SCOMM 103:10

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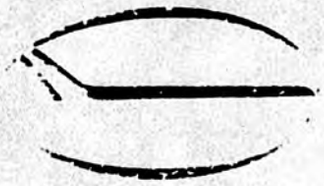
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* Included in all ITT committee member packets
** A portion of letters included in all ITT committee member packets





Air Transport Association

March 17, 1998

Honorable Jerry Ward
Chairman, Senate Transportation Committee

Honorable Bill Williams
Chairman, House Transportation Committee

Honorable John Cowdery
Chairman, Special Committee on International
Trade and Tourism

Alaska State Legislature
Juneau, AK 99801-1182

Re: House Bill 432, Terminal Expansion 2005

Dear Senator Ward and Representatives Williams and Cowdery:

The Air Transport Association member airlines[1] and the undersigned carriers serving Alaska strongly support the proposed expansion of Anchorage International Airport's (AIA) Domestic Terminal and urge your favorable consideration of House Bill 432.

The AIA and future economic development of Anchorage are critically dependent upon the airport's ability to provide the new facilities needed to meet anticipated growth in passenger and air cargo traffic. Concourse C, built in the 1950s, does not meet today's customer demands and building standards. The airport's main terminal has only 75% of the space necessary to serve today's passengers. By 2000, the existing terminal will

---

[1] **ATA Member Airlines**

Alaska Airlines
Aloha Airlines
America West Airlines
American Airlines
America Trans Air
Atlas Air
Continental Airlines
Delta Air Lines
DHL Airways
Emery Worldwide
Evergreen International Airlines
Federal Express
Hawaiian Airlines
Midwest Express Airlines
Northwest Airlines
Polar Air Cargo
Reeve Aleutian Airways
Southwest Airlines
Trans World Airlines
United Airlines
United Parcel Service
US Airways

Associate Members

Aeromexico
Air Canada
Canadian Airlines Int'l.
KLM Royal Dutch Airlines
Mexicana Airlines

provide only 60% of the space needed. Public areas of the terminal such as the ticket area and baggage claim currently contain less than half of the space needed to operate efficiently.

Surface transportation within the airport area is also inadequate. Terminal curbside roads need to be 50% longer to relieve congestion. A continuous return loop road is needed for improved safety and convenience.

The proposed project is designed to accommodate the six million passengers who are anticipated by 2005. The project will add: five new jet gates (for a total of 24); seven new positions for aircraft serving regional markets (for a total of 20); associated gate lounges, ticketing areas, baggage claim facilities and an extended curbside road.

The project will also significantly upgrade the existing terminal, roads and parking, including extending the upper level departure curbside bridge and roads; replacing Concourse C; expanding terminal space, adding tour group processing space; and improving air-side facilities. Construction is scheduled to begin by 1999 in order to be completed in time to meet the expected customer demand of 2005.

While it has been suggested that a number of air carriers do not support the project as proposed, the undersigned ATA member carriers -- which are responsible for 85% of the traffic at AIA -- support the project and urge enactment of House Bill 432.

Moreover, we believe the partnership and decision-making process underlying the airport expansion plan has been a model of cooperation between government and airlines. The Department of Transportation has shared information and has sought and utilized airline industry expertise. We wish this same partnership could be replicated at every airport nationwide.

We also understand that concerns have been raised about the cost and scope of the project. As you know, the project will be financed with airport revenue bonds and federal highway funds. Except for the limited state portion necessary to obtain federal highway funds for access road improvements, *no general fund appropriation is needed* from the State of Alaska for the terminal expansion. The airport revenue bonds will be entirely repaid through fees paid by the airport users that will be reasonable and consistent with similar, comparable airports around the country. Given the exceptionally low interest rates, now is the time for the State of Alaska to seize the opportunity and proceed with this project in one package. It is not cost-effective to consider any type of phasing of this work.

In conclusion, we believe this project is needed to cure the existing deficiencies of the airport and to meet future market demands. The project will provide Anchorage – indeed, the whole State of Alaska with modern airport facilities that will serve as a demonstration, throughout the country, of fiscally prudent expansion and modernization.

We urge your support for HB 432.

Sincerely,

William S. Ayer
President
Alaska Airlines, Inc.

Richard H. Anderson
Senior Vice President
Northwest Airlines, Inc.

C.A. Howlett
Vice President, Public Affairs
America West Airlines

Richard D. Reeve
President
Reeve Aleutian Airways, Inc.

Irene E. (Nene) Foxhall
Vice President,
State and Civic Affairs
Continental Airlines, Inc.

Larry D. Clark
Vice President,
Properties & Facilities
United Airlines, Inc.

