

SCR

5

Alaska State Legislature



SENATOR
ARLISS STURGULEWSKI

Chairman, Senate Community and Regional Affairs Committee
Vice-Chairman, Senate Judiciary Committee
Member, Senate Resources Committee

2957 SHELDON JACKSON STREET
ANCHORAGE, ALASKA 99508

While in Juneau
P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3818

APR 14 1987,

Senate

MEMORANDUM

April 13, 1987

TO: Representative Bette Cato, Chairman
House Transportation Committee

FROM: Senator Arliss Sturgulewski *AS*
Senate District F

RE: SCR 5 "Relating to promotion and marketing of the state-operated
international airports."

The lack of a marketing plan for the state's international airports could well result in reduced revenue for the airports in the future. It is hoped that the administration would be able to address this situation in the FY 88 budget. Since budgets are now in final preparation, I hope you will be able to schedule a hearing soon on SCR 5.

Please let me know if you need additional information. Thank you.

Alaska State Legislature

House of Representatives

Committee on Transportation



Rep. Bette Cato, Chairman

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

may 4
~~April 24~~, 1987

COMMITTEE CALENDAR:

- HJR 33: Relating to the shipping of Alaska oil.
- SCR 5: Relating to promotion and marketing of the state-operated international airports.
- HB 213: "An Act relating to allocation of federal-aid highway funds; and providing for an effective date."

FOR THIS MEETING YOU HAVE:

A folder on HJR 33 that includes:

- * a copy of HJR 33
- * a memorandum from Rep. Pourchot
- * a history and discussion of the resolution
- * a letter from the Governor
- * a fiscal note from the Dept. of Revenue

A folder on SCR 5 that includes:

- * a copy of SCR 5
- * a fiscal note from DOT/PP Senate & C. Committee
- * a memorandum from Sen. Sturgulewski
- * 1986 & '85 financial statements from the international airports
- * a letter of support from the municipality of Anchorage
- * a marketing report from the Anchorage Convention & Visitors Bureau
- * four magazine or newspaper articles
- * the House Labor & Commerce Committee Report Form

A folder on HB 213 that includes:

- * a copy of HB 213
- * a copy of the committee substitute for HB 213
- * a sectional analysis
- * a fiscal note & position paper on HB 213 from DOT/PP
- * information from the six-year capital plan
- * a classification of road miles within Alaska
- * a letter from the Ass't. Division Administrator of the Federal Highway Administration
- * a report on HB 213 from Rep. Hoffman
- * minutes from the 4/13 & 4/15 public hearings of HB 213

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: Sturgulewski
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 note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agencies

Alaska State Legislature



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While in Juneau
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(907) 465-3818

Senate

MAR 23 1987

March 20, 1987

MEMORANDUM

TO: Representative Bette Cato, Chairman
House Transportation Committee

FROM: Senator Arliss Sturgulewski (A)
Senate District F

RE: SCR 5 "Relating to promotion and marketing of the state-operated international airports"


SCR 5 "Relating to promotion and marketing of the state-operated international airports" has been referred to your committee. Timing is very critical as it is hoped that the administration will be able to incorporate this request into the FY 88 budget. The lack of a marketing plan for the state's international airports could have a very serious negative impact on our state and I hope that you can schedule an early hearing.

My concern in sponsoring SCR 5 is that there is no marketing plan for the state-operated international airports at Anchorage and Fairbanks. This resolution merely asks the administration to initiate a marketing plan. It does not try to push any preconceived structure or budget.

There are serious concerns about the future financial health of the international airports. New technology, particularly the new Boeing wide-body 747-400's can fly from Europe to the Orient without refueling in Anchorage. Growing competition from Moscow as well as Pacific Northwest cities could have a negative impact on passenger and freight through Anchorage.

A 1985 study by the Alaska Department of Transportation and Public Facilities showed that the Anchorage International Airport generated more than \$1 billion for the Anchorage economy. This included more than 13,000 jobs with annual earnings of \$375 million. This, of course, is a major contributor to the state's economy that we cannot afford to lose.

My staff is available to provide backup material. Again, thank you for your consideration.



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

EXHIBIT I
ADDITIONAL INFORMATION

STATE OF ALASKA INTERNATIONAL AIRPGRTS
(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	6,270,761	2,883,512	9,154,273
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	(2,625,603)	(206,763)	(2,832,366)
	<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.

APR 27 1987

Alaska State Legislature



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Senate

APR 27 1987

MEMORANDUM

April 24, 1987

TO: Representative Bette Cato, Chairman
House Transportation Committee

FROM: Senator Arliss Sturgulewski 
Senate District F

RE: SCR 5 "Relating to promotion and marketing of the state-operated international airports."

The attached letter from Mayor Tony Knowles points out the significant impact of the international airports. As his letter states, the loss of one overseas flight per week means the loss of more than 1 million dollars per year.

Attachment

Municipality of Anchorage



OFFICE OF THE MAYOR

P.O. BOX 196650
ANCHORAGE, ALASKA 99519-6650
(907) 264-4431

TONY KNOWLES,
MAYOR

April 22, 1987

The Honorable Arliss Sturgulewski
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Senator *Arliss* Sturgulewski:

For some time, concern has been expressed for the future viability of Alaska's International Airport System, including the facilities in Anchorage and Fairbanks. In fact, since 1979, Anchorage officials, business leaders and organizations have encouraged marketing programs to protect, develop or improve the crucial overseas revenue streams which make the airport system self-supporting.

Technological change is certainly one of the factors impacting the airports. Marketing won't prevent these changes, but it can re-position the airports to take advantage of the changes rather than be a victim of them. The real threat lies in competing communities and countries effectively using marketing tools and strategies to persuade carriers, passengers and shippers to use alternatives to the traditional Transpolar and Transpacific air routes through Anchorage. Even the Soviet Union is aggressively advertising the Siberian route.

The threat is no longer in the future. Very reliable sources have confirmed plans by some carriers to shift as many as six flights per week by mid-87 from Anchorage to the Siberian route. The average loss of one 747 overseas flight per week will impact Anchorage and Alaska annually with:

\$131,273 less in airport fees for customs, fuel, landing, loading, etc.

\$205,000 less in hotel revenues for crew rooms

\$100,000 less in miscellaneous spending by crews

\$608,400 less in duty-free and other concession revenues

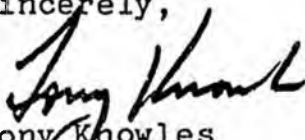
Total average loss in a year to the community, the airport and the State from the loss of just one overseas flight per week is more than \$1M.

If we stand by and fail to aggressively and effectively reposition Anchorage and the Transpolar route with carriers, passengers and shippers, we face the inevitable shift of the cost of operating the airport to either the taxpayers or to the domestic carriers, and ultimately, to the cost of inter- and intrastate air travel and shipping. We will not only lose economically in the near term - we will also lose the opportunity to develop overseas markets and trade. With higher domestic costs, we will also become less competitive in the effort to expand existing business and attract new business.

The airports are not just a state problem. They are crucial to the economic health of the communities surrounding them. With the participation of local private and public sector leaders and business organizations, we are forming the Anchorage Economic Development Corporation as a vehicle for the Municipality, the airport, and private business to market the economy and the airport cooperatively. We have encouraged a similar consortium to support the Fairbanks airport. We hope to be on the street by June 1, and we need your support and encouragement.

