast, at 2.0 percent. In 1984, it accounted for approximately 64 percent of total freight movements.

In contrast, the international components registered extraordinary growth rates. Whereas, in 1976, international air cargo traffic accounted for only 5.8 percent of the total, by 1984 it represented 12.6 percent. That the Airport has become a major point of entry for foreign air cargo is indicated by the fact that in 1984 over 25 percent of total arriving cargo was carried by international airlines, compared to only 12 percent in 1976.

TABLE III.5

ANCHORAGE INTERNATIONAL AIRPORT
INTERNATIONAL AND DOMESTIC
PASSENGER TRAFFIC, FY 1976 - 1984
(NUMBER OF PERSONS)

YEAR	ARRIVING	DEPARTING	TOTAL ARR & DEP	IN TRANSIT	TOTAL
(1)	(2)	(3)	(4)	(5)	(6)
INTERNATIONAL					
1976	49,975	50,089	100,064	723,068	823,132
1977	54,629	56,906	111,535	816,609	928,144
1978	47,085	49,613	96,698	882,578	979,276
1979	27,736	26,550	54,286	1,076,925	1,131,211
1980	25,414	26,038	51,452	1,166,971	1,218,423
1981	28,447	27,534	55,981	1,349,113	1,405,094
1982	30,906	29,548	60,454	1,428,628	1,489,082
1983	27,118	27,411	54,529	1,339,294	1,393,823
1984	24,807	24,045	48,852	1,285,017	1,333,869
AARG	- 8.4%	- 8.8%	- 8.6%	7.4%	6.2%
DOMESTIC					
1976	807,187	819,935	1,627,122	161,694	1,788,816
1977	890,419	905,486	1,795,905	119,423	1,915,328
1978	908,543	930,023	1,838,566	98,737	1,937,303
1979	968,128	992,101	1,960,229	89,475	2,049,704
1980	965,133	981,528	1,946,661	100,503	2,047,164
1981	1,031,407	1,045,574	2,076,981	107,781	2,184,762
1982	1,134,432	1,148,209	2,282,641	74,578	2,357,219
1983	1,256,602	1,268,022	2,524,624	85,788	2,610,412
1984	1,303,986	1,311,601	2,615,587	87,662	2,703,249
AARG	6.2%	6.0%	6.1%	- 7.4%	5.3%

SOURCE: Selected Anchorage International Airport documents.
Calculations by Applied Economics Associates, Inc.

NOTE: AARG - Average Annual Rate of Growth



TABLE III.8

ANCHORAGE INTERNATIONAL AIRPORT
AIR FREIGHT TRAFFIC, FY 1960 - 1984
(POUNDS)

YEAR	ARRIVING	DEPARTING	TOTAL ARR & DEP
(1)	(2)	(3)	(4)
1960	12,298,166	20,549,579	32,847,745
1961	13,380,632	24,132,253	37,512,885
1962	14,777,941	24,760,609	39,538,550
1963	21,509,140	39,639,748	61,148,888
1964	19,360,527	32,631,053	51,991,580
1965	20,627,935	32,097,259	52,725,195
1966	20,762,213	37,394,229	58,156,442
1967	22,400,979	49,776,762	72,177,741
1968	25,980,908	75,573,582	101,554,490
1969	30,526,580	50,137,204	80,663,784
1970	32,241,373	60,865,051	93,106,424
1971	36,618,783	60,493,202	97,111,985
1972	44,026,537	65,937,427	109,963,964
1973	39,638,120	70,230,262	109,868,382
1974	60,748,311	83,145,442	143,893,753
1975	90,331,365	111,874,498	202,205,863
1976	106,702,662	155,280,054	261,982,716
1977	94,276,462	162,304,099	256,580,561
1978	99,169,214	162,682,389	261,851,603
1979	103,798,338	156,074,827	259,873,165
1980	96,422,556	157,568,303	253,990,859
1981	119,343,401	186,479,723	305,823,124
1982	118,350,235	181,498,461	299,848,696
1983	130,138,571	191,784,538	321,923,109
1984	137,478,750	184,931,092	322,409,842
AARG	10.6%	9.6%	6.1%

SOURCE: Selected Anchorage International Airport documents.
Calculations by Applied Economics Associates, Inc.

NOTE: AARG - Average Annual Rate of Growth



As shown in the first line of Table IV.2, expenditures on fuel constitute nearly 70 percent of the respondents' total expenditures. The Airport's financial statement for fiscal year 1984 shows that fuel and oil fees collected by the Airport amounted to \$8.3 million, or 31.4 percent of total operating revenues, the second largest income source for the Airport after concession fees of \$9.4 million (or 35.4 percent of operating revenues).

The second largest expenditure of the airlines is for wages and salaries. These disbursements are income to employees who reside in the Greater Anchorage Area, and, as such, will be respent on goods and services in the local economy. For example, an Alaska Airlines ticket agent who resides in Anchorage will spend his/her income on housing, food, clothing, entertainment and other consumption items produced and/or distributed in the local economy. These purchases constitute revenue to local businesses who, out of these receipts, pay their employees, purchase goods and services from other local businesses, and so on. This process is referred to as the "multiplier effect" and when measured quantitatively (see Chapters V and VI) will describe an ultimate level of output, earnings, or employment that is generated throughout a regional economy as a result of an initial, direct economic stimulus - the purchase of a good or service, for example. Employee benefits, representing other labor income, similarly generate multiplier effects. Together, expenditures on wages and salaries and employee benefits accounted for 14.9 percent of the total expenditures indicated by the respondents.

Expenditures for goods and services, including contract maintenance, and food, lodging, and transportation for flight crews, as well as most of the other/miscellaneous expenditures represent purchases

by the airlines from local businesses. These operational purchases, representing 15.0 percent of total air carrier expenditures in Anchorage, also generate multiple output, earnings and employment effects throughout the local economy.

The remaining airline expenditures, terminal building rent, landing and parking fees, and state and local taxes, represent payments to government agencies. These expenditures, accounting for 1.5 percent of total expenditures, are ultimately returned to the private economy, although not necessarily in the region in which the revenues were generated, in the form of wage and salary payments to government employees and purchases from private firms.

Other important data were collected from the commercial air carriers. The respondents indicated that they employed 1,183 Anchorage residents and paid for a total of 68,941 hotel rooms in Anchorage due to flight crew and unscheduled passenger layovers. The hypothetical question included on the questionnaire asked for the most likely alternative routes for passenger and freight traffic in the event that the Airport closed for one year: Five respondents indicated that both passenger and freight traffic would be re-routed through Fairbanks, four indicated that passenger traffic would be re-routed through the USSR, while two indicated that freight traffic would be carried over the Soviet route as well. Vancouver, B.C. was also indicated as a terminus or refueling point. Two carriers indicated that passenger traffic would not be re-routed at all.

Airport Related Services

Airport related services consist mainly of concessionaires doing

business at the Airport itself. Also included in this category are firms providing ground transportation to and from the Airport, such as car rental agencies, and travel agents. In short, this industry classification includes those local firms who provide goods and services to passengers arriving at and departing from the Airport. In contrast to commercial air carriers, not all of the businesses rely entirely on the Airport. In order to gauge the dependence of such firms on the Airport, a hypothetical question asking how current operations would be affected if the Airport did not exist was included on the questionnaire. As a further check, respondents were also asked to provide data on the level of gross receipts from operations in Alaska and the level of gross receipts from operations conducted at the Airport. In addition, the questionnaire requested information on employment and expenditures in the Anchorage area.

Airport related services questionnaires were mailed to 46 firms. Fourteen were completed and returned to AEA, while five of the original 46 were returned as non-deliverable. Taking 41 (the original 46 minus the 5 returned) as the relevant base to compute the response rate, 34.1 percent of the firms surveyed responded, as indicated in Table IV.1. Table IV.3 summarizes the information provided by those respondents who indicated that they were at least partially dependent upon the existence of the Airport. The data from the surveys were adjusted to take into account those firms who indicated less than 100 percent dependence and therefore the figures in Table IV.3 reflect estimates of the respondents' levels of expenditures and employment directly tied to the Airport.

As shown in Table IV.3, expenditures on employee compensation (wages and salaries plus benefits) constitute the largest fraction of



TABLE VI.10

SUMMARY OF THE IMPACT
OF THE ANCHORAGE INTERNATIONAL AIRPORT
ON ANCHORAGE, 1983

IMPACT MEASURE	DIRECT IMPACT	INDIRECT & INDUCED IMPACT	TOTAL IMPACT
(1)	(2)	(3)	(4)
Output (dollars)	\$ 697,600,000	\$ 453,500,000	\$1,151,100,000
Earnings (dollars)	\$ 223,000,000	\$ 151,600,000	\$ 375,100,000
Employment (number of employees)	8,086	5,386	13,472

SOURCE: US Department of Commerce, Bureau of Economic Analysis, RIMS-II;
Applied Economics Associates, Inc. See Table VI.9 of this chapter.

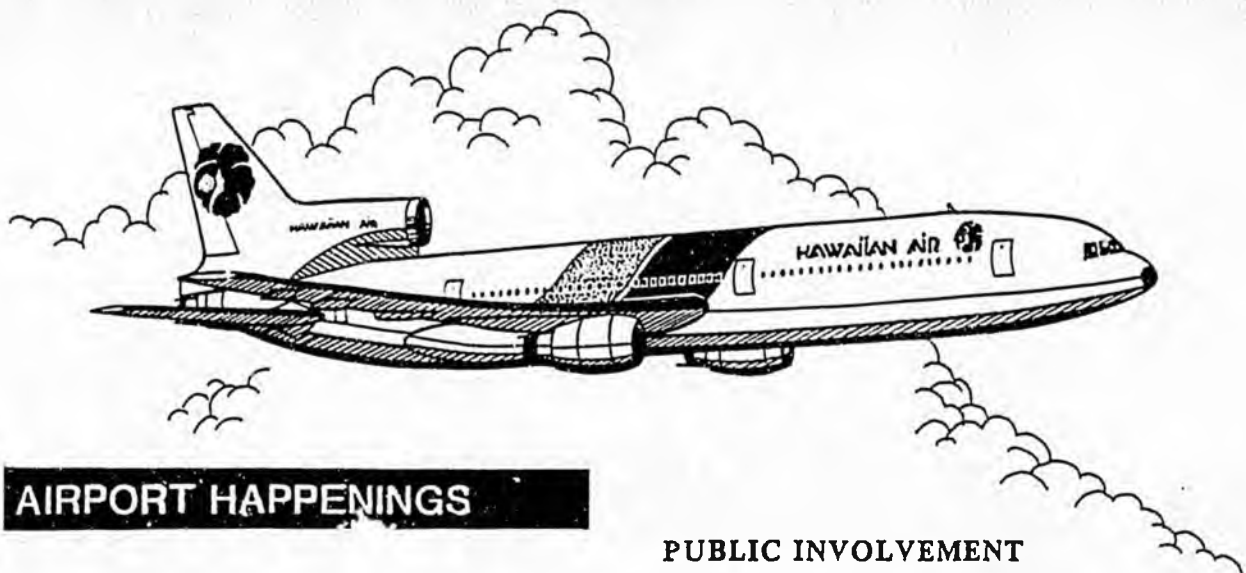


TABLE VII.1
SUMMARY OF AIRPORT-RELATED ECONOMIC IMPACTS ON THE ANCHORAGE ECONOMY
1983
(MILLIONS OF DOLLARS; NUMBER OF EMPLOYEES)

SECTOR	TOTAL OUTPUT	EARNINGS		EMPLOYMENT	
		DIRECT	TOTAL	DIRECT	TOTAL
(1)	(2)	(3)	(4)	(5)	(6)
Air Transportation	\$829.2	\$152.8	\$261.2	4,233	8,052
Visitor-Related	270.6	56.7	92.3	3,306	4,594
Freight Forwarding	26.5	6.3	10.5	220	371
Travel Arrangement	24.8	7.7	11.2	328	456
<u>Total</u>	\$1,151.1	\$223.5	\$375.1	8,086	13,472

SOURCE: Tables VI.5 - VI.9





AIRPORT HAPPENINGS

As announced in October, Hawaiian Airlines is starting non-stop service to Honolulu, Hawaii. The flight, using a Lockheed L-1011 Tri-Jet departs in the morning, arriving in the islands during mid-afternoon.

While it is not new service, Western Airlines has become the wholly owned subsidiary of Delta Airlines. Just this past year Western celebrated its 60th anniversary, making it America's oldest airline. Western has announced that it will continue to operate as Western Airlines until April 1, 1987. Thereafter it will become a part of Delta Airlines and operate under the Delta name and colors. There has been no announced change in service to Anchorage resulting from the acquisition.

As reported in the Anchorage Times on January 4, 1987, British Airways has announced a reduction in service through Anchorage, starting this spring. Most flights between London and Tokyo will be flown non-stop, via Siberia instead of making the traditional refueling stop in Anchorage. This option became available to the international air carrier community in 1985 when the Soviet Union agreed to allow limited access to international air carriers over Siberia in exchange for expanded landing rights at European and Asian cities. British Airways will retain limited weekly scheduled service through Anchorage and has not announced any plans to terminate service at the airport.



PUBLIC INVOLVEMENT

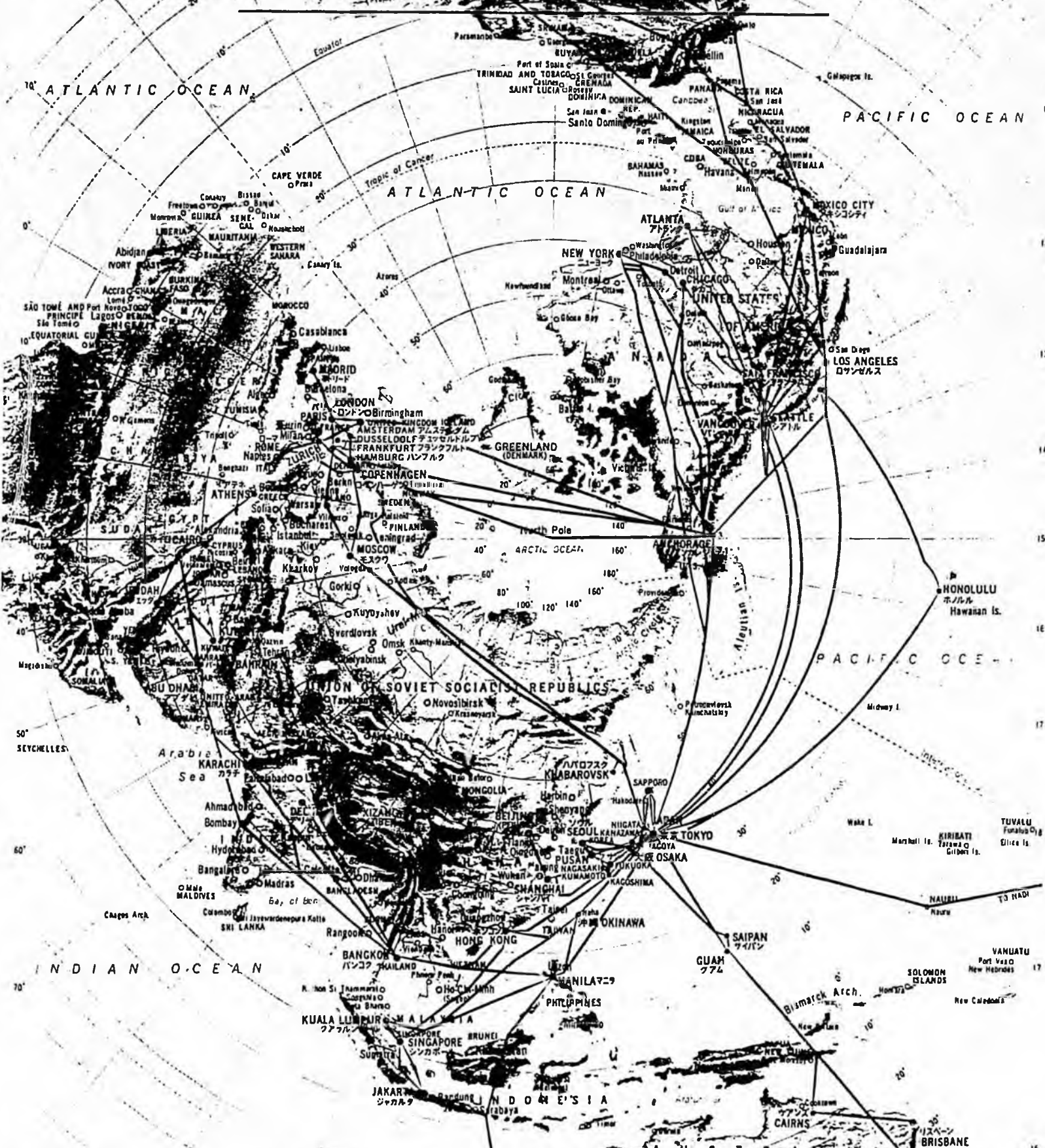
On January 8, 1987, Coffman Associates held a public meeting with members of the Turnagain Community Council to discuss the refined alternatives for the airport. The meeting was well attended and members of the council were extremely interested in the Lake Hood development plan. It was recognized that considerable effort had been conducted by the consultant team to include many suggestions presented during previous meetings which ensure neighborhood compatibility with the airport. Since development recommendations have not yet been finalized, members were advised that comments would be considered in the final program.