Harold L. Bevis
Vice President, Public Affairs
Delta Air Lines, Inc.

Joseph E. Richardson
Airport Properties Manager
United Parcel Service

Graham R. Smith
Vice President, Properties & Facilities
FEDEX Corporation

HB 432

REGAL ALASKAN HOTEL

March 18, 1998

The Honorable John Cowdery
State Capitol
Juneau, AK 99801-1182

Dear Representative Cowdery,

I am writing to express my support for the Anchorage International Airport's redevelopment plan. Alaska deserves a modern international airport facility. Anchorage International Airport has already proven its worth as an economic engine to grow and develop our state. Most Alaskans use the Anchorage airport every year. Some repeatedly.

Since the project is expected to be entirely funded through airport revenue bonds and federal funds, we would not have to overlook other worthwhile projects in favor of this necessary expenditure. As a member of the tourism community, concerned about Alaska's economic future, I can tell you that this is the right time for the Anchorage International Airport redevelopment project to go forward.

Sincerely,

Max J. Lowe

Max J. Lowe, CHA
General Manager

MJL:ta

Cc: Bill Elander
ACVB Executive Board

A REGAL INTERNATIONAL HOTEL
4800 Spenard Road • Anchorage, Alaska 99517-3236
Phone 907.243.2300 • Fax 907.243.8515 • Worldwide Reservations 800.222.8888
http://www.regal-hotels.com/anchorage • e-mail: regal@alaska.net

Anchorage Economic Development Corporation
The Center of Opportunity

February 20, 1998

Honorable John Cowdery
Alaska House of Representatives
State Capitol (MS 3101)
Juneau, AK 99801-1182

Dear John:

At the full meeting of the Board of Directors on February 4, 1998, The Anchorage Economic Development Corporation adopted the enclosed position of support for the improvement of the Anchorage International Airport.

The AEDC recognizes the need to improve the passenger terminal and to provide appropriate amenities supporting travelers. The AEDC also recognizes the importance of cargo traffic to the economic viability of the Anchorage International Airport. The transportation and access corridors play an important part in the future growth of the cargo business in Anchorage. It is important for these elements to be included in the planned improvements to AIA. The AEDC supports a financing approach that maintains the cost competitiveness of carrier operations at AIA.

Please keep us advised of the progress of this project. We will provide appropriate comment and documentation during the process of moving this complex undertaking forward.

Sincerely,

Ernest E. Hall
Chairman of the Board

cc: Tony Knowles, Governor, State of Alaska
Joseph Perkins, Commissioner, Dept. of Transportation & Public Facilities
Mort Plumb, Director, Anchorage International Airport
Randy Simmons, Director, AIDEA

550 West Seventh Avenue, Suite 1400 ▪ Anchorage, Alaska 99501 ▪ phone 907-258-3700 ▪ fax 907-258-6646 ▪ e-mail aedc@alaska.net

Anchorage Economic Development Corporation
Statement of Position on
Anchorage International Terminal Expansion
February 4, 1998

I. Introduction

The Anchorage Economic Development Corporation (AEDC) has identified the Anchorage International Airport (AIA) as one of the most important economic engines of the metropolitan area of Anchorage. With over 11, 000 employees and $319 million in payroll, the AIA accounts for almost one job in 10 in Anchorage. In 1997, 34 air carriers have landing rights at AIA. The airport currently serves over five million passengers annually, over half are Alaskans, with 25% domestic visitors, and 15% international travelers. Based on current trends, six million passengers are expected by the year 2005. The Anchorage International Airport is the top U.S. cargo airport based on landed weight of all-cargo aircraft. Over 95% of the cargo between the U.S. and Asia stops in Anchorage. The expanded cargo transfer capability ruling approved by the U.S. Department of Transportation has enhanced the ability of cargo carriers to transfer cargo in Anchorage. This makes AIA even more attractive for cargo hub operations and inter-airline cargo transfers.

II. Three Reasons to Support the Terminal Expansion

Anchorage International Airport has proposed a terminal expansion project based on forecasts of need to the year 2005. A number of scenarios were reviewed and evaluated, and the program is designed for implementation over a period of years. AIA proposed financing of the project projects results in fees for doing business at the airport which are competitive with those of medium and large hub airports in the United States.

A. Anchorage is the passenger gateway to Alaska. Based on national industry standards, current terminal facilities are inadequate for today's needs and insufficient to accommodate growth.

- Main terminal provides only 75% of space needed today.
- Ticket lobby is only 40% of the space needed today.
- Baggage claim lobby is only 43% of the space needed today.
- Concourse "C" is functionally obsolete. Built in 1952.