The need for action is clearly established. We have a plan, and now with AEDC we will have a vehicle to pool our resources for action. With hard work and cooperation, there is no reason we can't overcome this threat. We also need your support to continue to bring the importance of this problem and the critical need for action to everyone's attention on a local, state and federal level.

Sincerely,



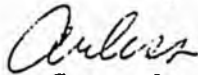
Tony Knowles
Mayor

 Anchorage Convention & Visitors Bureau

Our Community's Way of Attracting and Serving Visitors

Dana Brockway
President

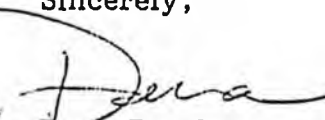
February 6, 1977


Dear Senator Sturgulewski,

Recently, I had an opportunity to talk with you regarding proposals to establish a national and international marketing program for Anchorage International Airport. I am forwarding this packet to provide you with some background information on the issue. While it is incomplete, I hope that you will find it useful.

In it you will find excerpts of several reports that detail the economic impact of airport activity on Anchorage's economy, problems that could erode the airports revenue base, opportunities that exist for market expansion, a proposed solution and copies of some of the articles and resolutions supporting the proposal. The concept of developing a strategic airport marketing program is not a new one, but it surely is an idea whose time has come. The importance of our need to intensify our efforts has never been greater. I hope that following review and discussion you will be able to support it. If I can be of any help or provide any additional information on this important issue, please call me.

Sincerely,


Dana Brockway
President

Anchorage!
Convention & Visitors
Bureau

1000 North
1000 North
1000 North
1000 North
1000 North
1000 North
1000 North

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: image 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 diastrophic.

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



Photo: David Partridge

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 by turning to Missoula, Montana, 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 Daggert, 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 1979



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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.

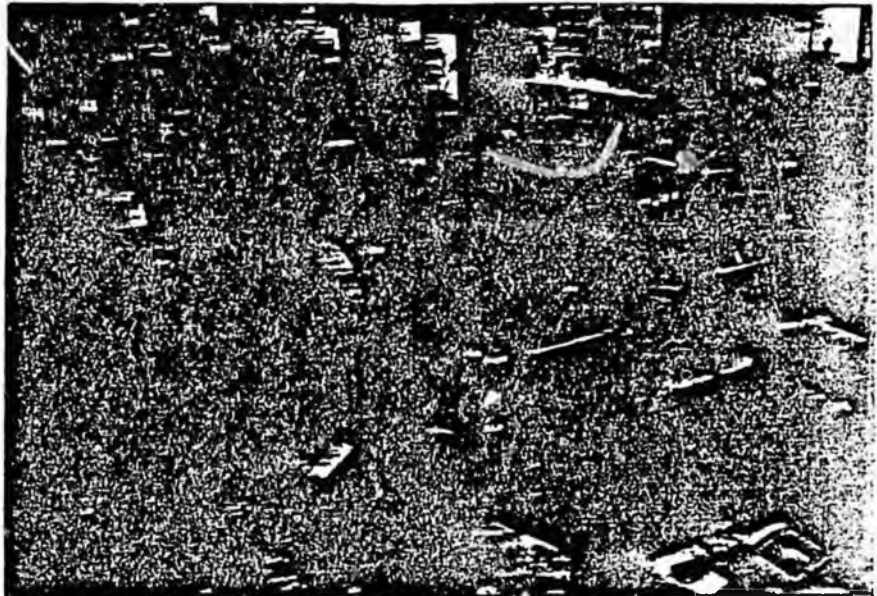
Daggett says an important factor in securing Portland's position as an international gateway was the more than \$4 billion in trade with Japan attributable to the region, which also includes southwest Washington. In the absence of such a trump card, Anchorage must play on other strengths: lack of congestion,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

the 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.

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 layover in Alaska. Hence the Division of Tourism also is meeting with carrier 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. □

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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 those 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 wintertime 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.

Columns . . . Other views, other insights

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 pop 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-



Courtroom
to
boardroom
by
Tony
Smith

tion 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**



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TONY KNOWLES
MAYOR

October 9, 1986

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

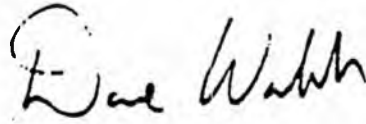
Dear Governor:

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/PF

A:EJG018.TXT

8-12-86

Submitted by: Economic Dev. Subcomm. Stee,
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.

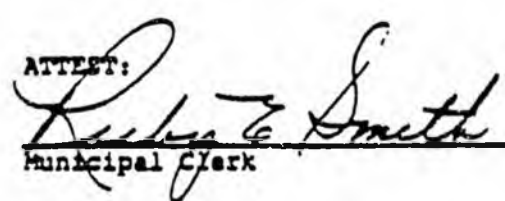
Section 2. That the creation of a strategic planning program for Anchorage International Airport is of utmost importance to Alaska's economic health.

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,

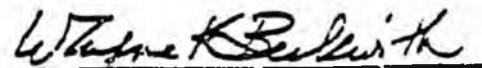
THEREFORE BE IT RESOLVED that the Anchorage Chamber of Commerce calls upon the Municipal Assembly to move forthwith and:

- 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
President



Wayne K. Beckwith
Executive Vice President

President: Elaine Atwood Executive Committee: Larry Baker,
Ken Calhoon, George Easley, Lee Fisher, Joe Heintz, Harold Heinze, 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, Bub Penney, Chief Brian Porter.

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

RECEIVED
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- 61

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

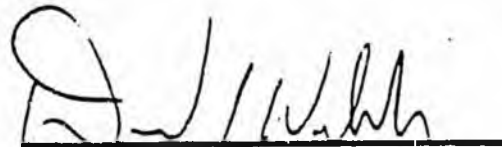
WHEREAS, the Port of Anchorage would be influenced by this change in status and thus is an interested agency.

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

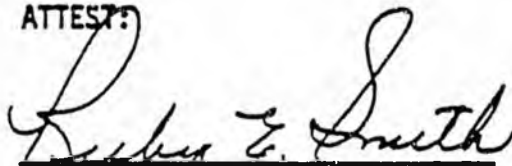
SECTION 1. The Municipality should immediately proceed to assess Anchorage's foreign trade zone potential, and define potential land areas for consideration.

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. However, it is well known that at least two international airlines (JAL and SAS) have exercised transit rights through Soviet airspace, which may have affected the level of international travel at the Airport. Other carriers are also contemplating route changes via the USSR which also may impact international passenger traffic to and through Anchorage.