TRIVIA QUIZ

In January, Hawaiian Airlines initiated service between Anchorage and Honolulu, using a Lockheed L-1011 Tri-Jet. The airline has stated that plans are currently being developed to extend the service between Anchorage and Europe, establishing the only through service between Honolulu, Anchorage, and Europe. What is the only other American owned airline to have flown this route?

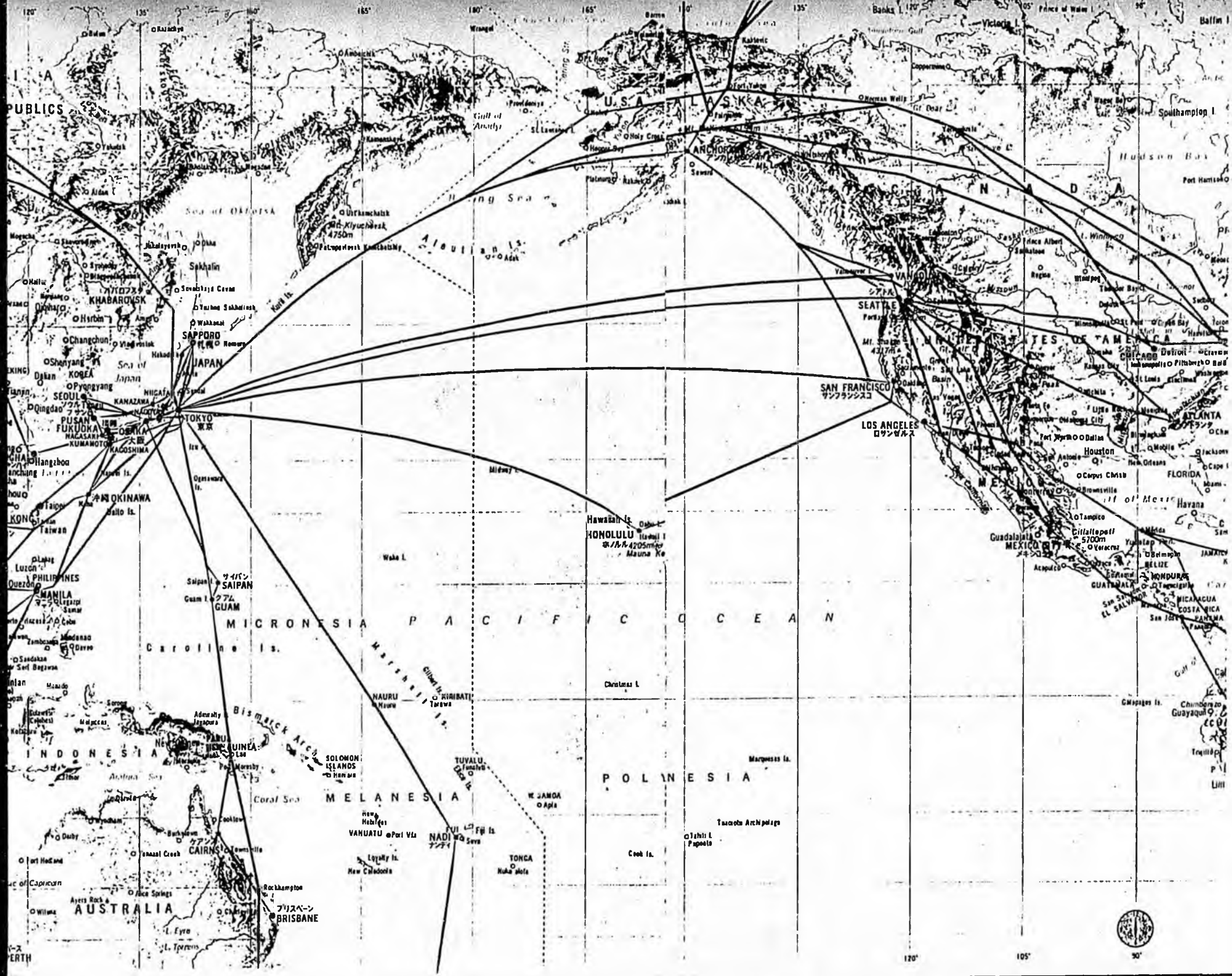
Answer: Western Airlines (soon to be identified as Delta Airlines through merger action in 1986), but service was discontinued in 1981.

RIO DE JANEIRO
 日本航空国際線航路
JAL Route Maps



1987年1月1日現在
 Effective January 1, 1987

© Teikoku Sha



PUBLICS

U.S.A.

ALASKA

CANADA

SEATTLE

SAN FRANCISCO

LOS ANGELES

STATES OF AMERICA

Sea of Okhotsk

Sea of Japan

KHABAROVSK

SAPPORO

TOKYO

SEIUL

PUSAN

FUKUOKA

OSAKA

KANAZAWA

YOKOHAMA

SAITAMA

GUAM

MICRONESIA

INDONESIA

NEW GUINEA

SOLOMON ISLANDS

MELANESIA

CAIRNS

BRISBANE

AUSTRALIA

W. JAMOA

TONGA

TAHOA

HONOLULU

MICRONESIA

PHILIPPINES

SAIPAN

GUAM

MICRONESIA

INDONESIA

NEW GUINEA

SOLOMON ISLANDS

MELANESIA

CAIRNS

BRISBANE

AUSTRALIA

W. JAMOA

TONGA

TAHOA

CHICAGO

DETROIT

PITTSBURGH

ATLANTA

HOUSTON

DALLAS

MEMPHIS

INDIANAPOLIS

CINCINNATI

CLEVELAND

ST. LOUIS

KANSAS CITY

MINNEAPOLIS

WASH. DC

PHILADELPHIA

NEW YORK

BOSTON

MIAMI

ATLANTA

HOUSTON

DALLAS

MEMPHIS

INDIANAPOLIS

120°

105°

90°





Representative Betty Cato:

For your information
per the discussion at
the Transportation Committee
on 2/20/87.

Representative Drue Pearce

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 way 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

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

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.

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

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

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.

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

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

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

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

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 furnishers 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.

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

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.

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

- 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.

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

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

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

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

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.

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

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

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

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

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.

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

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.

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.

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

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

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

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.

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

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

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

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

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

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:

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

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.

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

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

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

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

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

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.

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.

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

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

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

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

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

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

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

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.

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

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

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.

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

Insurance Coverages

Minimum Limits

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.

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

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.

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

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

- 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.

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.

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

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

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

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

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.

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

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.

- 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.

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

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.

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

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

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.

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.

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.

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

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.

- May's desk copy
Do not remove -

THE POTENTIAL FOR JAPANESE
TRAVEL TO ALASKA

NOVEMBER, 1986

NIKKEI RESEARCH INC.

TOKYO, JAPAN

CONTENTS

Page

I. Outline of the Survey

1. Objectives	1
2. Procedures of the Survey	1
3. Sampling Method	1
4. Period of the Survey	1
5. Organization of the Survey	2

II. Results of the Survey

1. Definitions of PROSPECTS, ACCEPTORS, and HIGH POTENTIALS	4
2. Characteristics of PROSPECTS, ACCEPTORS, and HIGH POTENTIALS	5
(1) Demographic Characteristics	5
1) Number of Family Members (%)	5
2) Children in a Family (%)	5
3) Marital Status (%)	6
4) Age (%)	6
5) Educational Background (%)	6
6) Head of Household's Occupation (%)	7
7) Family Which Has More Than One Worker	7
8) Family Income	7
(2) Characteristics of the Previous Traveling Experiences	8
1) Frequency of at Least 4 Days Vacation during the Past 5 Years	8

2) Frequency of at least 3,300 km Distance Overseas Vacation Trip during the past 5 Years	9
3) Destinations of Overseas Vacation during the Past 5 Years	10
4) The Furthest Destinations of Overseas Vacation Trips	12
5) The Total Expenditure for the Furthest Vacation Trips	14
(3) Interests in Vacation Activities	15
3. Images of Alaska	16
(1) The Associated Images of Alaska	16
(2) Images of Types of Japanese Travelers to Alaska	18
(3) The Vacation-Related Attributes of Alaska	19
4. Interest in Alaska	20
(1) The Intention to Travel to Alaska	20
(2) Reasons Why People Would Like to Travel to Alaska	21
(3) The Favorable Season for Visiting Alaska	24
5. The Evaluation of an Alaskan Vacation	25

III. Implications and Considerations

1. Benefits of an Alaskan Vacation and the Preferred Vacation Pastimes	28
---	----

2. The Market Characteristics of Prospective	
Japanese Overseas Travelers	30
(1) The Percentage Rates of the Japanese	
Overseas Travels by Purposes	30
(2) Distribution of Travelers by Age	31
(3) The Constitution of the Total Japanese	
Outbound Travel Market by Destinations	32
(4) The Seasonal Distribution of Japanese	
Overseas Travelers	33

I. Outline of the Survey

1. Objectives

To define Japanese high potential visitors to Alaska numerically, and investigate their characteristics.

2. Procedures of the Survey

A nationally representative 20,000 prospective participants were called and a total of 13,265 responded to a telephone-screening interview. Thereafter, 715 of the total were screened from the aforementioned 13,265 (1st phase). 715 questionnaires mailed, some 494 completions were received (2nd phase).

The followings are the screening questions.

- A. In the past 3 years, have you taken any vacation trips away from home lasting at least 4 days or more?
- B. In the past 5 years, have you taken any overseas trips to places that were 3,300 km or more away from your home, that is where the one-way trip was 3,300 km or more from home?
- C. Do you currently hold a valid passport?
- D. Who in your family decides where to go on vacation?

3. Sampling Method

After selecting 300 locations by proportionate probability procedures, we sampled 20,000 respondents from telephone owners rosters (Japanese yellow pages) in all sampling locations by systematic random sampling techniques.

4. Period of the Survey

(1) Telephone-interview (screening)

27th September, 1986 - 7th October, 1986

(2) Mail-survey

12th October, 1986 - 13th November, 1986

5. The Organization of the Survey

International department, marketing division,

NIKKEI RESEARCH INC. TOKYO, JAPAN

II. Results of the Survey

1. Definitions of PROSPECTS, ACCEPTORS, and HIGH POTENTIALS

(1) Definition of PROSPECTS

A "Prospect" is one who makes or shares in the family vacation decision, has taken vacation of at least 4 days during the 3 years, and taken a vacation of at least 3,300 km one way during the past 5 years.

(2) Definition of ACCEPTORS

An "Acceptor" is the individual who indicates an interest in an Alaskan vacation (3-5 on 1-5 point interest scale).

(3) Definition of HIGH POTENTIALS

A "High Potential" is an Acceptor with a stated interest in an Alaskan vacation, have taken 2 or more long-distance (3,300 km one way) vacations in the past 5 years, and spent at least ¥250,000 per person on the longest distance trip.

Table 1 Constitution of Travelers' Types in Japan

	<u>N</u>	<u>% of Total Population Contacted (N = 13,265)</u>	<u>N</u>	<u>% of PROSPECTS (N = 494)</u>
PROSPECTS (screened samples)	715	5.4%	494	100.0%
ACCEPTORS	-	*) 2.3	215	43.5
HIGH POTENTIALS	-	*) 1.0	95	19.2

*) These volumes were the estimated by the following method PROSPECTS' 5.4% in '% of total populaton contacted' x each volume in '% of PROSPECTS'.

2. Characteristics of PROSPECTS, ACCEPTORS, and HIGH POTENTIALS

(1) Demographic Characteristics

1) Number of Family Members (%)

Table 2

	1	2	3	Equal to 4 or more 5		N.A.
PROSPECTS	2.8	17.4	23.1	29.1	26.1	1.4
ACCEPTORS	2.3	15.3	21.4	30.2	29.8	0.9
HIGH POTENTIALS	4.2	16.8	24.2	24.2	28.4	2.1

2) Children in Family (%)

a. 12 years of age or less

Table 3

	YES	NO	N.A.
PROSPECTS	39.9	51.6	8.5
ACCEPTORS	38.1	53.0	8.8
HIGH POTENTIALS	36.8	53.7	9.5

b. 13 to 17 years of age (%)

Table 4

	YES	NO	N.A.
PROSPECTS	19.2	63.8	17.0
ACCEPTORS	25.1	60.9	14.0
HIGH POTENTIALS	20.0	61.1	18.9

3) Marital Status (%)

Table 5

	NOT MARRIED	MARRIED	N.A.
PROSPECTS	19.0	79.1	1.8
ACCEPTORS	17.7	80.9	1.4
HIGH POTENTIALS	11.6	85.3	3.2

4) Age (%)

Table 6

	18-24	25-34	35-44	45-54	55-64	65+	N.A.	MEAN
PROSPECTS	9.5	29.6	20.9	17.6	10.7	9.9	1.8	42.6
ACCEPTORS	7.4	21.4	26.0	24.7	11.2	7.9	1.4	44.0
HIGH POTENTIALS	3.2	20.0	28.4	21.1	12.6	12.6	2.1	46.4

5) Educational Background (%)

Table 7

	JUNIOR HIGH SCHOOL	HIGH SCHOOL	UNIVER- SITY	N.A.
PROSPECTS	5.9	32.8	58.9	2.4
ACCEPTORS	7.4	33.0	56.7	2.8
HIGH POTENTIALS	5.3	29.5	61.1	4.2

6) Head of Household's Occupation (%)

Table 8

	MANAGER/ ADMINIST.	CLERI- CAL	SALES	PROFES- SIONAL	SER- VICE	OTHERS	NO OCCU- PATION	N.A.
PROSPECTS	28.3	7.7	10.3	20.0	7.3	17.0	7.7	1.6
ACCEPTORS	35.3	4.7	10.2	18.6	8.4	17.7	3.3	1.9
HIGH POTENTIALS	38.9	5.3	8.4	16.8	9.5	13.7	3.2	4.2

7) Family Which Has more than one Worker (%)

Table 9

	NO	YES
PROSPECTS	54.0	46.0
ACCEPTORS	52.1	47.9
HIGH POTENTIALS	60.0	40.0

8) Family Income (%)

Table 10

	Yen x 10,000									N.A.
	-200	200- 300	300- 400	400- 500	500- 700	700- 1000	1000- 1500	1500 2000	2000+	
PROSPECTS	1.6	6.1	10.3	13.8	21.3	23.9	14.2	3.2	2.2	3.4
ACCEPTORS	2.3	3.7	8.8	12.1	21.4	26.0	15.3	4.7	2.8	2.8
HIGH POTENTIALS	0.0	4.2	9.5	14.7	14.7	26.3	16.8	6.3	4.2	3.2

(2) Characteristics of the Previous Traveling Experiences

1) The Frequency of at least 4 Days Vacation in 5 years

More than 70% of PROSPECTS have taken a vacation trip of at most 5 times or less. The percentage of ACCEPTORS was 64.7%, and that of HIGH POTENTIALS was 51.6%. The vacation frequency was PROSPECTS' 4.9 times, ACCEPTORS' 5.9 times, and HIGH POTENTIALS' 7.8 times. Thus, the half of PROSPECTS have taken at least 4 days vacation annually.

Table 11

	times in 5 years							MEAN
	1	2	3	4	5	1-5	6 or more	
PROSPECTS (N = 494)	16.8%	21.1%	11.9%	9.3%	14.4%	73.5%	26.5%	4.9 times/ 5 YRS
ACCEPTORS (N = 215)	12.6	16.7	11.6	11.2	12.6	64.7	35.3	5.9
HIGH POTENTIALS (N = 95)	0.0	14.7	9.5	11.6	15.8	51.6	48.4	7.8

2) Frequency of at Least 3,300 km Distance Overseas Vacation Trip during the Past 5 Years.

60.3% of PROSPECTS had taken such a vacation only once, while, the percent of ACCEPTORS was 54.4.

The actual frequency was PROSPECT' 1.9 times, ACCEPTORS' 2.0 times, and HIGH POTENTIALS' 3.1 times.

Table 12 .

	times in 5 years		Mean	
	1	2 or more		
PROSPECTS (N = 494)	60.3%	39.7%	1.9	times/5 years
ACCEPTORS (N = 215)	54.4	45.6	2.0	
HIGH POTENTIALS (N = 95)	0.0	100.0	3.1	

3) Destinations of Overseas Vacation during the Past 5 Years

Table 13 shows the ranking of the visited locations.

North America's (U.S.A. and Canada) accounted for 33.8% of PROSPECTS followed by Hawaii's 34%.

Table 14 shows the visited states in U.S.A., California is the Highest rank and New York ranked second.