B. Cargo activity provides a business-based reason for aircraft to land in Anchorage.

- Of the $191 million in the terminal expansion project, $18 million is earmarked for hard stand development for cargo carrier refueling
- Facility and transportation infrastructure is required to support growth of cargo operations at AIA. Efficient road access for cargo and freight movement between industrial parts of the city and the airport need to be addressed.
- The AIA improvement plan includes the road access and taxiway development requirements to support cargo movement into and within the airport.

C. **Through its airport, Anchorage can make a good first impression. Vacationers and business travelers first exposure to Alaska is the Anchorage International Airport. The current terminal would benefit from amenities found at most major airports. The terminal expansion includes the following major elements:**

- Five new jet aircraft gates.
- Seven new regional aircraft parking positions.
- Expanded and new ticket lobby and baggage claim.
- Expanded curbside and road system.
- New tour group processing facilities.
- Expanded and new retail space.

III. AEDC Supports Revitalization of the Anchorage International Airport

The AEDC supports essential improvements to the passenger terminal at AIA as well as the improvements to cargo carrier service. The AEDC also supports the upgrading of roads to expedite movement of passengers and cargo between the AIA and destinations within Anchorage. The financing of these improvements should be phased to provide a continuation of competitive costs for use of the airport for both passenger and cargo carriers. The revitalization of AIA will enhance its role as a major economic engine of Anchorage and will provide a facility commensurate with its world class status in global travel and trade.

HB 432

TONY KNOWLES
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

February 19, 1998

Dear Alaska Businessperson:

The Anchorage International Airport is a vital business center and major force in Alaska's economy. As our economy grows, Alaska's largest airport must be poised to accommodate and assist this growth.

I have introduced Senate Bill 277 and House Bill 382 to issue $204 million in revenue bonds for a much needed redevelopment of the Anchorage International Airport. This program will ensure the airport is positioned to meet the needs of the traveling public today and service the private sector industries which rely on it.

A record number of passengers--more than 5 million--used Anchorage International Airport last year. Analysts expect a 4 percent annual passenger growth rate to continue through the year 2005. The airport generates 7,000 direct jobs and another 4,000 indirect jobs, and that job growth also is expected to increase by about 5 percent per year in the near future. The air cargo industry at the airport is one of the most dynamic industries in the region, growing annually at a double-digit rate for several years.

In spite of this demand and growth, Anchorage's passenger terminal suffers from major deficiencies. The terminal area is only 75 percent of the space needed for current traffic, while the baggage claim and ticket lobby areas are only 40 percent of necessary space. Curbside space is insufficient for the number of people trying to get into and out of the airport. Concourse "C," built in the 1950s, is functionally obsolete and code deficient.

In addition to the $204 million in revenue bonds, we will utilize at least $26 million in federal funds to complete this project over the next five years. My plan will expand the existing ticket lobby, baggage claim, and retail areas by 350,000 square feet; rebuild the "C" concourse, add five new aircraft jetways, seven aircraft parking spaces for regional carriers, a tourgroup handling facility; and expand curbside loading and unloading space for vehicles.

The revenue bonds will be financed through fees paid by the passenger and cargo airlines that use the airport system. Airlines carrying 84 percent of the passengers using Anchorage International Airport support these bonds. I hope you will, too.

It is vital to the state's economy that we improve and expand the Anchorage International Airport to keep pace with public and business demand. Please help me support this project by supporting SB 277 and HB 382 in the Legislature. There's no question this project is needed and needed now. It's time for Anchorage to again be called the "Air Crossroads of the World."

Sincerely,

Tony Knowles
Governor

HB 432 2001

Municipality of Anchorage

P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4431
Fax: (907) 343-4499
http://www.ci.anchorage.ak.us
Rick Mystrom, Mayor

OFFICE OF THE MAYOR

February 23, 1998

Anchorage Caucus Members
State Capitol
Juneau, Alaska 99801

Dear Caucus Member,

Economic development has been and continues to be one of my administration's top priorities. We are all working to develop and grow our economy so that our city's prosperity is based on a more diversified economic portfolio. Oil, tourism, and resource harvesting remain the centerpieces to our economy, however, there are many new exciting and rapidly developing economic opportunities for Anchorage.

Fostering economic development for a city so geographically removed from the rest of the United States really begins at our airport. The Anchorage International Airport is the top transportation hub in Alaska serving over 5 million passengers per year and employing 1 out of every 10 workers in Anchorage. The problem for Anchorage and all of Alaska is that the airport is becoming functionally obsolete. Concourse C, built in 1952, is not up to code, current ticket counters are 60% too small for the current usage, the baggage claim area is less than half of the size needed, and vehicle access is limited.