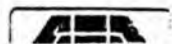


TABLE III.1

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	213,047	432,427	216,646	649,075
1967	268,557	269,459	538,016	414,809	952,825
1968	311,726	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	1,600,630
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

TABLE IV.2

SUMMARY OF RESPONSES TO AIRLINES INDUSTRY QUESTIONNAIRE
(DATA PERTAIN TO 1984-1985 CALENDAR OR FISCAL YEAR)

EXPENDITURE CATEGORY	NUMBER OF RESPONDENTS	EXPENDITURES (DOLLARS)	PERCENT OF TOTAL
(1)	(2)	(3)	(4)
Fuel	13	\$ 245,727,171	68.6
Wages and salaries	16	44,330,809	12.4
Other/Misc.*	5	20,734,600	5.8
Goods and services	12	12,753,753	3.6
Food, lodging, and transp. for flight crews	13	11,941,406	3.3
Benefits	12	8,836,808	2.5
Contracted maintenance	10	8,280,867	2.3
Terminal bldg. rent, landing and parking fees	14	4,666,786	1.3
State and local taxes	7	665,500	0.2
Total expenditures		\$ 357,937,700	100.0

QUESTION	NUMBER OF RESPONDENTS	RESPONSE
(5)	(6)	(7)
Number of full-time employees residing in Anchorage	16	1,183
Number of hotel room nights generated by		
airline personnel layover	13	60,780
unsched. passenger layover	10	8,161

SOURCE: Questionnaires distributed to airlines industry by Applied Economics Associates, Inc.

NOTE: * Includes items such as inflight meals, contracted ground handling, utilities, insurance, depreciation and interest, and security among others.

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	\$ 433,500,000	\$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.

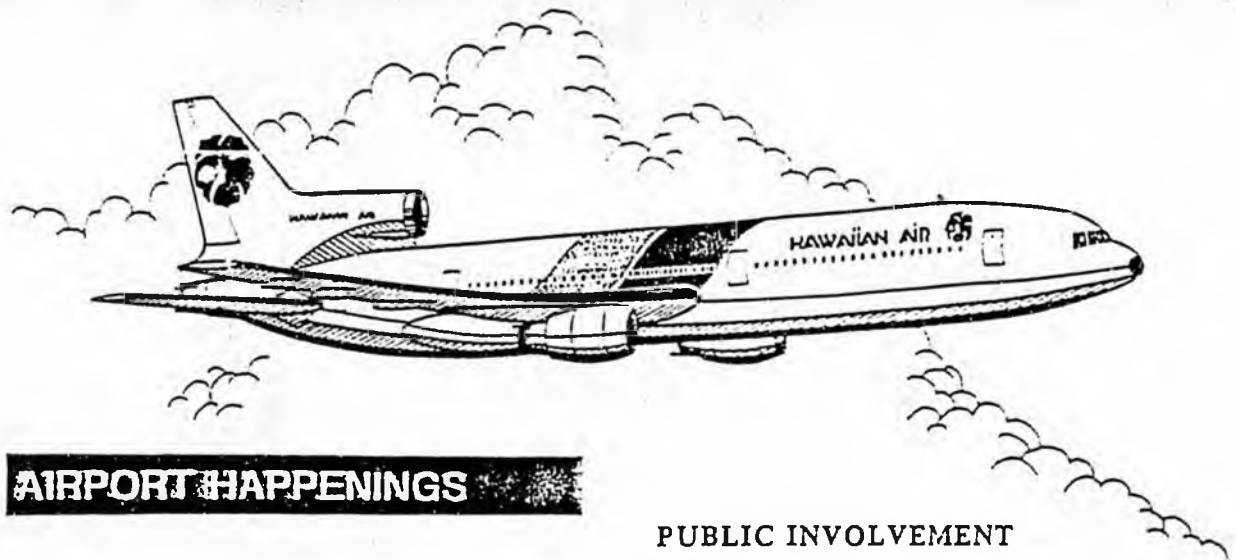


TABLE VII.1
SUMMARY OF AIRPORT-RELATED ECONOMIC IMPACTS ON THE ANCHORAGE ECONOMY
1983
(MILLIONS OF DOLLARS; NUMBER OF EMPLOYEES)

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.

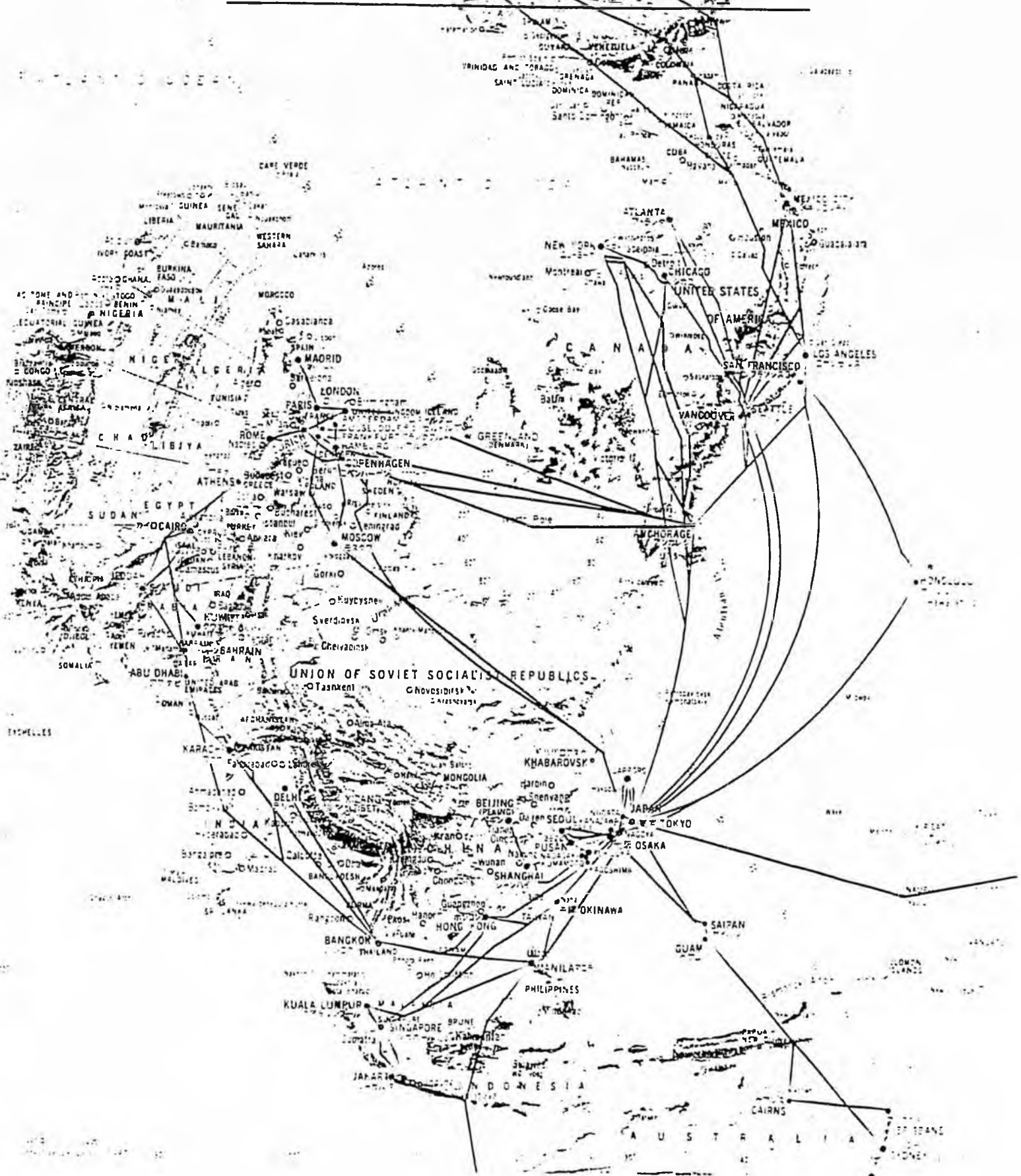
TRIVIA QUIZ

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.