Table 13

Unit: % (MA)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Hawaii	34.0%	34.0%	41.1%
Europe	28.3	32.6	36.8
Asia or India	28.3	31.6	41.1
U.S.A.	26.1	29.3	36.8
South Pacific, Philippines, Indonesia	22.5	20.0	31.6
Canada	7.7	6.5	11.6
Australasia	6.9	7.4	12.6
Middle East	3.0	3.7	6.3
Mexico	2.4	2.8	5.3
Africa	2.0	1.4	3.2
South or Central America	1.4	1.4	3.2
Caribbean	0.4	0.9	2.1

Table 14

Base = People who have taken vacation in U.S.A.

Unit: % (MA)

	PROSPECTS (N = 147)	ACCEPTORS (N = 74)	HIGH POTENTIALS (N = 38)
California	10.9%	9.5%	15.8%
New York	4.1	5.4	7.9
Illinois	1.4	1.4	2.6
Texas	1.4	0.0	0.0
Washington	1.4	0.0	0.0
<u>Alaska</u>	0.7	1.4	2.6
Arizona	0.7	0.0	0.0
Colorado	0.7	0.0	0.0
Florida	0.7	0.0	0.0
Georgia	0.7	0 0	0.0
Louisiana	0.7	1.4	2.6
Massachusetts	0.7	1.4	2.6
New Jersey	0.7	0.0	0.0
New Mexico	0.7	0.0	0.0
North Carolina	0.7	0.0	0.0
Pennsylvania	0.7	1.4	2.6
Wyoming	0.7	1.4	2.6

4) The Furthest Destinations of Overseas Vacation Trips

Table 15 indicates the ranking of the furthest destinations which the respondents had visited.

Europe is the first rank, Hawaii ranked second, and the third was U.S.A. More than 30% of PROSPECTS had been to Europe.

Table 15

Unit: % (SA)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Europe	30.8%	36.3%	41.1%
Hawaii	19.0	16.3	13.7
U.S.A.	15.8	19.1	18.9
South Pacific, Philippines, Indonesia	11.3	7.4	7.4
Asia or India	8.5	8.8	6.3
Australasia	3.2	2.8	3.2
Canada	3.0	2.3	3.2
Africa	2.2	2.3	3.2
South or Central America	0.8	0.9	2.1
Mexico	0.8	0.5	0.0
Middle East	0.6	0.5	1.1
Caribbean	0.0	0.0	0.0
Others	1.0	1.4	0.0
N.A.	2.8	1.4	0.0

Table 16 indicates the ranking of states for the PROSPECTS who stated U.S.A. as the furthest destination of previous vacation trips.

Table 16

Unit: %

	PROSPECTS (N = 78)	ACCEPTORS (N = 41)	HIGH POTENTIALS (N = 18)
California	50.0	53.7%	55.6
New York	12.8	9.8	0.0
Arizona	2.6	0.0	0.0
Georgia	2.6	2.4	5.6
<u>Alaska</u>	1.3	2.4	5.6
Colorado	1.3	2.4	5.6
Maine	1.3	0.0	0.0
Maryland	1.3	0.0	0.0
Massachusetts	1.3	0.0	0.0
Nebraska	1.3	2.4	0.0
Rhode Island	1.3	2.4	5.6
South Carolina	1.3	0.0	0.0
Virginia	1.3	0.0	0.0
Washington	1.3	0.0	0.0

5) The Total Expenditure for the Furthest Vacation Trip

78% of PROSPECTS spent a maximum ¥800,000 per person for their furthest vacation trip.

The mean expenditure was ¥640,000 per person.

Table 17 The Expenditure per Person for the Furthest Vacation Trip

	Expenditure per person (¥ x 10,000)								MEAN (¥ x 10,000)
	1-20	21-40	41-60	61-80	81- 100	101- 150	151- 200	201+	
PROSPECTS (N = 494)	6.3%	26.1%	30.6%	15.0%	12.3%	3.8%	1.4%	1.6%	64.0
ACCEPTORS (N = 215)	5.1	24.7	28.8	17.7	15.3	3.3	1.9	0.9	64.8
HIGH POTENTIALS (N = 95)	0.0	26.3	35.8	16.8	14.7	3.2	1.1	2.1	67.0

(3) Interests in Vacation Activities

Table 18 indicates the mean scores of the interest-scale for the vacational activities which are more than 3 points in each scale. The traditional sightseeing-related activities such as visiting national parks ..., sightseeing in cities, and visiting museums, and shopping were very popular with PROSPECTS.

Table 18 The Mean Scores of Interests in Vacational Activities Which were rated more than 3 Points (5 Point rating scale, 1 is the least, 5 is the most)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Visiting national parks and scenic wonders	4.18	4.40	4.35
Sightseeing in cities	3.97	4.06	4.05
Shopping	3.81	3.80	3.81
Visiting museums	3.67	3.91	3.92
Dining out in fine restaurants	3.65	3.65	3.64
Enjoying nighttime entertainment	3.49	3.53	3.45
Learning about different cultures	3.33	3.63	3.66
Seeing wildlife in its natural habitat	3.29	3.75	3.54
Swimming and sunbathing	3.18	3.18	3.16
Visiting friends and relatives	3.08	3.11	3.11
Having things for children to do and be interested in	3.04	3.09	3.09
Taking trips that offer adventure and challenge	3.01	3.26	3.11

3. Images of Alaska

(1) The Associated Images of Alaska

Table 19 indicates the results of the first free associations of Alaska which were higher than 1%.

Alaska was associated with 'climate' and 'surroundings' by more than 50% of PROSPECTS.

Table 19

(SA)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Cold/Freezing	26.3%	19.1%	14.7%
Snow/Ice/Icicle	14.6	11.6	11.6
General comments on nature	12.8	21.4	24.2
Eskimos/Indians/ Nature Alaskans	10.3	10.2	8.4
Glaciers/Icebergs	7.5	8.4	10.5
Wildlife/Animals	6.5	4.7	3.2
Anchorage/Juneau/ Other cities	3.4	2.3	3.2
Others on Sights	3.0	3.7	5.3
Mt. McKinley/Denali/ National parks	1.6	3.3	3.2
Vast/Open space	1.4	2.3	3.2

Table 20 The Second Free Associations of Alaska

(SA)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Wildlife?Animals	12.3%	13.0%	16.8%
Cold/Freezing	11.5	8.4	5.3
Eskimos/Indians/ Nature Alaskans	10.9	6.5	6.3
General comments on nature	9.5	14.4	12.6
Snow/Ice/Icicles	7.5	6.0	8.4
Others on sights	5.7	8.8	10.5
Glaciers/Icebergs	5.1	7.0	8.4
Winter sports	2.0	2.8	3.2
Far away	2.0	1.4	0.0
Anchorage/Juneau/ Other cities	1.8	0.5	0.0
Mt. McKinley/Denali/ National parks	1.6	1.9	1.1
Hunting/Fishing	1.6	1.9	2.1
Pipeline/Oil	1.4	1.9	0.0

(2) The Images of Types of Japanese Travelers to Alaska

Table 21 indicates the types of people who would be most likely to take an Alaskan vacation.

Alaska appealed the nature-oriented types such as 'Adventurers', 'People who like scenic wonders', and 'People who like winter sports'.

Table 21

UNIT: % (MA)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
People who like scenic wonders	66.4%	75.8%	76.8%
Adventurers	49.2	42.3	45.3
People who like winter sports	29.8	34.9	38.9
People who like fishing	29.8	40.5	36.8
Climbers	18.8	20.5	22.1
People who like animals	13.6	18.1	20.0
People who have the interest in different cultures	13.4	17.7	22.1
People who like outdoor sports	11.9	17.7	12.6
People who like outdoor life	11.3	13.0	12.6
Professional travellers	11.1	10.2	12.6
People who enjoy gorgeous hotel-life	2.0	3.7	1.1
People who like shopping	1.0	0.9	1.1
Others	1.4	1.4	1.1

(3) The Vacation-related Attributes of Alaska

PROSPECTS indicated that 'Hotels & Motels' and 'Food & restaurants' would have no more than 'fair' conditions.

Table 22 The Mean Scores of the Expectations towards the Alaskan Vacation-related Attributes
(4 Point rating scale - 1: poor, 2: fair, 3: good, 4: excellent)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Hotels and motels	2.13	2.29	2.33
Food and restaurants	2.15	2.39	2.41
Ease of getting around	1.60	1.72	1.75
Climate	1.40	1.58	1.55
Recreational facilities for tourists	1.86	2.09	2.04

4. The Interest in Alaska

(1) The Intention to Travel to Alaska

43.5% of PROSPECTS had at least some intention to travel to Alaska.

Table 23 The Interest in Traveling to Alaska
(5 Point rating scale - 1: Not at all interested, 5: Very interested)

	Interest scale point					N.A.	MEAN
	5	4	3	2	1		
PROSPECTS (N = 494)	8.1%	17.0%	18.4%	30.6%	24.5%	1.4%	2.53
ACCEPTORS (N = 215)	18.6	39.1	42.3	0.0	0.0	0.0	3.76
HIGH POTENTIALS (N = 95)	20.0	36.8	43.2	0.0	0.0	0.0	3.77

(2) Reasons Why People Would Like to Travel to Alaska

The interest in scenic wonders was the main reason why ACCEPTORS would like to travel to Alaska. On the other hand, coldness is the main reason why NON-ACCEPTORS would not like to travel to Alaska.

PROSPECTS who had never been to Alaska gave as much the same reasons for not going as NON-ACCEPTORS.

Table 24 Reasons for the Interest in an Alaskan Vacation

Base = PROSPECTS who have at least some interest in an Alaskan Vacation

	ACCEPTORS N = 215	HIGH POTENTIALS N = 95
National parks/ scenic wonders	29.8%	31.6%
Different culture	10.2	9.5
Fishing	7.4	5.3
Winter sports	5.6	5.3
Outdoor life	2.8	4.2
Shopping	1.9	3.2
Good restaurants	0.5	0.0
Tennis/Golf	0.0	0.0
Swimming/Sunbathing	0.0	0.0
Others	42.3	47.4
N.A.	9.8	6.3

Table 25 The Reason of the Non-interest in an Alaskan Vacation

Base: PROSPECTS who have little or no interest in an Alaskan vacation

	PROSPECTS (N = 272)
Coldness	38.6%
Would like to go to other places	21.3
No interest in Alaska	14.0
Unfamiliar	4.0
Faraway from Japan	3.3
Expensive to travel	2.2
No time	2.2
No popular resort	1.5
Positive answer	0.4
Others	19.5
N.A.	7.0

Table 26 Reasons why respondents have never been to Alaska

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Coldness	39.7%	29.8%	31.6%
Would like to go to other places	29.1	24.7	30.5
No interest in Alaska	26.9	3.7	5.3
No time	22.5	38.6	28.4
Unfamiliar	20.6	16.3	18.9
Expensive to travel	17.6	28.4	17.9
Faraway from Japan	16.4	20.0	15.8
No popular resort	0.6	0.5	1.1
Others	3.4	6.0	6.3
N.A.	2.4	3.3	5.3

(3) The Favorable Season for Visiting Alaska

Most PROSPECTS would favor a summer vacation if they decided to travel to Alaska.

Table 27

UNIT: %

	N	Months												N.A.
		1	2	3	4	5	6	7	8	9	10	11	12	
PROSPECTS	494	3.2	2.6	2.6	3.0	5.7	8.1	23.1	47.2	3.6	1.8	0.4	2.4	5.5
ACCEPTORS	215	4.2	2.8	4.2	3.7	6.5	10.2	25.6	44.7	5.1	2.3	0.0	4.2	1.9
HIGH POTENTIALS	95	4.2	2.1	2.1	5.3	5.3	11.	27.4	40.0	5.3	3.2	0.0	4.2	3.2

5. Evaluation of an Alaskan Vacation

The great nature-oriented activities, such as 'visit national parks and scenic wonders', 'go winter sports', 'see wildlife in its natural habitat', and 'take trips that offer adventure and challenge' were very highly evaluated.

Table 28 The Mean Scores of Expectation of an Alaskan Vacation
 (5 Point rating scale, 1: Very poor, 5: Excellent)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Visiting national parks and scenic wonders	4.32	4.57	4.56
Going winter skiing and play other winter sports	4.11	4.18	4.18
Seeing wildlife in its natural habitat	4.11	4.31	4.32
Taking trips that offer adventure and and challenge	4.05	4.05	4.01
Fishing	3.95	4.06	4.15
Learning about different cultures	3.41	3.54	3.67
Camping, hiking, back- packing, and having good facilities for outdoor activities	3.19	3.55	3.55
Having a things for children to do and be interested in	3.07	3.26	3.19
Sightseeing in cities	3.00	3.23	3.22
Shopping	2.99	3.15	3.13
Dining-out in fine restaurants	2.91	3.09	3.09
Visiting museums	2.54	2.68	2.64
Enjoying nighttime entertainment	2.45	2.60	2.55
Playing tennis and golf	2.23	2.46	2.47
Visiting friends and relatives	2.05	2.13	2.14
Swimming and sunbathing	2.01	2.22	2.29

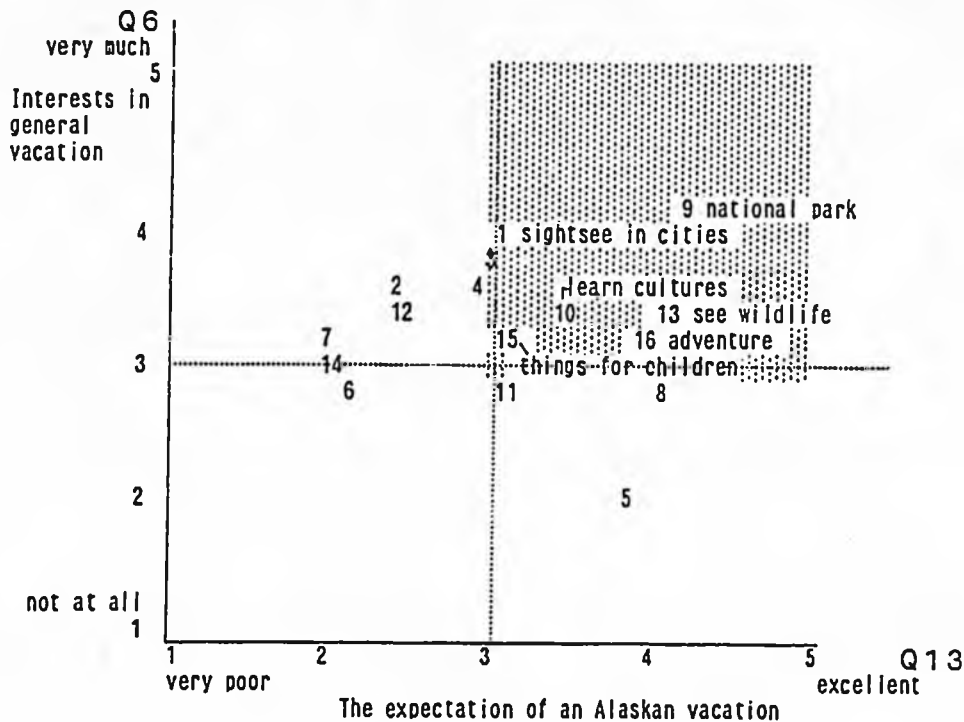
III. Implications and Considerations

1. Benefits of an Alaskan Vacation and Preferred Vacation Pastimes

The vertical score indicates the level of interest in a general vacation, and the horizontal axis indicates the expectation of an Alaskan vacation.

In order to ascertain the most effective activities for the sale & promotion of Alaska, attention should be paid to the areas covered by dots.

Fig. 1 Interest in a General Vacation and Expectations of an Alaskan Vacation



- 1 To sightsee in cities
- 2 To visit museums
- 3 Shopping
- 4 To dine out in fine restaurants
- 5 Fishing
- 6 To play tennis and golf
- 7 To swim and sunbathe
- 8 To go winter skiing and play other winter sports
- 9 To visit national parks and scenic wonders
- 10 To learn about different cultures
- 11 To camp, hike, backpack and have good facilities for outdoor activities
- 12 To enjoy nighttime entertainment
- 13 To see wildlife and relatives
- 14 To visit friends and relatives
- 15 To have things for children to do and be interested in
- 16 To take trips that offer adventure and challenge

The following are the prospective activities for sale & promotion of an Alaskan Vacation.

to visit national parks and scenic wonders

to see wildlife in its natural habitat

to sightsee in cities

to learn about different cultures

to take trips that offer adventure and challenges

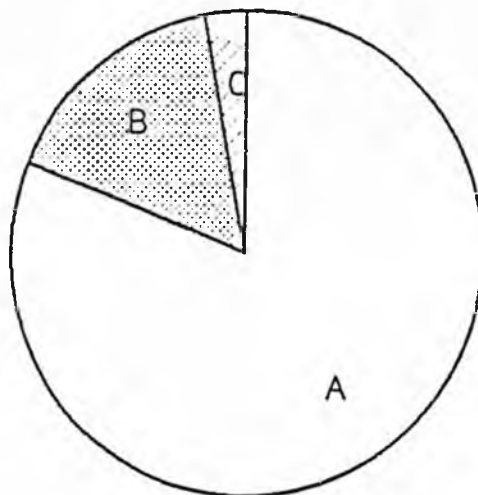
to have things for children to do and to be interested in

2. The Market Characteristics of Prospective Japanese Travelers

(1) The Percentage Rates of Japanese Overseas Travelers by Purpose

Fig. 2 indicates the percentage rates of 1985's Japanese overseas travelers by the purposes of trip. The 81.3% of all Japanese Overseas Travelers who nominated sightseeing as their main vacation determinant may be categorized as Prospects.

fig.2 Percentage of Japanese overseas travelers by purposes
(source:1985'data of THE MINISTRY OF JUSTICE)



	unit : %	
A sightseeing	81.3	81.3%
B business	15.5	15.5%
C others	3.2	3.2%

(2) Distribution of Travelers by Age

Table 29 shows the distribution of 1985's Japanese travelers by age and that of PROSPECTS.