I support the Airport's plan for expansion. Without future airport expansion, economic growth in our State will be stifled. I urge your prompt consideration of this plan.

Sincerely,

Rick Mystrom

Rick Mystrom
Mayor

cc Mort Plumb, Airport Director
Kurt Parkan, Deputy Commissioner DOT

Support
HB 432

ASSOCIATED GENERAL CONTRACTORS of ALASKA

4041 B STREET • ANCHORAGE, ALASKA 99503
P.O. BOX 240609 • ANCHORAGE, ALASKA 99524-0609
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

3/3/98

To
Representative
John Cowdery
State House of Representatives

Fax 465-2069

Subject: HB 432, "An Act relating to international airports revenue bonds;"..

Dear John:

AGC of Alaska supports meaningful and necessary development of our transportation infra-structure. Since the International Airports are a major part of Alaska's transportation system, capital development based on revenue bonds is a positive step and supported by our members.

There are some details we are concerned about:

1) The size of the program may attract out-of-State or foreign competitors. The Alaska construction industry is competitive, however, bonding capabilities need to be considered. If the program is structured in such a manner that the individual projects pertain to various modes buildings, earthwork, roads, runways, utilities, specialty work) then the Alaska construction industry will be able to compete and participate without restricting the open competitive process. We should avoid, however, one or two large "project management" type contracts in which one large firm becomes a "project broker".
2) Access roads/highways: This project is not identified in the present STIP. It is our understanding that DOT/PF wants to shift major funding based on Federal participation to this program. We are concerned that other projects which are presently planned will be adversely effected or will be dropped.

We support this bill in principle.

Sincerely,

Exec Director

WILLIS CORROON

Willis Corroon
Corporation of
Anchorage
4220 B Street
Anchorage, AK 99503
Telephone 907-562-2266
Fax 907-563-6483

Representative John Cowdery
Alaska State Legislature
Juneau, Alaska

Fax 907 465-2069

Re: Airport Capital improvements

Dear Representative Cowdery,

As a bond broker in the State of Alaska and as Legislative Chair for the Associated General Contractors Association, I am delighted a pool of dollars in excess of $150,000,000 is being considered for capital improvements to the Anchorage International Airport. This provides great opportunity for Alaskans in many different industries, particularly the construction industry.

While the surety bond market is as liberal as it has ever been, there are still concerns that if contracts for this work are let in excess of $10,000,000 to $15,000,000 we will limit the number of Alaskan contractors who could bid on that work. I would support making as much of that work available to Alaskan contractors as possible, therefore keeping the projects to a manageable size.

Sincerely,

John Wheatley
Executive Vice President

TESTIMONY

OF

CLIFFORD T. ARGUE

BEFORE

ALASKA STATE LEGISLATURE

HOUSE COMMITTEE ON INTERNATIONAL TRADE AND TOURISM

FEBRUARY 24, 1998

Mr. Chairman and Members of the Committee:

My name is Clifford Argue. I am Staff Vice President-Properties and Facilities for Alaska Airlines, Inc., and also serve as Chairman of the Anchorage/Fairbanks Airlines Airport Affairs Committee, an organization comprised of some 25 airlines who have signed Lease and Operating Agreements with one or both of the international airports.

Last November, the airlines voted, in accordance with the agreements each has executed and long-standing past practice, to approve the financing and construction of the proposed Terminal Redevelopment Project at Anchorage International Airport with a total estimated cost of $191 million. During the voting process, the Department of Transportation and Public Facilities pledged $26. 5 million in Federal Highway funds to the project, leaving a net total of $164.5. The vote also approved the Alaska International Airport System(AIAS) to issue airport revenue bonds in an amount necessary to cover this new net project cost, financing, and escalation, with the understanding that AIAS would continue to "use it best efforts to obtain alternate sources of funding/financing to reduce airline cost exposure." We hope, but are not certain at this time that there will also be Federal Airport Improvement funds available to help in this regard.

I believe you have already been provided details of the actual votes, so I will not restate them here.

Post-it® Fax Note 7671	Date 2/24	# of pages ▶ 3
To Annette Deal	From Cliff Argue	
Co./Dept. Rep. Cowdery Office	Co. Alaska Airlines	
Phone # (907) 465-3879	Phone # (206) 433-3184	
Fax # (907) 465-2069	Fax # (206) 431-7031	

Based on this approval by the signatory airlines, I appear before you today to speak in favor of House Bill 432, representing those carriers who voted for the project.