日本航空国際線航路
JAL Route Maps





I A
EPUBLICS

U.S.A. ALASKA

Valdez I.

CANADA

KHAROVSK

Changehul

KURIA

OSAKA

OKINAWA

TAIWAN

MANILA

SAIPAN

MICRONESIA

INDONESIA

NEW GUINEA

AUSTRALIA

HAWAIIAN IS.
HONOLULU

POLYNESIA

SAN FRANCISCO

LOS ANGELES

SEATTLE

VANCOUVER

UNITED STATES OF AMERICA

MEXICO

MEXICO CITY

HOUSE COMMITTEE REPORT

3/20

(7)

Date referred: 2/13/87

FURTHER REFERRALS:

Transportation
Finance

DATE: 3/19/87

The Labor & Commerce Committee has considered SCR 5

Relating to promotion and marketing of the state-operated international airports.

RECOMMENDS:

- , replace with _____ , the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 2/3/87
- zero with analysis

SIGNING DO PASS:

Dave Wouley

Ellis

Davidson

Conrad

W. Furnace

Al B. Thomas

Stiles

SIGNING OTHER RECOMMENDATIONS:

Dave Wouley
Chairman's signature

MEMORANDUM

State of Alaska

TO: See Distribution List

DATE: August 25, 1986

FILE NO.:

THRU:

TELEPHONE NO.:

FROM: E. John Pearson
Travel Development Specialist
Division of Tourism

SUBJECT: Anchorage Overflight
Issue

Several days ago, I received a copy of a respected airline industry intelligence publication from England which provides an outstanding situational analysis of the overflight issue.

In reading this material (which was published in spring), you should keep in mind my previous memos that reported other airlines as having taken action on future overflights. These actions are not reported in the attached publication. So the situation is much more critical than reported herein.

There should be no question in anyone's mind that we are faced with a grim situation that few understand. It is, therefore, essential that information such as this receives the widest circulation among key opinion formers.

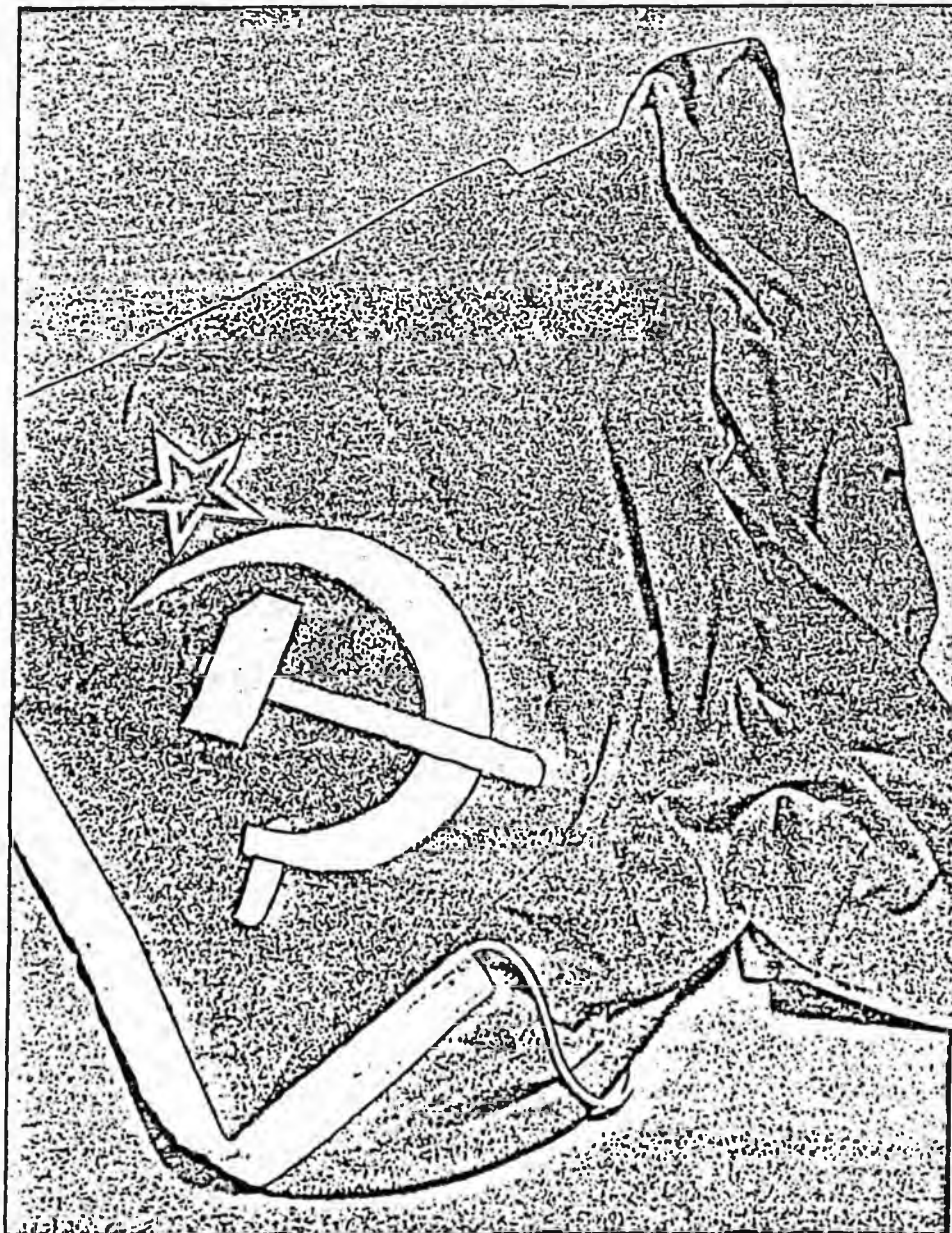
EJP/mst4493m
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Attachment

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Greg Baker, Deputy Commissioner
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Dan Dixon, Director, Office of International Trade

SOVIET GOODWILL HELPS OPEN UP AIR ROUTES

After last November's Geneva summit, the USA and Soviet Union agreed to resume flights between their countries. Meanwhile, Moscow is allowing more trans-Siberian non-stop overflights between Europe and the Orient. Trevor French examines the consequences of recent major diplomatic agreements.



Civil air treaty negotiators, who have for years numbered the Soviets among their toughest opponents, must be eyeing the two most recent agreements with the USSR with some surprise. Air services agreements with the Soviet Union have traditionally been heavily restrictive for the non-Communist partners. The commercial bias in favour of Aeroflot has caused raised eyebrows even among negotiators long used to the Soviets' tough bargaining positions, often prompted by Aeroflot's established role as a visible presence around the world and a generator of much-needed foreign currency. But it seems, temporarily at least, that Soviet attitudes towards air service partners have softened significantly.