Both approximate each other although the youngest category (18-24 age) of PROSPECTS is somewhat less than the corresponding percentage of the total population, as it is the PROSPECTS are the family vacation decision makers.

Table 29

	*All Japanese travelers	PROSPECTS
18 - 24	15.1%	9.5%
25 - 34	26.5	29.6
25 - 44	22.1	20.9
45 - 54	17.7	17.6
55 - 64	13.2	10.7
65+	5.5	9.9

* The source of these data is THE MINISTRY OF JUSTICE, but we adjusted them in order to match the categories of the survey instrument.

(3) The Constitution of the Total Japanese Outbound Travel Market by Destinations

Table 30 indicates the constitution of the total Japanese outbound travel market segmented by destinations of 3,300 km distance or more, and others.

The percentage of trips equal to or more than 3,300 km is approximately 70%, which corresponds to the definition of PROSPECTS.

Table 30

(Source: WTO & OECD's 1984's data)

	Total Japanese travelers
* More or equal 3,300 km distance destinations	69.7%
Others	30.3%

* We accumulated the % of each destination which is equal to or more than 3,300 km distant from Japan.

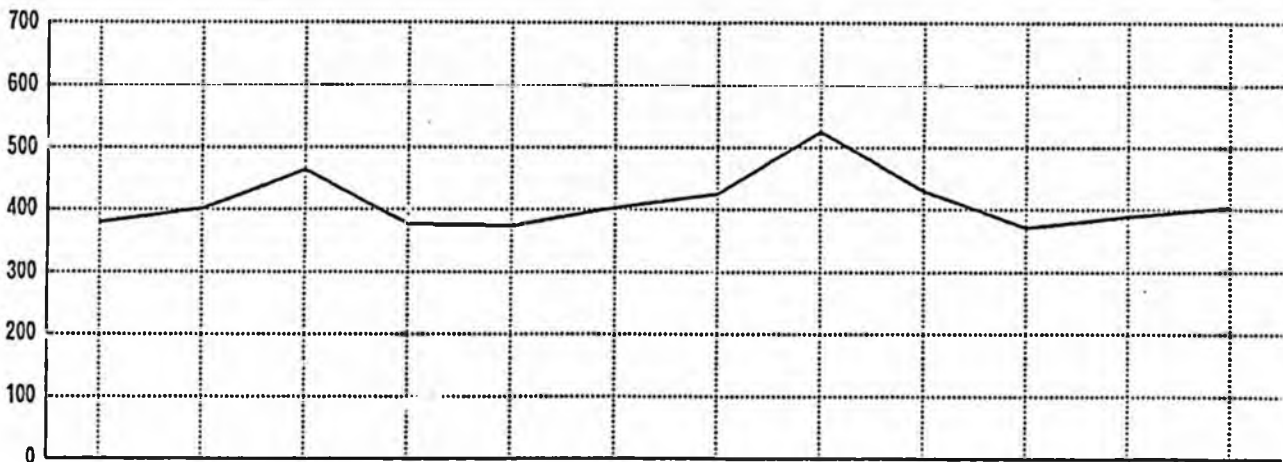
(4) The Seasonal Distribution of Japanese Overseas Travelers

Fig. 3 indicates the seasonal distributions of the Japanese overseas travelers in 1985.

Summer is the most favored season for prospective Japanese travelers to Alaska.

fig.3 Number of Japanese overseas travelers by month
(source:1985's data of THE MINISTRY OF JUSTICE)

UNIT:1,000



1	2	3	4	5	6	7	8	9	10	11	12
379	402	465	377	374	403	426	526	430	371	389	404

month

THE ALASKA VISITORS ASSOCIATION
MARKETING COUNCIL

THE POTENTIAL FOR JAPANESE
TRAVEL TO ALASKA
[EXECUTIVE SUMMARY]

NOVEMBER, 1986

NIKKEI RESEARCH INC.

TOKYO, JAPAN

1. Definition and Percentages of PROSPECTS, ACCEPTORS, and HIGH POTENTIALS.

Table 1 Constitution of Travelers' Types in Japan

	<u>N</u>	<u>% of Total Population Contacted (N = 13,265)</u>	<u>N</u>	<u>% of PROSPECTS (N = 494)</u>
PROSPECTS (screened samples)	715	5.4%	494	100.0%
ACCEPTORS	-	*) 2.3	215	43.5
HIGH POTENTIALS	-	*) 1.0	95	19.2

*) These volumes were the estimated by the following method; PROSPECTS' 5.4% in '% of total populaton contacted' x each volume in '% of PROSPECTS'.

1. Definitions of PROSPECTS, ACCEPTORS, and HIGH POTENTIALS

(1) Definition of PROSPECTS

A "Prospect" is one who makes or shares in the family vacation decision, has taken vacation of at least 4 days during the 3 years, and taken a vacation of at least 3,300 km one way during the past 5 years.

(2) Definition of ACCEPTORS

An "Acceptor" is the individual who indicates an interest in an Alaskan vacation (3-5 on 1-5 point interest scale).

(3) Definition of HIGH POTENTIALS

A "High Potential" is an Acceptor with a stated interest in an Alaskan vacation, have taken 2 or more long-distance (3,300 km one way) vacations in past 5 years, and spent at least ¥250,000 per person on the longest distance trip.

2. Characteristics of PROSPECTS, ACCEPTORS, and HIGH POTENTIALS

(1) Demographic Characteristics

1) Number of Family Members (%)

Table 2

	1	2	3	Equal to 4 or more 5		N.A.
PROSPECTS	2.8	17.4	23.1	29.1	26.1	1.4
ACCEPTORS	2.3	15.3	21.4	30.2	29.8	0.9
HIGH POTENTIALS	4.2	16.8	24.2	24.2	28.4	2.1

2) Children in Family (%)

a. 12 years of age or less

Table 3

	YES	NO	N.A.
PROSPECTS	39.9	51.6	8.5
ACCEPTORS	38.1	53.0	8.8
HIGH POTENTIALS	36.8	53.7	9.5

b. 13 to 17 years of age (%)

Table 4

	YES	NO	N.A.
PROSPECTS	19.2	63.8	17.0
ACCEPTORS	25.1	60.9	14.0
HIGH POTENTIALS	20.0	61.1	18.9

3) Age (%)

Table 5

	18-24	25-34	35-44	45-54	55-64	65+	N.A.	MEAN
PROSPECTS	9.5	29.6	20.9	17.6	10.7	9.9	1.8	42.6
ACCEPTORS	7.4	21.4	26.0	24.7	11.2	7.9	1.4	44.0
HIGH POTENTIALS	3.2	20.0	28.4	21.1	12.6	12.6	2.1	46.4

4) Educational Background (%)

Table 6

	JUNIOR HIGH SCHOOL	HIGH SCHOOL	UNIVER- SITY	N.A.
PROSPECTS	5.9	32.8	58.9	2.4
ACCEPTORS	7.4	33.0	56.7	2.8
HIGH POTENTIALS	5.3	29.5	61.1	4.2

5) Head of Household's Occupation (%)

Table 7

	MANAGER/ ADMINIST.	CLERI- CAL	SALES	PROFES- SIONAL	SER- VICE	OTHERS	NO OCCU- PATION	N.A.
PROSPECTS	28.3	7.7	10.3	20.0	7.3	17.0	7.7	1.6
ACCEPTORS	35.3	4.7	10.2	18.6	8.4	17.7	3.3	1.9
HIGH POTENTIALS	38.9	5.3	8.4	16.8	9.5	13.7	3.2	4.2

6) Family Income (%)

Table 8

	Yen x 10,000									N.A.
	-200	200-300	300-400	400-500	500-700	700-1000	1000-1500	1500-2000	2000+	
PROSPECTS	1.6	6.1	10.3	13.8	21.3	23.9	14.2	3.2	2.2	3.4
ACCEPTORS	2.3	3.7	8.8	12.1	21.4	26.0	15.3	4.7	2.8	2.8
HIGH POTENTIALS	0.0	4.2	9.5	14.7	14.7	26.3	16.8	6.3	4.2	3.2

3. The Frequency of at least 4 Days Vacation in 5 years

Table 9

	times in 5 years							MEAN
	1	2	3	4	5	1-5	6 or more	
PROSPECTS (N = 494)	16.8%	21.1%	11.9%	9.3%	14.4%	73.5%	26.5%	4.9 times/ 5 YRS
ACCEPTORS (N = 215)	12.6	16.7	11.6	11.2	12.6	64.7	35.3	5.9
HIGH POTENTIALS (N = 95)	0.0	14.7	9.5	11.6	15.8	51.6	48.4	7.8

4. Frequency of at least 3,300 km Distance Overseas Vacation Trip during the past 5 years

Table 10

	times in 5 years		Mean
	1	2 or more	
PROSPECTS (N = 494)	60.3%	39.7%	1.9 times/5 years
ACCEPTORS (N = 215)	54.4	45.6	2.0
HIGH POTENTIALS (N = 95)	0.0	100.0	3.1

5. Seven Most Popular Destinations of Overseas Vacation during the past 5 Years

Table 11

Unit: % (MA)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Hawaii	34.0%	34.0%	41.1%
Europe	28.3	32.6	36.8
Asia or India	28.3	31.6	41.1
U.S.A.	26.1	29.3	36.8
South Pacific, Philippines, Indonesia	22.5	20.0	31.6
Canada	7.7	6.5	11.6
Australasia	6.9	7.4	12.6

Table 12 Seven Most Popular Vacation States for Japanese

Base = People who have taken vacation in U.S.A.

Unit: % (MA)

	PROSPECTS (N = 147)	ACCEPTORS (N = 74)	HIGH POTENTIALS (N = 38)
California	10.9%	9.5%	15.8%
New York	4.1	5.4	7.9
Illinois	1.4	1.4	2.6
Texas	1.4	0.0	0.0
Washington	1.4	0.0	0.0
<u>Alaska</u>	0.7	1.4	2.6
Arizona	0.7	0.0	0.0

6. The Seven Most Associated Images of Alaska

Table 13

(SA)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Cold/Freezing	26.3%	19.1%	14.7%
Snow/Ice/Icicle	14.6	11.6	11.6
General comments on nature	12.8	21.4	24.2
Eskimos/Indians/ Nature Alaskans	10.3	10.2	8.4
Glaciers/Icebergs	7.5	8.4	10.5
Wildlife/Animals	6.5	4.7	3.2
Anchorage/Juneau/ Other cities	3.4	2.3	3.2

7. The Intention to Travel to Alaska

43.5% of PROSPECTS indicated some intention to do so.

Table 14 The Interest in Traveling to Alaska
(5 Point rating scale - 1: Not at all interested, 5: Very interested)

	Five point scale					N.A.	MEAN
	5	4	3	2	1		
PROSPECTS (N = 494)	8.1%	17.0%	18.4%	30.6%	24.5%	1.4%	2.53
ACCEPTORS (N = 215)	18.6	39.1	42.3	0.0	0.0	0.0	3.76
HIGH POTENTIALS (N = 95)	20.0	36.8	43.2	0.0	0.0	0.0	3.77

8. The mean scores for seven elements of expectations for an Alaskan Vacation

Table 15
(5 Point rating scale, 1: Very poor, 5: Excellent)

	PROSPECTS (N = 494)	ACCEPTORS (N = 215)	HIGH POTENTIALS (N = 95)
Visiting national parks and scenic wonders	4.32	4.57	4.56
Going winter skiing and play other winter sports	4.11	4.18	4.18
Seeing wildlife in its natural habitat	4.11	4.31	4.32
Taking trips that offer adventure and challenge	4.05	4.05	4.01
Fishing	3.95	4.06	4.15
Learning about different cultures	3.41	3.54	3.67
Camping, hiking, back-packing, and having good facilities for outdoor activities	3.19	3.55	3.55

THE ALASKA VISITORS ASSOCIATION
MARKETING COUNCIL

THE POTENTIAL FOR JAPANESE
TRAVEL TO ALASKA
[IMPLICATIONS FOR MANAGERS]

NOVEMBER, 1986

NIKKEI RESEARCH INC.

TOKYO, JAPAN

This survey was conducted between October 12 and November 13, 1986, and reflects the market conditions pertaining at that time.

The methodology consisted of a professionally designed self-administered mail questionnaire. Strict national random probability procedures were used to ensure that each element of the population had an equal probability of selection in the sample.

Two waves of mailouts were employed to maximize the data yield and each respondent was given an incentive gift in appreciation of his/her cooperation. The reader is referred to page 2 for full particulars of the sampling procedures.

As Japan is a homogeneous country without significant ethnic or religious subgroups - and since the telephone directories which constituted the frame of reference for respondent selection cover 95 percent of the household population - the sample may be said to be representative of the Japanese population at large.

Furthermore, the two mailouts of 715 questionnaires elicited a total of 494 completions or a response rate of approximately 70 percent, thus minimizing the possibility of bias and inputting the findings with a reliable level of statistical confidence.

Basically, feedback on Alaska and its attractions was relatively low among the target market subgroups of so-called prospects, Acceptors and High Potentials. It may be hypothesized that this was attributable to lack of

cognizance of available facilities and activities. For example, shopping, dining-out and nighttime entertainment generated generally low scores.

Another aspect which seems capable of correction concerns Japanese impressions of Alaska's 'coldness' with it's concurrent implications of discomfort. However, in point of fact Alaska's summer climate is roughly comparable with that of Hokkaido - which is particularly popular with Japanese tourists during the temperate spring through autumn seasons.

As the average temperatures in Alaska from May through September are relatively mild, and since the findings of this survey indicate that Japanese prefer to take their vacations in the summer, a concerted campaign to dispel the negative connotations of Alaska's 'coldness' seems called for. The seriousness of this problem highlighted by the following percentage perceptions which are climate related:

Cold/freezing	26.3%
Snow/ice/icicle	14.6%
Glaciers/icebergs	7.5%
	<hr/>
Total:	48.4%

As a corollary of this situation, the image of Alaska as a destination to indulge in outdoor sports such as tennis, golf and swimming has been impaired to such an extent that these activities garnered zero percentage reasons for wanting to take a vacation in Alaska among Acceptors and High Potentials.

Similarly, Alaska's image as a place with good restaurants was minimal, although such dishes as Alaska Salmon, Alaska Crab, and other seafood such as

shrimp, virtually parallel similar delicacies which are much sought after from Hokkaido (and which tend to be expensive). Familiarizing potential Japanese visitors with these similarities - and their availability at reasonable prices in comfortable, clean restaurants - should be a cornerstone of any advertising campaign.

Campers, wildlife enthusiasts, skiers, and photographers form significant segments of adventurous travellers who are always seeking new experiences and are sufficiently affluent to actualize their anticipations. On a cost/benefit basis, such subgroups can generally be reached through clubs, associations and specialty publications as well as non-commercial travelogues aired over the Japanese public television network (NHK and affiliated channels).

Another misconception evident from this survey is the far-away distance of Alaska in comparison with other so-called long-haul destinations, and the time/cost constraints involved in getting there. In point of fact, Alaska is closer than either Europe or the popular U.S. East Coast destinations which attract virtually millions of Japanese tourists annually.

It is perhaps also worthy of mention that according to the Ministry of Justice the fastest-growing segment of Japanese outbound travellers consists of younger people in the 15-24 age group. As the importance of this group increases, so the relevance of the head of the family as the destination decision maker tends to diminish. At this juncture the 15-24 rate of increase is as much as 8 percent per annum. To contend with this explosive growth new strategies and appeals must be developed, with more emphasis on activities which are responsive to their wants and needs.

In Japan, the knowledge of Japanese travellers and potential tourists represents only one side of the coin. Equally important functions are the views of travel agents and tour organizers. While in many Western countries, these functionaries are viewed more or less as booking agents, Japanese vacationers look upon them as consultants whose recommendations are sought and acted upon. Unless the agent or wholesaler has an intimate knowledge of all that Alaska has to offer, chances are that a more familiar destination will be recommended.

Our recommendation is therefore that a further study should be conducted among two levels of travel trade professionals - those who man the agency counters and have direct contact with the public, and those at the executive/administrative level who are responsible for providing the guidelines and organizing the various tour packages. By taking a pulse on the extent of their cognizance of Alaska in a frame of reference of similar-distance competing countries, it should be possible to suggest appropriate strategies and campaigns to contend with any areas of haziness or apprehension.