The agreements which allow Pan Am and Aeroflot to resume services between the United States and the Soviet Union, and which allow direct non-stop flights between Europe and Japan through Soviet airspace, appear to have conceded real commercial advantages to Pan Am and Japan Air Lines without asking too heavy a price in return. Observers who cited the general thaw in East-West relations, which culminated in the Geneva super-power summit late last year, do not believe it was alone responsible for the apparent generosity of the Soviet air authorities. Indeed some have spoken of a new Soviet willingness to allow Aeroflot to operate with less protection, allied to a more realistic assessment of the security dangers posed by foreign aircraft using Soviet airspace, as contributing factors.

The air services accord which opened the way for the resumption of services between the US and USSR was seen by some as the only concrete result of the Geneva summit. In fact negotiations had been under way

since early 1985. Pan Am had suspended its direct Boeing 707 operations to the Soviet Union in 1978 for economic and commercial reasons. Crippling Soviet restrictions meant Aeroflot dominated the market and it became unprofitable for Pan Am. Aeroflot in turn had its US rights suspended in 1981 after the Soviet occupation of Afghanistan.

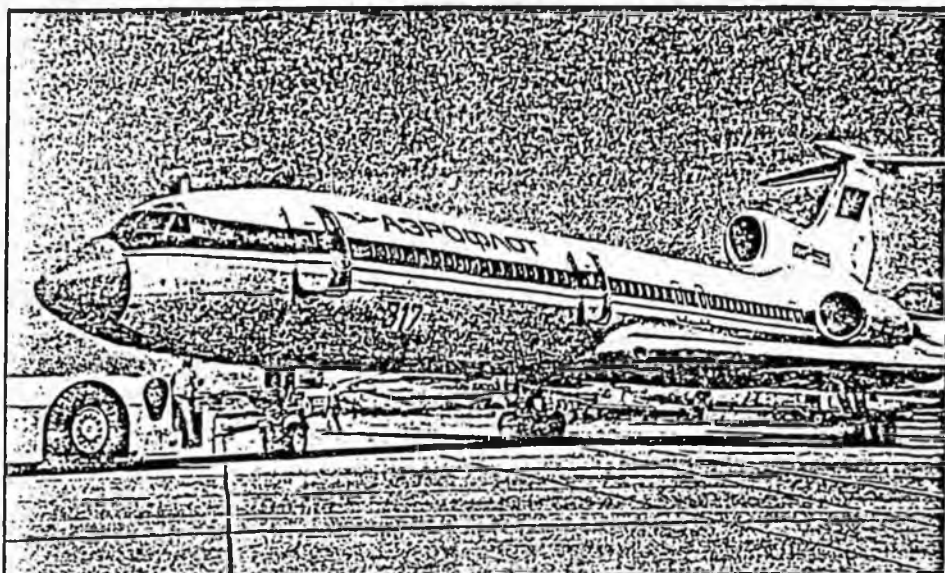
The new agreement means that when services resume on April 28 this year, Pan Am and Aeroflot regain basically the same rights they had before. Pan Am will, however, now be operating a change-of-gauge service by Boeing 747 to Frankfurt and then Boeing 727 on to Moscow four times weekly, with two of the flights continuing to Leningrad. Aeroflot has four weekly flights to New York, with two continuing to Washington.

The crucial difference is that the agreement now includes a revenue balancing mechanism which leaves Pan Am in a much stronger position commercially than before. Each carrier is allowed to retain full revenues for the first 12,000 revenue passengers it carries in either direction. Only after that number will revenue units, fixed at US\$175 per passenger, be shared with the other carrier.

Pan Am's senior vice-president of government affairs, Richard Mathias, says this mechanism, plus the change-of-gauge service, means the airline now expects the routes to be profitable. Before 1978 Aeroflot carried far more traffic than Pan Am, principally because Pan Am was prevented from selling tickets in the USSR and from "doing business on a regular basis," says Mathias. Pan Am still cannot sell tickets in the Soviet Union, although Aeroflot can now sell tickets in the US directly without having to sell through Pan Am. Hence the balancing mechanism.

"It's a sort of insurance policy that will allow us to operate with sufficient freedom so we can carry at least half of the market. Either airline will suffer significant financial losses if it is unable to capture a significant share of the traffic," says Mathias. "The real importance is to provide an incentive to Aeroflot and the Soviet Government to allow Pan Am to carry roughly a half share of total traffic. It's something both sides are comfortable with."

The more liberal commercial conditions of the US-USSR services are not the only benefit extracted from the Soviets. Pan Am also gained the right to overfly Soviet territory on seven scheduled services a week between Frankfurt and the Indian sub-continent. Mathias says Pan Am has



Aeroflot aircraft will return to American skies when scheduled services resume in April.

not yet completed its plans for these routes, but agrees that substantial fuel savings not far short of US\$500,000 a year will be made by abandoning the present much more westerly routings. The overflight rights were part of the overall package, and there was no item-by-item trade off in the negotiations.

Both Mathias and chief spokesman of the US Department of Transportation team at the negotiations, Ed Oppler, noted what they called a "greater receptiveness" on the part of their Soviet counterparts. Oppler is not happy that the US was forced into having the balancing mechanism, and adds that it would not sign such an agreement with any other country. But he agrees that it is a significant concession by the Soviets and Pan Am will benefit substantially from it.

"I think they were willing to take more of a commercial risk in the balancing mechanism because they knew our carrier was guaranteed a certain share. It was very important for them to get this service going again for a combination of reasons - economic, gaining hard currency, and showing the flag," says Oppler.

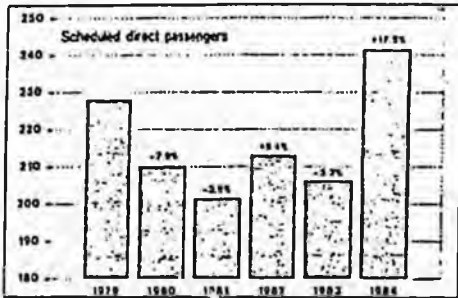
Negotiations between Japan and the Soviets for Japan Air Lines' rights for four non-stop Europe to Tokyo overflights a week took much longer than the US-USSR pact. The agreement was announced in February last year after discussions opened in 1981. But again in the end the agreement reached seems remarkably uncomplicated. JAL's regional manager UK and Eire, Takemi Tamaki, describes it as a simple exchange of traffic rights. "There were no politics involved, no trickery." JAL is starting with two direct trans-Siberia non-stop return flights a week from London and Paris from April 1. The flights will replace services which at present operate from the same destinations via a stop-over at Moscow. In return Tamaki believes Aeroflot gained cargo frequency between Moscow and Tokyo.

While JAL's traffic rights between Europe and Japan remain unchanged in terms of capacity and frequency, the Russian concession gives the airline a sharp commercial edge in a market it already dominates. Fares remain unchanged, but the substantially reduced flight durations compared with the routes via Moscow and Anchorage (see table), plus more attractive arrival and departure times, will help JAL corner the business travel market at which the non-stop services are principally aimed, says Tamaki. JAL is expecting load factors on the non-stop flights to be three or four points higher than those on its existing services, which average between 70 and 75 per cent. Substantial cost benefits include a fuel saving of some US\$450,000 a year at the present frequency compared with a Moscow stop, and savings in landing and ground handling fees at Moscow.