German Traveller Study

carried out for: Alaska Visitors Association
Marketing Council
P.O. Box 10-220
3057 70th Avenue SE
Mercer Island, WA 98040 (USA)

by: Marplan
Forschungsgesellschaft mbH
Marktplatz 9
6050 Offenbach

Project no. 46 022
18-11-1986/Ga/ud

This report has been printed in 6 copies. 4 copies are for the use of the client, 2 copies will remain with the institute.

This report carries the number _____

TABLE OF CONTENTS

	<u>Page</u>
A. OBJECTIVES OF STUDY	1
B. SAMPLING AND WEIGHTING PROCEDURES	4
C. RESULTS	6
1. Travel Behaviour in general	6
1.1 Structure of Market Potential	8
1.2 Travelling Experience	12
1.3 Destination Countries	14
1.4 Travel Expenditures	17
1.5 Type of Tourism	19
2. Information Behaviour	21
3. Travel Motivations	22
4. Perception and Image of Alaska	26
4.1 Spontaneous Associations	26
4.2 The typical Alaska Traveller	27
4.3 Alaska ranked on Image Items	28
4.4 Ideal Travel Season	32
4.5 Interest in going to Alaska for Vacation	33
D. SUMMARY AND RECOMMENDATION	35

ANNEX: QUESTIONNAIRE (IN GERMAN)

A. OBJECTIVES OF SURVEY

The Alaska Visitors Association Marketing Council, Anchorage, Alaska, commissioned Marplan Forschungsgesellschaft mbH to carry out a marketing study to analyze the size and the structure of the potential visitors to Alaska. This study has been conducted in the USA in 1976 with a similar questionnaire. To achieve comparable data sets it was decided to use similar concepts to the U.S. version in Germany and Japan.

In accordance with the U.S. study several strata are to be considered within the market potential. The modest form of the market potential are the

a) Prospects

who are head of households, responsible for or taking part in decision making for vacations, who took vacations of at least one week in the past three years and who took vacation in a place of at least 3.300 km one way from home in the past five years.

Further groups are:

b) Acceptors

who are prospects who show interest in an Alaska vacation (3 to 5 on a 1 to 5 interest scale).

c) High Potentials

who are acceptors having taken two or more long-distance vacations in the past five years and spent at least 3.000 DM per person on the last long-distance trip.

d) High Profiles

who are prospects, 35 years of age and over with 5.000 DM household income minimum and without children at home.

e) Visitors

Persons having visited Alaska during the past three years.

To work out an optimum marketing concept we have to have some information about the travel behaviour (part 1), the information behaviour (part 2), travel motivations (part 3) and the perception and image Alaska has among prospects.

All questions of the interviews were analyzed and cross tabulated against the potential groups a) to e), demographic variables with touristic relevance as sex, age, education, size of community, children in household and typology. The typology of five attitude types of travel motivations was the result of a cluster analysis. It is a multivariate statistical procedure to get a condensed version of the motivation question (qu. 8). The typology allows a more differentiated analysis of the target group and to design a more specific communication strategy of the benefits of Alaska journeys.

We received five significant groups with specific demands towards travelling:

1. The first type we called the "fun-type", who loves amusement, wants to relax during vacation and is not very interested in culture.
2. The second type we called "adventure-type", he is the one who is most interested in nature and wildlife, also in foreign cultures and likes to hike and camp.
3. The third type is the "sportive/conventional type" who is interested in sports activities (tennis, skiing, etc.). He expects a big range of offers of entertainment and sports activities. But he does not seek as much adventures as other types. Special needs for family vacation must be met.
4. The fourth type we called "visitor-type". He is the one who visits friends and relatives on his long-distance trips to save money.
5. The last type is the "education-type". He is interested in culture and nature. Sports activities are of no interest to him.

We have to point out that within this report only the most relevant results for your marketing actions can be shown. More information can be found in the separate set of tables.

B. SAMPLING AND WEIGHTING PROCEDURES

To have a sound statistical basis for analyzing size and structure of the Alaska tourism market potential in West Germany, the methodological concept had to construct a basis sample which enables to interview 500 prospects (market potential) in a second stage. The total procedure therefore was:

Phase 1: Screening Interviews

Target group for the screening interviews are telephone households in West Germany. The selection of the interviewees was two-fold. In the first stage, the ADM-Master Sample was used with 525 sample points. This sample is representative for West-German households and is a stratified probability sample.

Within the sample points the addresses were drawn at random on the basis of telephone books.

The purpose of the screening interviews was to get information about the potential within the total population and to get the addresses of persons belonging to the target group.

Phase 2: Full Interviews with prospects

489 respondents belonging to the target group were found during the screening interviews. They have been re-interviewed with a full questionnaire. The target group consisted of:

a) prospects: Head of households or one other person in a household who makes or shares in vacation decisions and had taken vacation of at least a one-way distance of 3.300 km.

Weighting: Because of sampling errors, drop-outs and other circumstances the sample had to be weighted. For weighting the following factors were used:

Region, size of community, size of household. Basis for the weighting was the official household statistic of Microcensus.

The tabulation of the results show in the first line the unweighted number of respondents belonging to a group and below a projection in 1.000 households.

Technical details:

Screening interviews	5,987 households
Out of these were found prospects belonging to target group	667 households
re-interviews with full questionnaire response rate	489 households 73.3%
Target group (prospects) as percentage of total number of households (25.3 Mio.)	11.2%
Target group in numbers approximately	2.84 Mio-

All interviews - screenings and full inter-
views - were carried out between
September 10 and October 8, 1986

Number of interviewers on the job	153
-----------------------------------	-----

C. RESULTS

1. Travel Behaviour In General

As described in the preface to this report the complete study was carried out in two parts. The target of the first part (screening interviews) was to recruit respondents for the main part of the study and to find some information according to the general behaviour of the German population. Taking the 25,320 Mio. German Households as a basis the findings are that in 68,0%, which means roughly 17 Mio. German households there is at least one person taking a vacation trip lasting one week or longer during the past three years. If we restrict vacation trips to those who went to places with a one-way distance of at least 3.300 km there are still 11,7% (approx. 3 Mio.) found who travelled to these more distant places within the past five years. Reduced by those who travelled to places 3.300 km away during the past five years but did not have vacation of at least one week during the past three years, the final target group for this study is 11.2%, equivalent to 2,840 Mio. households.

	<u>in 1000</u>	<u>in Percent</u>
Total of West-German households	25,320	100.0
With one or more persons having vacation of at least one week during the past three years	17,230	68.0
Having vacation in places at least 3.300 km away from home during the past five years	2,950	11.7
Visited places in 3.300 km distance for vacation during the last five years and having at least one week vacation during the last three years	2,840	11.2

Within the target group the study differentiates between prospects, acceptors, high potentials, high profiles and visitors according the terminology of AVA.

Prospects, the target group for the main study,

Acceptors, those who state interest in an Alaska vacation,

High potential, acceptors who have taken two or more long-distance vacations in the past five years

High profiles, prospects 35 years of age or more with a household income of 5.000 DM net per month as a minimum and finally

Visitors, persons known to have visited Alaska for a pleasure or pleasure/business trip in the past three years.

This study shows the following size of these five groups:

	Households in 1000	Percentage of Prospects		Percentage of total households	
Prospects	2,840	100,0	30,7		U.S. - 1990
Acceptors	1,068	37,6	2,3	11,3	13,1
High potential	282	9,9	1,0	1,1	1,5
High profiles	93	3,3		0,4	2,7
Visitors	42	1,5		0,16	3,3

Evaluating these results one has to take in consideration that at least the groups "high profiles" and "visitors" are based on very small numbers of interviews, i.e. for

high profile	16 interviews
visitors	7 interviews

Even the group "high potentials" is based on 43 interviews only.

1.1. Structure of Market Potential

For developing marketing strategies AVA has to know which is the structure of the most promising target groups. Accepting that the "value" of the groups is increasing from prospects over acceptors to high potential one has to analyze which socio-demographic groups are increasingly participating on these groups. Education seems to be one of the key elements. The percentage of people with elementary school goes down from 27,7% in the group of prospects to 20,5% among the acceptors to 16,1% within the high potentials. But already the percentage of people with senior high school is going up (from 44,4% to 48,9%). Taking together people with elementary school or better education we find that they make 72% of prospects, 79% of acceptors and 84% of high potential.

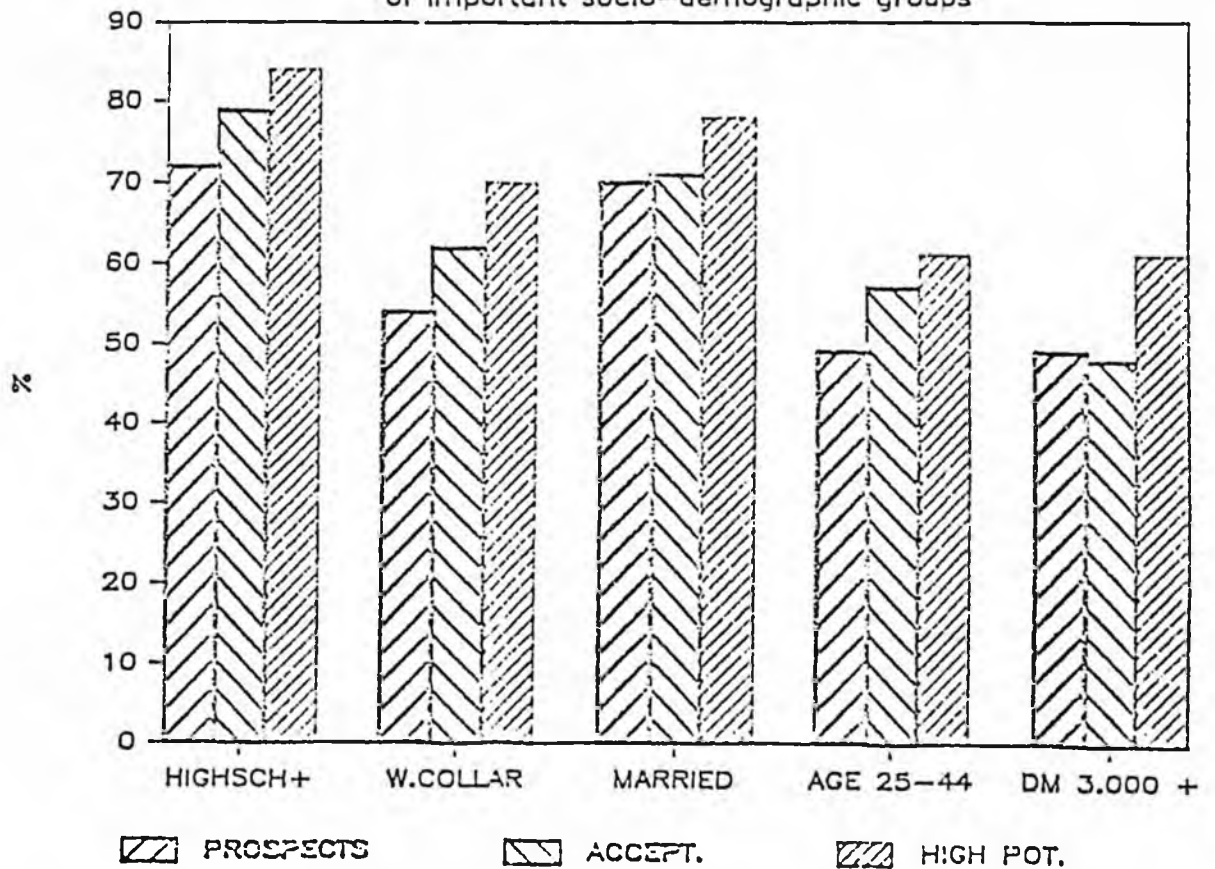
There is of course a certain dependency of education and profession and therefore it is not astonishing knowing the results mentioned above that senior personnel in leading positions and white-coliar junior executives form another prospective group. They participate with 54% among prospects, 62% among acceptors and 70% among high potential.

Not only because they form the majority in the population married people are a promising target group. We find them at 70% among prospects, 71% among acceptors and 78% among high potentials.

Looking at the age groups we have to accept that neither the young nor the elder people are of high interest. The real target group are people starting in the mid-twenties up to the mid-forties. And, of course, if we come to far-distance travelling income is an important factor. Therefore, the percentage of those having a household income of 3.000 DM net per month and more is growing from 49% to 61% going through target groups from prospects to high potentials.

PERCENTAGES IN TARGET GROUPS

of important socio-demographic groups



On the other side: for people who are interested in Alaska as a possible vacation destination it is not important whether they have children or not.

Knowing the structure in West-Germany it is not astonishing to learn that people living in places up to 20.000 inhabitants are nearly as much interested as people in bigger communities. On the contrary, in the big cities and centers of population we find going from prospects to high potential a decreasing percentage going from

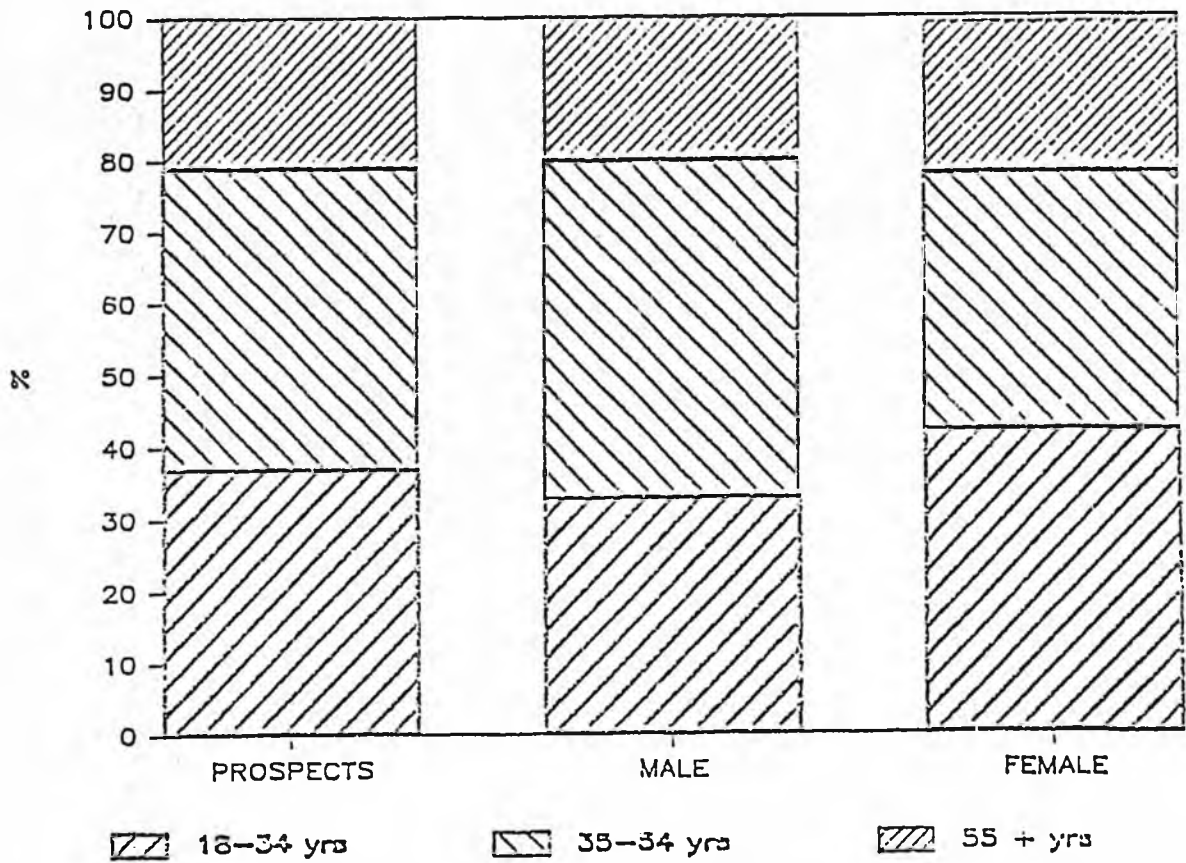
prospects	50,8%
acceptors	42,6% to
high potential	38,6%.

Here the most interesting target group could be the population living in places from 20.000 to 500.000 inhabitants but unfortunately compared with those living in the real big places, they are a minority.

Although the regions don't differ too much, Hamburg as well as Bavaria show a remarkable higher percentage among the high potential but on the basis of 43 interviews this does not mean too much. It cannot be proven by the figures but it seems to be a tendency that the more "world-open" places as Hamburg, Rhein-Main-Area and Munich might be of special interest.

At a first glance one cannot recognize a difference between male and female interviewees. But if one analyses the figures deeper one comes to interesting results. Female singles, widowed, divorced or separated living people seem to be more active than their male counterparts and if one analyses the prospects by age and sex one can see that younger females are much more interested than the younger males.

PROSPECTS BY SEX AND AGE



1.2. Travelling Experience

By definition already our target group had to have at least one one-week vacation during the past three years and one long-distance vacation during the past five years. In reality we find that respondents on the average did one vacation of at least one week per year. Over five years it accumulates to an average of 5.3 vacations per person.

For vacations where they had to go to places at least 3.300 km away from home the story is different. During the past five years they had 1.8 vacations of this type. Concerning the number of vacations they had there is a remarkable variation.

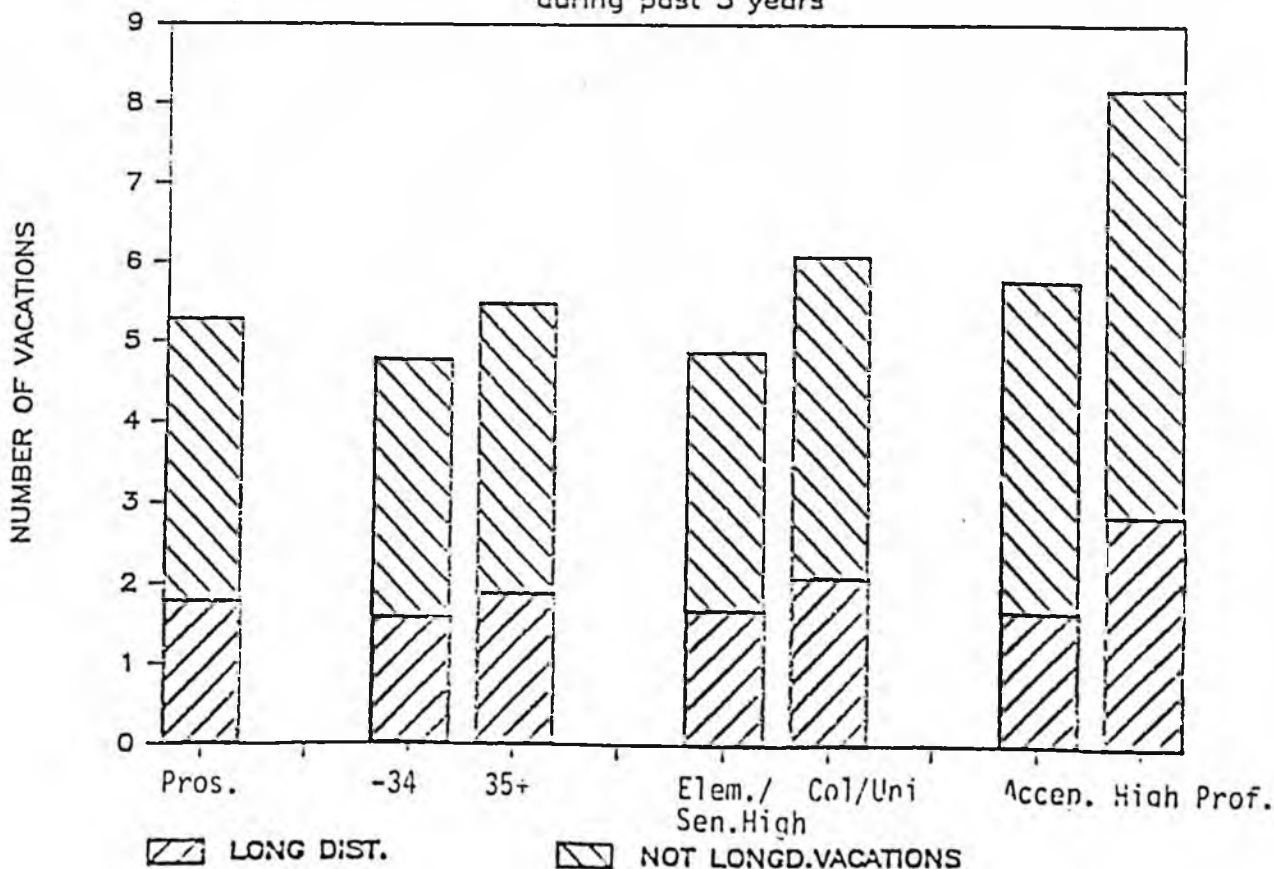
	Number of vacations during past 5 years	
	1 week %	far distance %
n = 489		
1 vacation	10,2	62,2
2 vacations	9,6	21,9
3 vacations	13,6	5,3
4 vacations	11,1	3,9
5 vacations	23,6	4,4
6 vacations and more	<u>31,9</u>	<u>2,3</u>
	100,0	100,0
Mean	5.3	1.8

Nearly two third of our prospects had only one vacation leading to far-distant places compared with only 6,7% saying they had five or more far-distant vacations during the past five years. On the other side more than half (55,5%) of our respondents had five or more vacations of at least one week during the past five years.

If we compare the travel experience among different sub-groups we find the highest frequency of long-distance travelling among the high potentials. On the average they had 2.9 long-distance vacations during the past five years and belong to the group of "high-frequent-vacationers" if it comes to have vacations of one week or more at all. On the average they had 1.5 vacations per year during the past five years.

AVERAGE NUMBER OF VACATIONS

during past 5 years



1.3. Destination Countries

Asked where they spent their vacation during the past five years European countries are dominating of course. Because they are not of relevance to this study we have to concentrate on Overseas countries visited during the past five years.

Most of the respondents (nearly one third) say they had visited the United States. Second as a single country ranks Canada with 14,5%. Asian destinations were mentioned by 32,1%, Africa by 25,9%, Latin America and Carribean destinations by 20,4%, Australia and New Zealand by 3,9%. Alaska is mentioned by 1,8% which is equal to approximately 50 000 West-German households.

44.5%
32.1%
25.9%

	% of Prospects	Travel groups in 1000
USA	31,3	890
Canada	14,5	413
Africa	25,9	734
Middle East	8,5	241
South/Southeast Asia	18,6	529
East Asia, South Pacific	5,0	141
Australia/New Zealand	3,9	112
Hawaii	2,5	71
Carribean	9,3	263
Mexico	4,6	131
Rest of Central and South America	6,5	184
Alaska	1,8	51

As far as they visited the United States the main regions they went to were:

New York/Rhode Island	37,2%
California	35,4%
Florida	19,1%
Texas	15,6%

Analyzing the results by our sub-groups acceptors and high potentials one can see that nearly all regions are more frequented by acceptors than by the prospects and again more by the high potentials than by the acceptors. The percentage of the visitors of the United States goes from 31,3% to 38,8% and 44,7%, those visiting Canada from 14,5% to 22,1% to 33,4%. Even the figure for visitors to Alaska shows a dramatic increase starting with 1,8% among prospects coming to 3,9% among the acceptors and finally 12,8% among high potentials. But it has to be said again that these results are based on very small figures.

As explained in the preface to this report already Marplan calculated a typology of the respondents based on their travel motivations.

United States and Canada show the highest percentage among conventional travellers and visitors. Mexico and the Caribbean Islands are preferred by the fun-type. The educational traveller prefers the Middle-East and plays an important part also in other Asian countries. Hawaii attracts the fun-type very much.

	fun	advent.	convent.	visitors	educ.
	%	%	%	%	%
USA/Canada	25	41	61	57	44
Alaska	-	4	3	1	-
Mexico/Carribbean	24	12	14	2	17
South Africa	4	9	6	6	7
Middle East	5	9	5	9	17
Other Asian countries	24	24	16	27	30
Australia/New Zealand	2	4	7	4	1
Hawaii	7	2	2	-	1

After the question which region they have visited during the last five years the question was asked which one was the furthest. Of course, it brings the percentages down because double countings are eliminated. But this effects the different regions in a different way. United States dropped from 31,3% to 23,7%, Canada from 14,5% to 10,0%, South/South-East Asia from 18,6% to 14,3%, the Carribbean from 9,3% to 8,0%. This indicates that for instance the Carribbean is a destination for itself; if somebody goes to the Carribbean it is the furthest destination on this trip.

This is different for Alaska as well as for Hawaii. The figures indicate that Hawaii as well as Alaska are not final "destinations" but more places to have a stop-over when travelling around the world or in case of Alaska being on a flight to e.g. East Asia. Hawaii drops from 2,5% to 1,2%, Alaska from 1,8% to 0,7%.

1.4. Travel Expenditures

Asked for the money they spend for the journey - in case they did more than one trip during the past five years they were asked for the furthest destination - answers differ widely. Some claim they used less than 1.500 DM, others more than 6.000 DM per person. On the average it is calculated with 3.865 DM per person. The average amount per person spent differs with the destinations as well as with different socio-economic groups but also between the types mentioned above already.

Destination:	Average spending per person
Hawaii	6.465 DM
South America	6.220 DM
Australia/New Zealand	5.255 DM
Mexico	4.574 DM
South Asia	4.454 DM
East Asia	4.101 DM
USA	3.913 DM
Caribbean	3.713 DM
Africa	3.423 DM
Alaska	3.418 DM
Canada	3.312 DM
Middle East	2.962 DM

Hawaii, Central and South America are the places where they spend the most money, Middle East but also Canada, Alaska and Africa are countries where they spend significantly less. There are different reasons for the differences as availability of reasonably priced package tours or - true certainly for the United States - a high percentage of the visitor type living with friends or relatives in the country of destination or when travelling through several destinations costs for one destination was not so high (e.g. Alaska).

If we analyze the target groups of AVA we find that "high potentials" are high spenders. The average among high potentials is 5,465 DM per person compared to 4,192 DM per person among the acceptors and in average 3,865 DM among the prospects in total.

Among our cluster types we found the lowest spending among the visitors with 2.840 DM.

1.5. Type of Tourism

Again asked if one than more far-distance vacation was taken during the past five years for the furthest destination the respondents were asked what kind of trip it was. The answers show:

* all-inclusive group tours with travel guide	27,7%
* all-inclusive tours without travel guide	20,9%
* self-organized trips	50,5%

The highest proportion of self-organized trips we find among the group of "visitors" (78%) followed by the "adventurers" (58,5%). "Fun" and "educational" travellers organize their trip themselves far less. Educational travellers prefer all-inclusive group tours with a travel guide (51,6%). Even if about half of the travellers organize their trip themselves they ask a travel agent for help and if only to book the transportation.

Again we find remarkable differences according the places the respondents went for vacation.

	self organized %	organized %
Alaska	100	0
Australia/New Zealand	91	9
Canada	82	18
Central/South America	79	21
USA	68	32
East Asia/Pacific	52	48
Middle East	47	53
South Asia	46	54
Mexico	38	62
Hawaii	26	74
Africa	17	83
Carribbean	15	85

2. Information Behaviour

The travel agent is the most important source of information. 72,6% of the respondents say they ask their travel agency for information if they start to prepare a long-haul trip.

Other important sources are

Friends	40,9%
Travel guides	34,3%
Automobile club	12,3%
Tourist agencies	11,9%
Books	8,1%

In case one asks the travel agency for information it concerns mostly prices followed by accommodation and transportation facilities; but also 48,3% of the respondents declare they look for information to which country to go.

There are many resources and publications where one can find out through which media channels one can reach certain target groups. Nevertheless, within the study respondents were asked with a list which magazine they read frequently. Prospects as well as acceptors and high potentials read magazines more frequently than average Germans. Within the list ADAC Motorwelt, Stern and Hör Zu are the magazines with the highest coverage. A comparatively small magazine but in a special interest group "Geo" reaches 20,5% of prospects, 23,5% of acceptors and 38,8% of high potential. With a combination of ADAC Motorwelt plus Geo plus Stern one can reach among

Prospects	67,0%
Acceptors	71,2%
High potentials	85,1%

3. Travel Motivations

What are the reasons why Germans travel in their vacation time to far-distant places. Respondents were asked to rank on a 5-point scale how much they like to do some things when they go on vacation. Point 5 equals I like to do it very much and point 1 equals I don't like it at all.

According to these rankings we find the following rank order:

Learn about different cultures	4.3
Sightseeing in cities	4.1
Dine-out in fine restaurants	4.1
Visit national parks and scenic wonders	4.1
Swim and sunbath	4.0
See wildlife in its natural habitat	3.8
Go shopping	3.5
Take trips that offer adventure and challenge	3.4
Visit museums	3.3
Enjoy nighttime entertainment	3.2
Visit friends and relatives	3.2
Camp, hike, outdoor activities	2.9
Wintersports	2.5
Playing possibilities for children	2.3
Play tennis/golf	2.1
Fishing	1.7

As mentioned before these ratings were used to calculate a typology for the respondents. A logical clustering came out with five different types. They were named:

Fun-type	19%
Adventurer	20%
Sportive type	24%
Visitor	18%
Educational traveller	19%
Total	<hr/> 100%

Of course, there is a certain overlapping between the five types but each one of them has its unique strength and can be described as follows:

"Fun" prefers to dine, swim and sunbath and enjoys nighttime entertainment.

"Adventurer" likes to visit natural parks, to camp, hike, take trips but learns about cultures also.

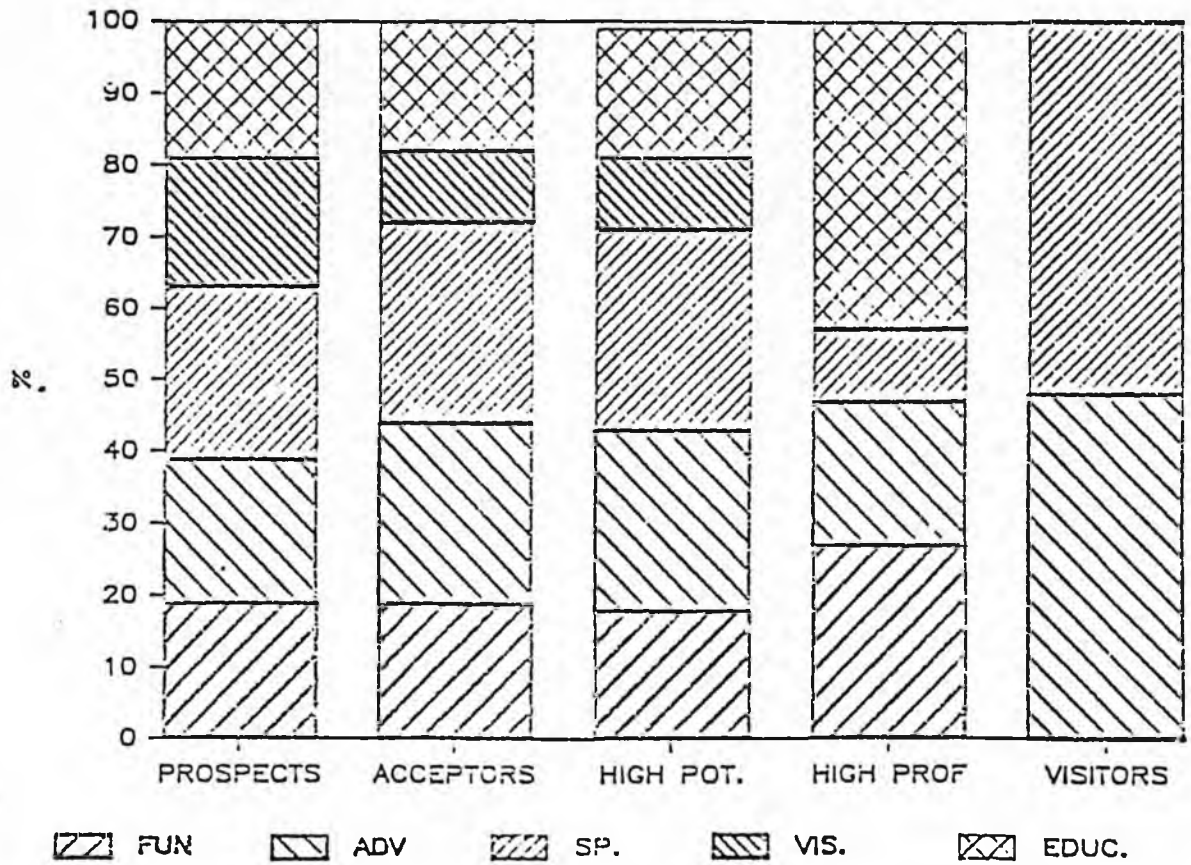
"Sports" likes to swim, likes wintersports, tennis, fishing, wildlife.

"Visitor" is mainly interested in seeing friends and relatives.

"Educational" likes to go sightseeing, visits museums and likes to learn about cultures.

If we look how the picture fits into the target group we find adventurers and sportive travellers above average among the acceptors but in the high potential group only the adventurers are above average this time together with the educational type. High profiles are dominated by the educational type of traveller but if we come to the small group of visitors of Alaska we find only adventurers and sportive types.