Why did the Soviets agree to this concession if they stood to lose foreign currency earned through JAL stopovers at Moscow? Tamaki believes the answer is to be found in Aeroflot's increased penetration and market share on routes from Moscow to Europe and Tokyo. The negotiations which allowed the first Europe-Moscow-Tokyo services in the early 1970s also spawned a pooling formula which meant that money continuously flowed from Western airlines to Aeroflot, then a vastly unpopular airline. That pooling formula still exists, says Tamaki, but under its terms the flow of currency is no longer one-way traffic. The Soviets, it seems, are satisfied with Aeroflot's performance on the route and did not view non-stop overflight rights as a lever to extract large concessions from Japan. And Japan, of course, was in the powerful position of being the single destination not only of Aeroflot's Tokyo flights, but also those from many European countries.

Full development of the non-stop trans-Siberia route is being held back at the

USSR



The strong traffic growth between London and Tokyo in 1984 is likely to have been repeated in 1985. Passengers up to May 1985 were 16.9 per cent up. Source: British Caledonian.

moment by Japan's bilateral partner, Britain, claims JAL. The British at present are only allowing JAL a single non-stop flight a week to London. JAL wants to operate all four services for which the Soviets have granted non-stop overflight rights from the British capital, but is being forced for the moment to fly just two, one of them from Paris.

At press time Britain's future on the non-stop route to Tokyo was awaiting the final outcome of a conflict between British Airways and British Caledonian. BCal has been granted three non-stop services a week from London-Gatwick, two continuing to the South Korean capital of Seoul. BA serves Tokyo six times a week via Anchorage, having added the sixth service in mid-1985 after BCal's application, and has indicated it wants to start a seventh service and to serve Seoul. But the UK-Japan bilateral allows only eight flights a week. BCal failed to have BA restricted to five, all via an intermediate point, and also failed to have London-Seoul deleted from BA's licence. If both airlines are to be satisfied Britain will have to negotiate with Japan for at least two more London-Tokyo flights a week, and may have to allow other Japanese airlines to serve London in return.

BCal's planning and corporate affairs director, Peter Smith, sees the issue as the first real test of the British Government's resolve to introduce more competition between the two British carriers. "We would expect BA to operate non-stop services, but if there are only a limited number available, BCal would expect to have them all."

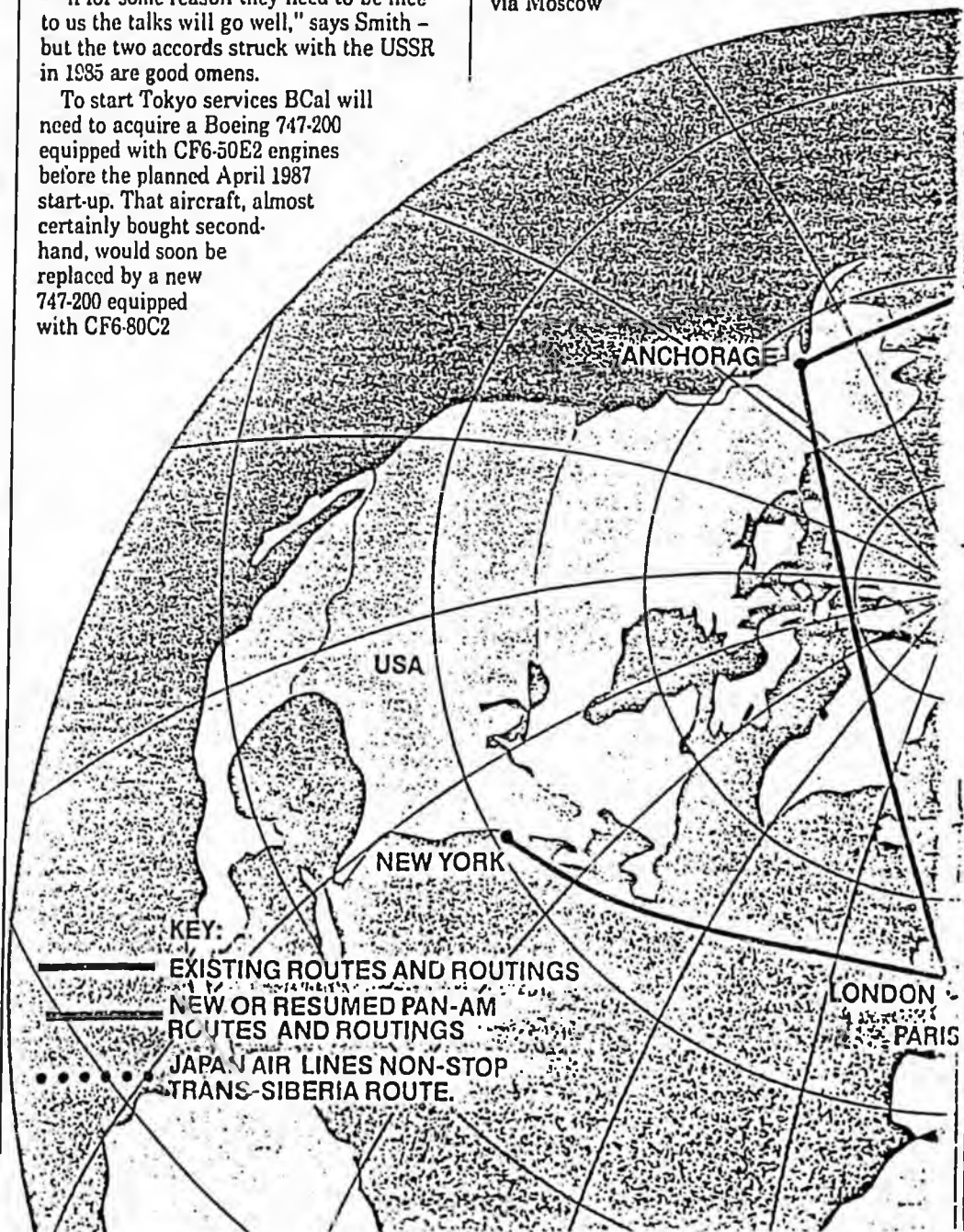
Right: The two recent agreements with the Soviets show a new willingness to grant commercial benefits to western airlines through their use of Soviet airspace.

Smith believes there are no insurmountable issues in the way of finalising overflight rights for Britain with the Soviets. "The benefits of securing this for the United Kingdom are very substantial." Britain's position in negotiating with the Japanese is complicated now BCal has approval for the routes, as two British carriers are now involved in the bilateral. But as Aeroflot already overflies Britain between 12 and 16 times a week on flights to Cuba, and needs the rights it presently holds to land through Heathrow, Smith believes Britain is in a powerful bargaining position. As is usual with the Soviets, timing could be important - "if for some reason they need to be nice to us the talks will go well," says Smith - but the two accords struck with the USSR in 1985 are good omens.

To start Tokyo services BCal will need to acquire a Boeing 747-200 equipped with CF6-50E2 engines before the planned April 1987 start-up. That aircraft, almost certainly bought second-hand, would soon be replaced by a new 747-200 equipped with CF6-80C2

engines, says Smith. But in the meantime, all such plans await the outcome of the negotiations with the Japanese, the Soviets, and the Koreans. The Soviets may not be happy about the flights going on to Seoul.

It remains to be seen whether the start of JAL's non-stop flights will generate a queue of European airlines knocking at the Soviets' door asking for similar rights. Air France is expected to begin non-stop services from Paris to Tokyo soon after JAL. But Lufthansa, which has had none too good relations with the Soviet Union and Aeroflot in the past, is biding its time. The West German airline suspended Tokyo flights via Moscow



in April 1983 after Soviet demands in return for permission for Lufthansa to change from Boeing 707s to widebody aircraft proved too expensive. Soviet demands for beyond rights from Frankfurt, and problems with ticketing in Moscow, were also believed to be behind Lufthansa's withdrawal. Lufthansa, and indeed JAL itself, believes JAL's start-up frequencies are too few to have a significant impact on overall market shares between Europe and Tokyo. Until a larger number of non-stop flights are operating it seems to be a case of "wait and see".

Both 1985 agreements with the Soviets were conditional on the implementation of

Route	Time	Distance
London/Heathrow - Tokyo/Narita Non stop via Moscow Polar route	11 hr 35 min	10,270 km
	14 hr 10 min	10,570 km (1 hr 20 min stopover)
	17 hr 15 min	12,906 km (1 hr 15 min stopover)
Tokyo/Narita - London/Heathrow Non stop via Moscow Polar route	12 hr 20 min	10,270 km
	14 hr 55 min	10,570 km (1 hr 10 min stopover)
	16 hr 20 min	12,906 km (1 hr 15 min stopover)
New York/JFK - Tokyo/Narita Non stop	14 hr	11,293 km
Tokyo/Narita - New York/JFK Non stop	12 hr 20 min	11,293 km

safety measures for aircraft on North Pacific air routes, worked out between US, Soviet and Japanese officials in Washington in November last year. That agreement will have gone a long way towards reassuring those who remember the shooting down by Russian fighters of the Korean Air Lines Boeing 747 on August 31, 1983, after it strayed into sensitive Soviet airspace near the island of Sakhalin. Despite that shattering demonstration of what was seen as trigger-happy Soviet paranoia about its airspace, JAL sees no real marketing disadvantage in the fact that its non-stop flights spend so much time in Soviet airspace. Fear of overflying the Soviet Union has never harmed JAL services which fly the same route to the Moscow stop and will not harm

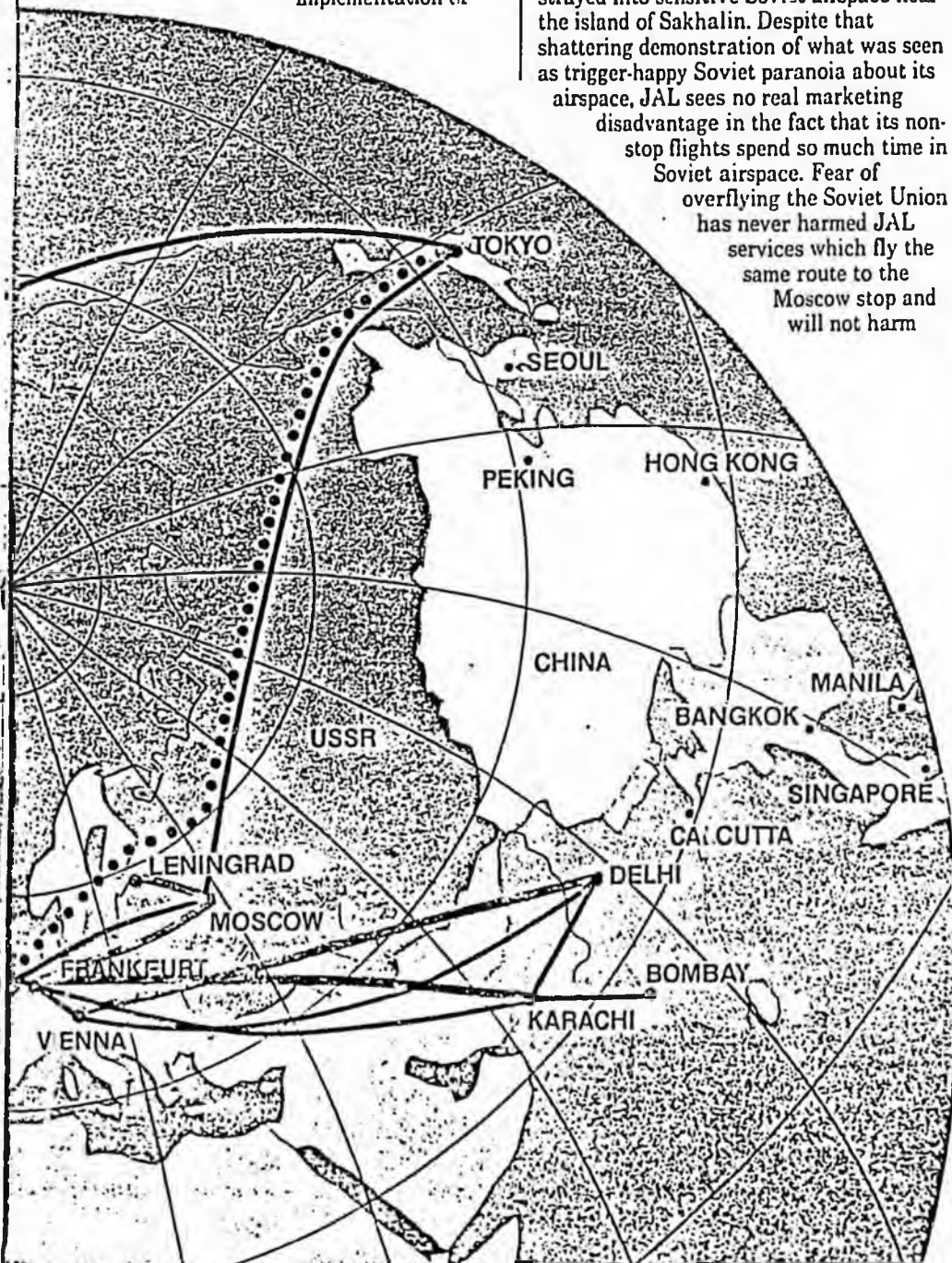
the non-stop service either, says Tamaki.

Some passengers are less happy, but for different reasons. One carrier with routes between Europe and South-East Asia reported that some companies, whose representatives frequently carry "sensitive documents", would only book with airlines whose routes avoided Russian airspace.

BCal's Smith believes there remains one further major prize to be won involving Soviet airspace - a direct route from Europe over the Soviet Union and China to South-East Asia. Cathay Pacific calculates such a route would cut almost two hours off its present non-stop London-Hongkong flight duration of 12 hours, but is unaware of any British initiative to secure such rights. Singapore Airlines, for which the time benefits would be much less, considers the political relationship between the Soviet Union and China makes the route too remote a possibility to be worth considering. "If we thought there was a prospect of being able to operate our Boeing 747-300s to London non-stop on a great circle route we wouldn't be considering the expense of buying a 400 series," says a SIA spokesman.