CLUSTER BY TARGET GROUPS



4. Perception and Image of Alaska

4.1. Spontaneous Associations

To all respondents the question was asked: "What is the first thing that comes to your mind when you think about Alaska?" Within all very open associations there is a lot of things mentioned by the respondents. But there are some items the answers concentrate on. The image of Alaska is to be a cold country and it is proven by answers as

Coldness	50,1%
Winter, snow, ice	29,6%
Glacier, snow mountains, icebergs	8,8%

and some other things mentioned in this open-ended question. The next dimension we can find is the image of untouched nature expressed in

clean, untouched nature	11,6%
icepears, bears, wild animals	11,7%
wide, big country	7,8%
wildlife	7,5%
landscape, nice sceneries	5,7%
forest	3,1%
lakes, sea, rivers	3,0%

and many others. Another dimension partly seen very close to the second is the relaxing aspect of Alaska shown by answers as

solitude, silence, relaxing	9,9%
not many people	4,4%
not much tourists	1,6%

The second and third dimensions are the more important for the group of acceptors and high potentials.

4.2. The typical Alaska Traveller

If we ask the respondents to describe the kind of people they think people like to have vacations in Alaska are, there are only three types mentioned by more than 10% of the respondents. Mostly it is

the adventurer	37,1%
people who love nature	20,9%
people who love silence, loneliness	9,8%

If we take all different types of sports activities together a fourth group can be formed by sportsmen (14,5%).

4.3. Alaska ranked on Image items

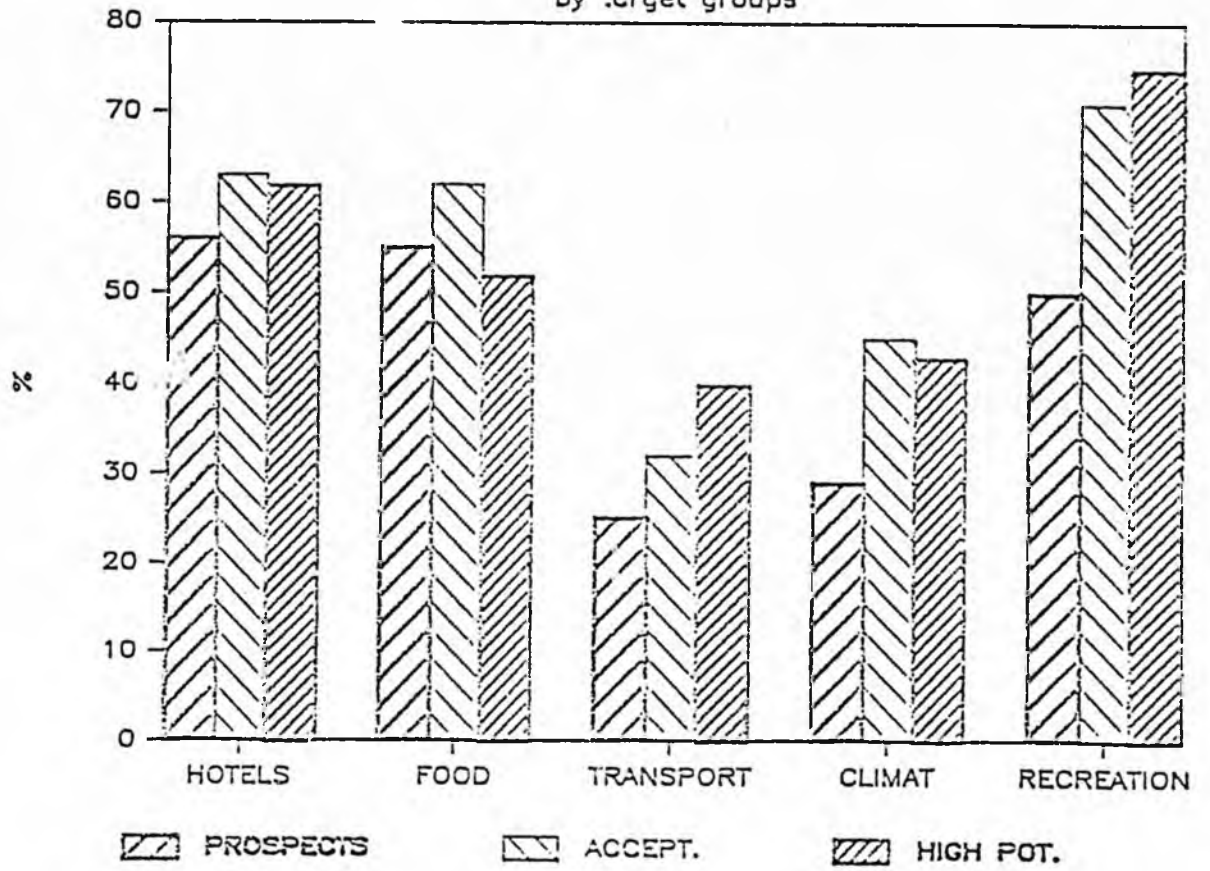
To see a country as an attractive opportunity for vacation it has to offer certain facilities. Vacationers ask for a certain standard in hotels, food, transportation, have some ideas about the climate they want and finally the overall aspect of value for recreation. The image profile of touristic Alaska is not at all excellent, if it comes to the best than it is good. Taking excellent and good together, 56% of the respondents believe they could be satisfied with the hotels and motels in Alaska, 55% believe in good food, 50% that there is a possibility for good recreation but only 29% believe in the climate and 25% in the transportation system.

	Hotels	Food	Transp.	Climate	Recr.
	%	%	%	%	%
excellent	5	8	3	6	14
good	51	47	22	23	36
fair	35	39	42	36	33
poor	9	6	32	33	16
MEAN	2.5	2.4	3.0	3.0	2.5

But again acceptors and high potential see Alaska more positive.

ITEMS RANKED EXCELLENT OR GOOD

by target groups



Then again the respondents were shown the list of items they knew already from the question what they like and don't like for their vacation (qu. 8). Taking the rank order of their likes for vacation and comparing it with the rank order for how they see Alaska one can see that Alaska does not fit easily into their picture of an ideal country for vacation.

	Rank on	
	Likes on vacation	Alaska seen
learn about cultures	1	4
sightseeing	2	9
dining	3	8
natural parks	4	2
swim/sunbath	5	14
see wildlife	6	1
shopping	7	10
visit museums	8	11

If we take the most important items for vacation and compare them with the ranks they have for Alaska we find that only four are the same. The most important point for vacation to learn about cultures is ranked "4" in Alaska, the second important point sightseeing is ranked "9" and the third dining is ranked "8". But visiting national parks and see wildlife are the two most important things one can do in Alaska according to the opinion of the respondents.

So far the results based on ranks and averages. But to go to Alaska for vacation is an individual decision and one has to find out to what extent personal ideas of vacation are satisfied by the image one has of Alaska vacation. In a cross tabulation we tried to find out and calculate the percentages of those who agreed that they would like (point 4 and 5) to find certain circumstances on their vacation and agreed again (point 4 and 5) that they believe this could be found in Alaska. Under this perspective the situation looks far better.

	Prospects	In 1.000
	%	%
learn about different cultures	66	1.876
visit national parks	62	1.760
see wildlife	58	1.650
dining	35	1.000
sightseeing	31	880
camp/hike	30	850
wintersports	25	720
shopping	19	550

66% of the respondents like to learn about different cultures during their vacation and believe there is a possibility for it in Alaska. The potential behind this in numbers is roughly 1.870.000 households in Germany.

62% of the respondents like to visit national parks and believe it could be done easily in Alaska. 58% like to see wildlife and believe they could do it in Alaska, and so on. Here seems to be a quite impressive potential for future tourism.

4.4. Ideal Travel Season

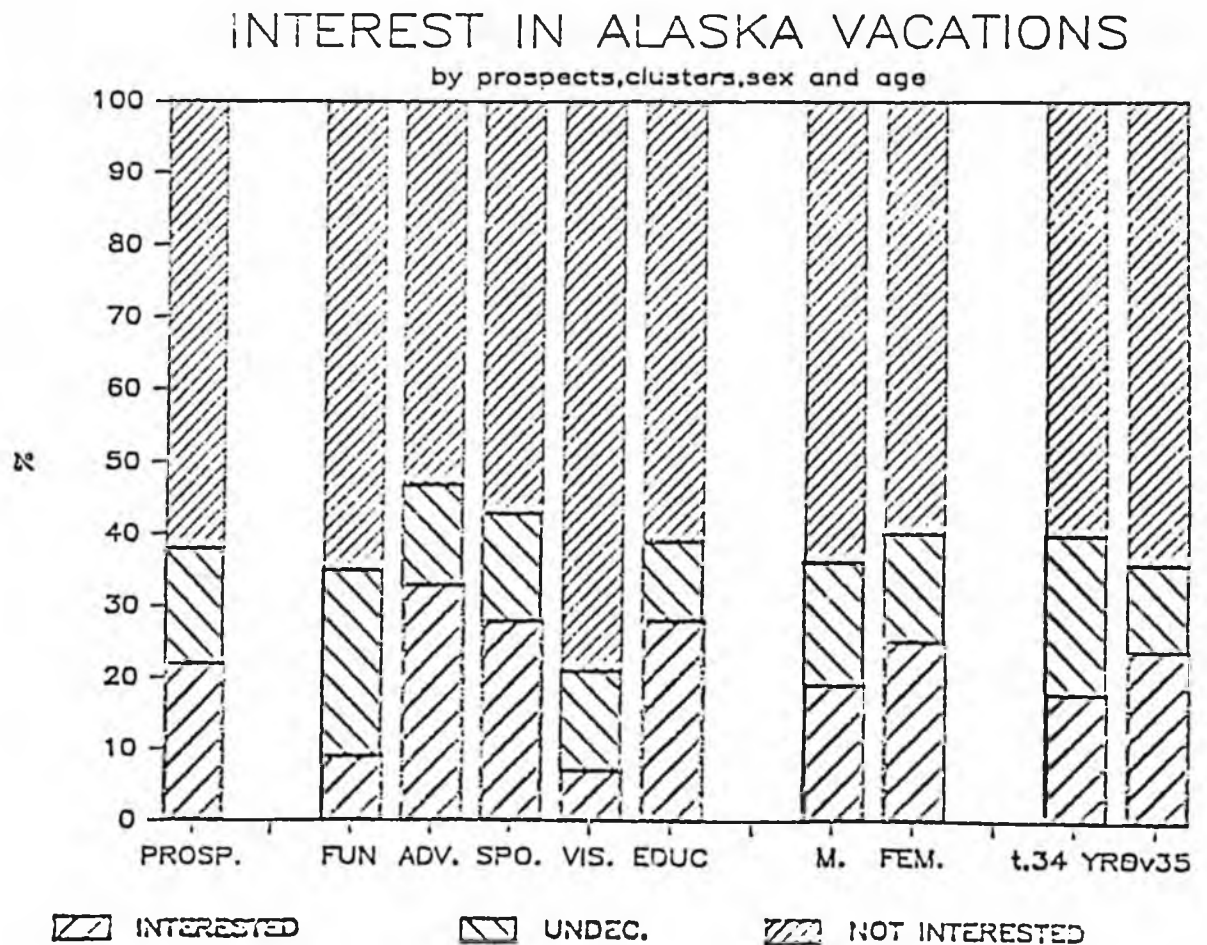
Alaska is seen as a cold country and therefore it is natural that most of the respondents think that summer would be the right time to visit Alaska. In detail they would prefer as their season in Alaska:

Spring	14,9%
Summer	68,5%
Autumn	9,6%
Winter	4,6%

4,7% have no idea which time of the year they would prefer or declare they would not go to Alaska at all.

4.5. Interest in going to Alaska for Vacation

Even if only 8,2% of the respondents say they would be very interested in spending one of their vacations in the next five years in Alaska it still represents a potential of 232.000 households. Knowing that most of the far-distant travellers don't travel alone it might represent a total of 400.000 to 500.000 persons. If we analyze interested (points 4 and 5), undecided (point 3) and not interested (points 1 and 2) by different sub-groups we find the following picture:



It is as we can see primarily the adventure but also the sports type and the educational type who are interested in going to Alaska for vacation. Not much interest can be found with the fun-type and the visitors.

Asking for the reason why one would like or not like to go to Alaska for vacation one cannot find new explanations. For those willing to go to Alaska within the next five years it seems to be an interesting country with beautiful sceneries; the main reason against it is the fear that it would be too cold, one prefers a milder climate.

D. SUMMARY AND RECOMMENDATIONS

After screening nearly 6.000 households representatively spread over the Federal Republic of Germany we interviewed 489 households about their long-haul travel behaviour and attitudes. For having data of relevance for marketing decisions we asked

prospects:

That means heads of households, responsible for or taking part in decision making process for vacation, who took vacations of at least one week in the past three years and who took vacations in a place of at least 3.300 km one way from home in the past five years.

11,2% of West-German households meet these conditions and represent 2.84 Mio. households. Additionally within the prospects we analysed some demographically and behaviourally defined target groups:

acceptors:

prospects who show interest in Alaska vacation

high potentials:

acceptors who have travelled two or more long-distance vacations in the past five years and spent at least 3.000 DM per person on the last long-distance trip

high profiles:

prospects who are 35 years and older with 5.000 DM household income minimum and without children at home

visitors:

prospects having visited Alaska during the past three years.

There are households of these types in Germany as follows:

acceptors	1.068.000
high potentials	282.000
high profiles	93.000
visitors	42.000

By definition acceptors and high profiles are by a high percentage interested or very interested in Alaska vacations:

prospects	21,6%
acceptors	57,6%
high potentials	68,2%
high profiles	42,3%

Interest in an Alaska trip is high positively correlated with education, income and professional status. Your target group tends to concentrate in the age group between 25 and 45 years. They often live in or nearby bigger cities, especially Hamburg, Rhein-Main-area and Munich because they seem to be more open-minded towards long-haul travel.

Long-haul travel is of course very often an unique event in the life of the prospects. Nearly two third of them have had only one long-haul journey during the past five years. Here again the high potentials are leading with 2.9 long-distance vacations during the past five years (1.8 all prospects). Die long-haul destinations of the prospects are mostly U.S.A. (31%), Africa (26%), South/Southeast Asia (19%) and Canada (15%), compared to Alaska with 1,8% (approx. 50.000 households). It is therefore not at all surprising that acceptors and even more high potentials were more often in these countries and the portion with Alaska travel experience rises to 12,8% by the high potentials. Alaska as well as Hawaii is often not a final destination but a stop-over on a travel-around-the-world or on the routes across the polar region. On the average, prospects spent 3,865 DM on their furthest trip per person. But this figure differs widely by destinations and sub-groups. High potentials spent 5,465 DM on the average.

Every second long-haul trip was self-organized, but for visitors of Alaska it was 100%. This does not mean that travel agencies were nearly unimportant for your marketing mix. The opposite is true. 73% of the respondents ask their travel agency for information when preparing a long-haul trip. Only 12% ask tourist agencies or read books about travelling. Not only in Germany leisure travelling is a high interest product. People are always open for hints about travel destinations, they talk about it with friends, read in journals or watch TV-broadcastings throughout the year. To reach your target groups best, we would recommend to advertise through articles in journals, magazines and broadcastings. When inserting ads it is suggested that you use special interest journals like "Geo", "ADAC-Motorwelt" or the journal "Stern". Inserting in all three you could reach 85% of the high potentials. With "Geo" alone you could reach 39% of high potentials.

Communication with the consumer side requires information about motivations and attitudes towards leisure travel in general and especially Alaska. In other words: the better you know your target group the better you are able to talk to your consumers by advertisement. Therefore, we have concentrated all the psychological issues and results through a consumer typology and have found five significant types:

1. Fun type (19%), who prefers to dine, swim, sunbath and enjoy nighttime entertainment (with low interest for Alaska)
2. Adventurer (20%), who likes to visit natural parks, to camp, hike, take trips but learn about culture also (with high interest for Alaska and relatively high portion of high potentials)
3. Sportive type (24%), who likes rather conventional forms of vacation but is fond of winter and summer sports, fishing and wildlife (with high interest for Alaska but a somewhat lower portion of high profiles)

4. Visitor-type (18%), who is mainly interested in seeing friends and relatives (with low interest for Alaska)
5. Educational traveller (19%), who likes to go sightseeing, visits museums and likes to learn about culture (with medium interest in Alaska, but a relevant portion of high profiles).

So your most interesting motivational target groups are the adventurer, the educational type and the sportive type.

The image of Alaska as a travel destination by your prospects is not surprising at all. The spontaneous associations with Alaska are

- | | |
|--------------------------------------|-----|
| - coldness | 50% |
| - snow, ice, winter | 30% |
| - glaciers, icebergs, snow mountains | 9% |

and untouched nature, silence, etc. So the typical Alaska travellers are

- | | |
|-------------------------------|-----|
| - adventurers | 37% |
| - people who enjoy nature | 21% |
| - sportsmen | 15% |
| - people who enjoy loneliness | 10% |

Travellers ask for a certain standard in hotels, food, transportation, recreation and have preferences towards specific climates. These aspects for Alaska are not at all excellent, they are at best good. Prospects doubt to find good or excellent conditions for recreation and think the transportation system might be troublemaking. Comparing the features prospects want to find in their holiday destination and what they expect in Alaska we find some important strong points:

- learn about different cultures

- visit national parks
- see wildlife
- dining
- sightseeing
- camp/hike
- wintersports

69% would prefer to visit Alaska in summer.