Smith disagrees. "It may not be possible at the moment, but at some stage I do see the route being established." Britain's withdrawal from Hongkong in 1997 will mean powerful commercial and political pressures from China, he says. "How long can Hongkong afford to be at a disadvantage to, say, Singapore and Tokyo? They are going to want that route to get the best air services between Hongkong and Europe, and there are already signs of a thaw between China and Russia."

In the meantime the new trans-Siberian services and Pan Am's overflight rights to India remain the latest routes to chip away at the vast blank space in the world's air routes that is the Soviet Union. That country's position as an enormous barrier between Europe and the Orient gives it a powerful bargaining position in air treaty negotiations. But the two new agreements do show that the barrier is not impregnable. And the apparent new-found willingness on the part of the Soviets to grant more overflight rights holds out hope that other prizes may be won.



Alaska's Economic High Flyer

By MARK HARRIS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source: Alaska Department of Transportation and Public Facilities

air cargo services. The Bethel airport is an example.

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

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

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

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

Anchorage International

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

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

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

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

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

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

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

The Jet Set

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

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

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

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

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

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

TABLE 2
Airport Construction Costs
by Runway Dimensions

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

IFR = Instrument Flight Rules

VFR = Visual Flight Rules

STOL = Short Takeoff and Landing Aircraft

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

Source: Cook Inlet Transportation and Resource Development Plan, 1984

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

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

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

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

Building to Keep Up

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

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

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

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

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

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

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

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

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

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

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

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

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

Fairbanks International Airport

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

TABLE 3
Economic Impact of
Anchorage International Airport

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

TABLE 4
AIA Operations Forecast

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

*In millions of lb.

Source: Coffman Associates for DOT/PF, January 1986

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

FIA handled about 600,000 passengers in fiscal 1985. About 260,500 of them boarded commercial flights at the airport. This was down from the peak of 301,288 in 1983. The number of people boarding flights in Fairbanks increased by about 10 percent a year between 1979 and 1983, but passenger traffic has been declining since.

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

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

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

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

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

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

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

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

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

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

As noted, DOT/PF operates the two

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

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

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Anchorage 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.

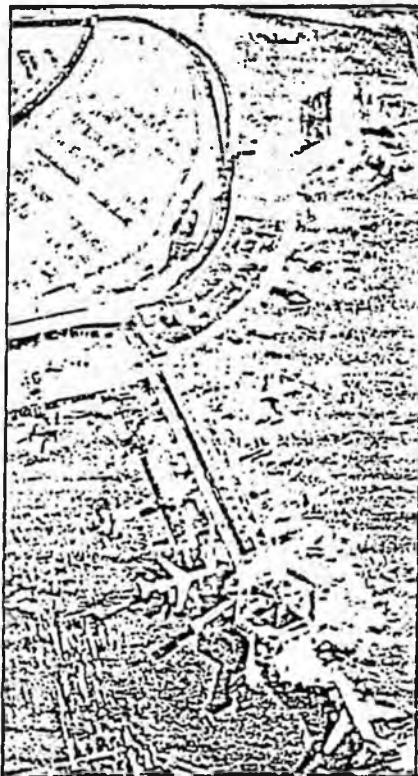
Among the nation's 36 medium-sized air traffic hubs, Anchorage ranks second in number of revenue passengers. Indeed, last year more than 4.6 million passengers were handled at the airport.

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 provisioning, fresh flight crews are accommodated for two to four days at a time at Anchorage, depending on flight and personnel schedules. Indeed, an airport economic impact study conducted last year by Applied Economics Associates (AEA), revealed that airlines paid for nearly 69,000 hotel rooms in Anchorage due to crew and unscheduled passenger layovers.

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

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

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

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

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

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

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

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

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

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

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



Alaska Airlines carries highest Alaska-Lower 48 volume.

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

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

Heavy traffic, plus floats

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

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

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

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

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

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

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

Because the airport is getting close to

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

gate capacity during those three periods, continued 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. ■

Protecting the future of Anchorage's

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 facilities

Comments

by Al Parrish



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, to is going to become inc years ahead. And not ju it. At this time, Ancho very critical challenge ment of aviation technol

I'm sure most of you Boeing 747-400 series a adva. ced version of the Anchorage International years. However, the new two-person flight crew, crew members required able to carry between 4 will be able to fly appr stop. This will allow ti Tokyo and Frankfurt. Hong Kong and Londo chorage.

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One good example c developed by the Port . new Jersey for passens three major airports: K ark International and L Your Way Over, Stopov one-night hotel at a ch VIP shopping service a with language assistar theatre tickets, a welc

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 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 ample runway cal concerns.

s have helped to airports in the volume. In 1982, 3,000 metric tons Tac. By 1985, the increased to 11.5 Freight went up t.

HOUSE COMMITTEE REPORT

3/20

(7)

Date referred: 2/13/87

FURTHER REFERRALS:

Transportation
Finance

DATE: 3/19/87

The Labor & Commerce Committee has considered SCR 5

Relating to promotion and marketing of the state-operated international airports.

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 2/3/87
- zero with analysis

SIGNING DO PASS:

Dave H. Douley

Th. Ellist

Cliff Davidson

Cont. [unclear]

W. Furnace

[unclear]

[unclear]

SIGNING OTHER RECOMMENDATIONS:

Dave H. Douley
Chairman's signature

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May, 1988

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Mary Van Nimwegen

H. TRANS.

5-4-87

1:30 P.M.

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/20/87

FURTHER REFERRALS: Finance

DATE: May 4, 1987

The Transportation Committee has considered SCR 5

Relating to promotion and marketing of the state-operated international airports.

RECOMMENDS:

- replace with _____ the same title
 attached amendment(s) _____ a new title
- do pass
 do not pass
 no recommendation
 individual recommendations
 additional referral to the _____ Committee

ADOPTS: _____ letter of intent .

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
 zero fiscal note same as previous zero fiscal note published 2/3/87
 zero with analysis

SIGNING DO PASS:

Bette Cato

Bill Hulse

Ed A. Bunker

Kevin Spry

SIGNING OTHER RECOMMENDATIONS:

Bette Cato

Chairman's signature



Official Business

COMMITTEE:

House Transportation Committee

DATE: May 4, 1987

SIGN-IN

Subject of meeting:

*HJR 33: Relating to the shipping of Alaska oil.

SCR 5: Marketing of International Airports.

HB 213: Allocation of Federal Highway Funds

NAME Please include title **ADDRESS** Please use full address. Please include zip. **PHONE** **REPRESENTING** **DO YOU WANT TO TESTIFY?**

Jim Palmer Majr Gov'n't Affairs	STANWARD AVE. BOX 196612 Alaska Production/Processing Anch 99519	6612 564-5403		HJR 33
Chief Vincent Wright	Research Section Taxation	465-2173	Dept of Revenue	HJR 32
MARK HICKEY	DOT/AF		DOT/AF	HB 213
Sen. Sturgulewski	The Alaskan State Leg. Pouch II Juneau 99811	465-4989	Sponsor of SCR 5	
Rep. Hoffman	"	465-4453	Sponsor of HB 213	

* indicates first public hearing