To conclude we estimate the target group that is very interested in visiting Alaska during the next five years with 230,000 households or 400,000 to 500,000 persons. You should communicate with the "adventurers" and "sportsmen" on the one side and with the "educational type" on the other. These two clusters are somewhat different and you should adjust your marketing mix for these requirements to get a maximum in market success.

230,000 households

QUESTIONNAIRE

Nr. der AL

Projekt-Nr. 46 022
September 1986
Pae/me

MARPLAN

Forschungsgesellschaft mbH
Marktplatz 9 6050 Offenbach am Main
Tel. 069/ 80 59-1

Hauptfragebogen

Frage	Antwort	SP-Code	Nächste Frage
A) Haben Sie in den letzten 3 Jahren eine Urlaubsreise unternommen, die eine Woche oder länger gedauert hat?	Ja	1	B
	Nein	2	Ende
B) Wer in Ihrer Familie wählt im wesentlichen das Urlaubsziel aus?	ich selbst	1	1
	Ehefrau/Partnerin	2	
	Ehemann/Partner	3	Ende
	eine andere Person	4	
1. Wieviele Urlaubsreisen, die eine Woche oder länger ange-dauert haben, haben Sie in den letzten 5 Jahren unternommen?	Anzahl eintragen _____	11-	
	Reisen	12-	
2. Wieviele dieser Reisen brachten Sie 3.300 km oder weiter (einfache Strecke) von zu Hause weg?	Anzahl eintragen _____	13-	
	Reisen	14-	

Frage	Antwort	SP-Code	Nächste Frage
3. Welche der folgenden Gebiete haben Sie in den <u>letzten 5 Jahren</u> als <u>Urlaubsziel</u> gewählt?	Europa	15- 1	
	Mittlerer Osten	2	
	Afrika	3	
	Asien oder Indien	4	
	Süd Pazifik, Phillipinen, Indonesien	5	
	Australien, Neuseeland	6	
	Süd- oder Zentralamerika	7	
	Hawaii	8	
	Karibische Inseln	9	
	Mexiko	0	
	Kanada	X	
	U S A	Y	
		Alaska	16- 1
INT.: Wenn USA genannt: Welche Staaten?	----- ----- -----	17-	
INT.: Wenn Alaska genannt: Zu welcher Zeit?	_____ Monat / Jahr	18- 19-	

Frage	Antwort	SP-Code	Nächste Frage
4. Wenn Sie einmal an die letzte Fernreise denken, die Sie 3.300 km oder weiter von zu Hause wegbrachte, welches war das am weitesten entfernte Gebiet, das Sie während dieses Urlaubs besucht haben?	Mittlerer Osten	20- 2	
	Afrika (nur Zentral- und Südafrika)	3	
	Asien oder Indien	4	
	Süd Pazifik, Philippinen, Indonesien	5	
	Australien, Neuseeland	6	
	Süd- oder Zentralamerika	7	
	Hawaii	8	
	Karibische Inseln	9	
	Mexiko	0	
	Kanada	X	
	5. Wie hoch waren ungefähr die Kosten für Ihre Urlaubsreise nach (Antwort Fr. 4 nennen) pro Person?	U S A	Y
Alaska		21- 1	
Andere, welche?			

6. War diese Reise eine organisierte Reise (Pauschalreise) in einer Gruppe, möglicherweise mit Reiseführer	22- 23- 24- 25- 1	
	... eine organisierte Reise (Pauschalreise) aber nicht in einer Gruppe	2	
	... eine selbst organisierte Reise	3	
7. Haben Sie diese Reise, wenn auch nur zum Teil, über ein Reisebüro gebucht? Was haben Sie beim Reisebüro gebucht?	komplett über ein Reisebüro gebucht	26- 1	
	nur Unterkunft im Reisebüro gebucht	2	
	nur Transportmittel im Reisebüro gebucht	3	

Frage	Antwort					Nächste SP-Code Frage
<p>8. Jeder hat seine eigene Art der Freizeitgestaltung, auch während des Urlaubs. Ich werde Ihnen nun einige Möglichkeiten der Freizeitgestaltung im Urlaub vorlesen, und Sie sagen mir bitte, wie gerne Sie die einzelnen Aktivitäten ausüben. Bitte tun Sie das anhand einer Skala von 5 bis 1.</p> <p>Ich möchte Sie bitten, sich etwas zum Schreiben zur Hand zu nehmen und eine Zahlenreihe (Skala) 5,4,3,2,1 aufzuschreiben. Zur '5' notieren Sie sich bitte 'sehr gerne', zur '1': 'überhaupt nicht gerne'. Die Zahlen dazwischen dienen zur Abstufung Ihres Urteils</p> <p style="text-align: center;">V o r l e s e n</p>						
		<u>tue ich sehr gern</u>				<u>tue ich überhaupt nicht gern</u>
Sehenswürdigkeiten der Städte anschauen	28- 5	4	3	2	1	
Museumsbesuche	29- 5	4	3	2	1	
Einkaufen	30- 5	4	3	2	1	
Essen gehen in guten Lokalen	31- 5	4	3	2	1	
Angeln	32- 5	4	3	2	1	
Tennis und/oder Golfspielen	33- 5	4	3	2	1	
Schwimmen/Sonnenbaden	34- 5	4	3	2	1	
Skifahren/Wintersport	35- 5	4	3	2	1	
Naturparks/Naturbesonderheiten anschauen	36- 5	4	3	2	1	
Kennenlernen fremder Kulturen	37- 5	4	3	2	1	
Campen, Wandern, Rucksacktouren und gute Möglichkeiten, die Natur zu erleben	38- 5	4	3	2	1	
Nächtliches Unterhaltungsprogramm genießen	39- 5	4	3	2	1	
die Wildnis in ihrem ursprünglichen Zustand erleben	40- 5	4	3	2	1	
Freunde- und Verwandtenbesuche	41- 5	4	3	2	1	
Spielmöglichkeiten für Kinder	42- 5	4	3	2	1	
Abenteuertouren unternehmen	43- 5	4	3	2	1	

F r a g e

A n t w o r t

Nächste:
SP-Code Frage

INT.: Der Befragte soll an dieser Stelle aus methodischen Gründen den Eindruck haben, daß Alaska rein zufällig aus einer Reihe von möglichen Urlaubszielen für dieses Interview ausgewählt wurde.

Bei dieser Befragung nehmen wir die Meinung von Leuten über die verschiedenen Urlaubsgebiete auf. Mit Ihnen möchte ich mich gerne über Alaska, das für diese Befragung rein zufällig ausgewählt wurde, unterhalten.

9. Was geht Ihnen durch den Kopf, wenn Sie an Alaska denken?
Was ist das Erste, woran Sie denken?

44-

45-

46-

47-

10. Was fällt Ihnen noch zu Alaska ein?

48-

49-

50-

51-

11. Man hat seine eigenen Vorstellungen von Urlaubsgebieten. Bitte beschreiben Sie mir die Menschen, die Ihrer Meinung nach am ehesten eine Urlaubsreise nach Alaska unternehmen?

52-

53-

54-

55-

Frage	Antwort	SP-Code	Nächste Frage
16. Wenn Sie einmal nach Alaska reisen würden, zu welcher Jahreszeit würden Sie reisen?	Frühling	67- 1	
	Sommer	2	
	Herbst	3	
	Winter	4	
		68-80R/1	

17. Ich lese Ihnen nun noch einmal die Liste mit den Möglichkeiten der Urlaubsgestaltung vor. Sie sagen mir bitte zu jeder Möglichkeit, wie Sie sie in bezug auf Alaska beurteilen. Ihr Urteil geben Sie mir wieder anhand der Skala von 5 bis 1, wobei die 5 "sehr gut" und die 1 "schlecht" bedeutet. Mit den Zahlen dazwischen können Sie Ihr Urteil abstufen.

V o r l e s e n

	<u>sehr gut</u>				<u>schlecht</u>
Sehenswürdigkeiten der Städte anschauen	10- 5	4	3	2	1
Museumsbesuche	11- 5	4	3	2	1
Einkaufen	12- 5	4	3	2	1
Essen gehen in guten Lokalen	13- 5	4	3	2	1
Angehn	14- 5	4	3	2	1
Tennis und/oder Golfspielen	15- 5	4	3	2	1
Schwimmen/Sonnenbaden	16- 5	4	3	2	1
Skifahren/Wintersport	17- 5	4	3	2	1
Naturparks/Naturbesonderheiten anschauen	18- 5	4	3	2	1
Kennenlernen fremder Kulturen	19- 5	4	3	2	1
Campen, Wandern, Rucksacktouren und gute Möglichkeiten, die Natur zu erleben	20- 5	4	3	2	1
Nächtliches Unterhaltungsprogramm genießen	21- 5	4	3	2	1
die Wildnis in ihrem ursprünglichen Zustand erleben	22- 5	4	3	2	1
Freunde- und Verwandtenbesuche	23- 5	4	3	2	1
Spielmöglichkeiten für Kinder	24- 5	4	3	2	1
Abenteuertouren unternehmen	25- 5	4	3	2	1

Frage	Antwort	SP-Code	Nächste Frage
18. Wo informieren Sie sich zur Vorbereitung einer Fernreise?	Reisebüro	26- 1	
	Fremdenverkehrsamt	2	
	Autoclub (z.B. ADAC)	3	
	Reiseführer	4	
	Freunde/Bekannte/Familie	5	
	Sonstiges, wo? _____ _____	6	
18a. Bei welchen Teilen der Reisevorbereitung von Fernreisen informieren Sie sich in einem Reisebüro?	<u>Informationen über</u>	27-	
	... Land	1	
	... Preise	2	
	... Unterkunft	3	
... Verkehrsmittel	4		
19. Welche der folgenden Zeitschriften bzw. Magazine lesen Sie regelmäßig?	Capital	28- 1	
	Manager Magazin	2	
	Geo	3	
	Hör Zu	4	
	Stern	5	
	Bunte	6	
	ADAC Motorwelt	7	
	Petra	8	
	Sonstiges, was (keine Tageszeitungen!)	29-	
	_____	30-	
_____	31-		

Nun noch einige Fragen zur Statistik:

Frage	Antwort	SP-Code	Nächste Frage
A. Wieviele Personen, Sie selbst eingeschlossen, leben in Ihrem Haushalt?	Anzahl eintragen _____ Personen	37-	
<u>INT.:</u> Wenn mehr als eine Person: B. Wieviele davon sind Kinder unter 12 Jahren Kinder 13 bis 17 Jahre alt Kinder		38-	
		39-	
C. Sind Sie <u>INT.:</u> <u>V o r l e s e n</u>	ledig verheiratet/zusammen lebend verwitwet/geschieden getrennt lebend	40 1 2 3 4	
D. Darf ich Sie fragen, wie alt Sie sind?	18 bis 24 Jahre 25 bis 34 Jahre 35 bis 44 Jahre 45 bis 54 Jahre 55 bis 64 Jahre 65 Jahre und älter	41- 1 2 3 4 5 6	
E. Welchen Schulabschluß haben Sie?	Volksschule/Hauptschule Mittelschule/Realschule höhere Schule ohne Abitur Fachschule/Handelsschule Abitur Universitäts-/Hochschulabschluß	42- 1 2 3 4 5	

Frage	Antwort	SP-Code	Nächste Frage
F. Welchen Beruf hat der Hauptverdiener?	selbständig	43- 1	
	leitender Angestellter/ höherer Beamter	2	
	einfacher/mittlerer Ange- stellter/Beamter	3	
	Arbeiter	4	
	z.Zt. arbeitslos	5	
	Rentner/Pensionär	6	
	Student/in Ausbildung	7	
Fa. Sind Sie selbst der Hauptver- diener im Haushalt?	Ja	44- 1	G
	Nein	2	Fb
Fb. Wie alt ist der Hauptver- diener?	18 bis 24 Jahre	45- 1	
	25 bis 34 Jahre	2	
	35 bis 44 Jahre	3	
	45 bis 54 Jahre	4	
	55 bis 64 Jahre	5	
	65 Jahre und älter	6	
Fc. Ist der Hauptverdiener	männlich	46- 1	
	weiblich	2	
G. Gibt es ein anderes erwachsenes Haushaltsmitglied als den Haupt- verdiener, das berufstätig ist?	Ja, ganztags	47- 1	
	Ja, teilweise berufs- tätig (halbtags)	2	
	Nein	3	

Frage	Antwort	SP-Code	Nächste Frage
H. Wie hoch ist das monatliche Einkommen aller zum Haushalt gehörenden Personen zusammen, ich meine damit das Haushaltsnettoeinkommen nach Abzug der Steuern und Sozialversicherungsbeiträge? <u>INT.:</u> Falls "weiß nicht": Schätzen Sie doch bitte einmal.	_____ DM	48-	
Ha. Befragte Person ist ...	männlich weiblich	49- 1 2	
Ortskennziffer:	75- 76- 77- 78- 79- 80- <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	50-74/R 	

Die ordnungsgemäße Durchführung des Interviews bestätigt:

Datum

Unterschrift

Interviewer-Nr.

STATEMENT OF ANCHORAGE/FAIRBANKS AIRLINES AIRPORT AFFAIRS COMMITTEE
TO STATE OF ALASKA LEGISLATURE, FEBRUARY 20, 1987

My name is Clifford T. Argue, and I am Staff Vice President of Properties and Facilities for Alaska Airlines. However, I am appearing before you today as Chairman of the Anchorage/Fairbanks Airlines Airport Affairs Committee, which is an organization representing some 22 international and domestic airlines serving Anchorage and Fairbanks airports. These airlines have signed the recently negotiated Airline/Airport Lease and Operating Agreement.

The relationship between the airport operator, in this case the State of Alaska, and the carriers is a partnership. We must continually work together in a spirit of cooperation to ensure the best possible and most cost effective air transportation facilities serving a particular community. Our business relationship has been documented in the operating agreement, which was signed last year following almost two years of intensive negotiation.

This relationship is simple. The airlines are responsible for paying the majority of the costs of the construction, operation, and maintenance of the Anchorage and Fairbanks airports. While there are Federal grants, concession revenues, and other sources of income, our agreements provide that the airlines will make up any difference between revenues and expenses through the rates, fees, and charges we pay to the Department of Transportation and Public Facilities. The burden does not fall back on the general fund of the State.

With respect to the resolution before you, I would like to clearly state that the airlines are not opposed to the concept of the promotion and marketing of Anchorage and Fairbanks International Airports. Such programs, which are in place at various other airports throughout the United States, are sometimes, but not always, beneficial in stimulating additional traffic. Many of these programs are in conjunction with and financially supported by other local agencies and organizations, so that the destination is being marketed, not just the airport. Anchorage and Fairbanks Airports both have excellent airfield and terminal facilities and services; and it is very doubtful that an airline management, anywhere in this country or the world, would necessarily be convinced to fly to one of these airports if there are not operational, technical, market-related, or other business reasons to do so. In other words, there is no assurance that an airport marketing program will bring any new traffic.

The airlines are extremely concerned by the current airport marketing proposals, because, at this point, they lack any definition of how a marketing program would be organized and implemented. We know nothing about the scope of the effort, its management, and overall control. The only information we have heard in recent weeks is the proposal to spend anywhere from \$3 million to \$5 million per year on an airport marketing program. These amounts are incredibly high compared with other airports and seem to have no basis or solid rationale.

Because of the business relationship noted earlier in my remarks, the airlines also are extremely uneasy about a funding proposal of this magnitude, if it is contemplated to come from the International Airports Revenue Fund. Contrary to some reports, there is not a big fund of unallocated money in the IARF, nor do the airports produce a large "profit." Any apparent "profit" is, in reality, money that is already committed to planned capital projects. Therefore, wherever in the IARF marketing money is budgeted, it will, by necessity, place an additional burden on the airlines through increasing our landing fees paid to the State. Every one million dollars in additional annual cost would require an additional four cents per one thousand pounds of aircraft takeoff weight in landing fees.

We have already seen substantial increases in our landing fees in the past two years to support the extensive construction at both airports, and additional increases can only be counterproductive and burdensome. Such additional costs must be passed on to the consumer through higher air fares and air freight rates; or, as in the recent examples of Boston, Las Vegas, and Florida, recovered through a surcharge on each ticket stated separately. For example, an additional five million dollars in annual costs would cost Alaska Airlines \$436,000 and Japan Air Lines \$989,000. These are not the types of costs that can be just absorbed by the airlines. Such additional costs might also have the negative effect of causing airlines to curtail service to Anchorage and Fairbanks and seek lower-cost locations. This would certainly be the exact opposite of what is desired in a marketing program.

ANC/FAI AAAC
2/20/87
Page Four

The airlines recommend that in considering the current resolution, the Legislature request that the Department of Transportation and Public Facilities work cooperatively with other interested agencies in first developing a coordinated marketing plan with specific tasks identified, goals set, and a realistic budget supported not only by the IARF, but all involved organizations.

The airlines are willing to participate in some manner, but only if we are convinced that a prudent and cost-effective approach is being followed.

Thank you.

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. TRANS.

2-20-87

1:30p.m.