Having been involved for nearly 30 years in the planning and development of airport terminal facilities, I can tell you that the work to date on the Anchorage project is among the most thorough and professional such effort I have seen. The needs assessment, conceptual solutions, and financing plan were carefully developed by an expert team of airport staff and consultants. There was excellent coordination with the airlines at every step in the process as we participated in numerous meetings and reviews. My colleagues from a number of other airlines including Reeve, Lynden, Northwest, United, Delta, Reno, America West, Federal Express and U.P.S. share this feeling on the quality of the process.

The serious deficiencies in the existing Anchorage domestic terminal are well-known, both as documented in the studies and certainly experienced at one time or another by each of you when traveling or meeting someone who is. The plan to remedy these shortcomings between now and 2005 is sound and conservative. It will provide the citizens of Alaska and the many visitors from outside a modern, efficient, and functional airport terminal serving the largest city and air transportation hub of the state. It will also allow passengers flying out of Anchorage to use the newest technologies to speed their progress through the terminal. We at Alaska Airlines are especially excited about the opportunities this project presents for offering better customer service as quickly as possible.

As you consider this legislation, we urge you to give AIAS the maximum flexibility to issue the bonds necessary for the project all at one time. This is the most cost-effective way to proceed rather than try to phase it. These bonds will be backed by airport revenues generated from rates, fees, and charges to the airlines, and in no way impact the state's general fund. The additional cost to the airlines, when considered on a cost per enplaned passenger basis is modest. The AIAS proposal is a prudent and reasonable approach to funding

much-needed improvements to one of the major economic engines of the state.

I request your favorable action to allow this important project to move ahead in a timely and complete fashion Thank you for the opportunity to comment.

UNITED AIRLINES

February 13, 1998

Mr. Joseph Perkins
Commissioner
Department of Transportation
State of Alaska
3132 Channel Drive
Juneau, Alaska 99801

Dear Mr. Perkins:

I appreciated the opportunity last month in Juneau to join with other airline industry representatives to express the support of United Airlines for both the Capital Improvement Program for Anchorage International Airport and the critical need to achieve approval of a new fuel pipeline to serve that growing airport.

As I mentioned, United has been providing passenger service at ANC for several years, linking it at different times to our hubs in Chicago, Denver and San Francisco, and also to Seattle/Tacoma International Airport. In the spring of 1996, with the strong support of Governor Tony Knowles, your office and the airport administration, United took the first steps to establish what has now become its international cargo hub, the focal point for our freighter service linking Chicago, San Francisco and Los Angeles with Tokyo, Osaka, Seoul, Taipei and Manila.

The continued development of Anchorage International Airport is critical, in particular, to our cargo operation, to the one-hundred-plus flight officers who are based in Anchorage, and other planned expansion in the years ahead.

I should note that in 1997, United's worldwide cargo division reported a record $892 million in revenue, and the launch of our DC-30 freighter service was very instrumental in that accomplishment.

Sincerely,

Alan B. Wayne

Alan B. Wayne
Regional Director
Governmental & Public Affairs

abw:cb
Via Fax / Original follows by Fedex

COMMONWEALTH NORTH

Resolution in support of revitalizing Anchorage International Airport

This resolution is consistent with the Commonwealth North study focusing on economic development, quality of life, education, and the role of state government entitled Agenda 2000, Alaska's Future in a New World.

Commonwealth North:

Endorses the Anchorage International Airport revitalization project as approved by the airlines; and

Requests all state legislators to approve the authorizing legislation to revitalize the Anchorage International Airport; and

Forwards this resolution to all members of the Alaska State Legislature, Governor Tony Knowles, and Alaska's congressional delegation.

Resolved for the following reasons:

1. This airport is the state's largest transportation hub with more than five million passengers per year and an annual increase exceeding three percent forecast through the year 2005; and

2. Air transportation is extremely important to Alaskans, who travel by air at more than three times the national average; and

3. The future expansion of Alaska's economy is tied to AIA's ability to serve an increase in passenger and cargo service; and

4. More than 11,000 jobs are already directly related to AIA's activities and further increases in airport activities will create new employment opportunities; and

5. A recent six month study pinpointed the many deficiencies at AIA's terminal and documented the need for expansion and improvement to meet the needs of the traveling public for the year 2005; and

6. The majority of the $191 million related to the terminal revitalization will be financed through revenue bonds which will be repaid through rates and fees collected from air carriers; and

7. The remaining costs will be paid by the federal government; and

8. Project financing has been approved by airlines in accordance with the terms of the Airport Operating Agreement. Airlines that carry 84 percent of the passenger traffic and produce nearly 90 percent of passenger revenue have approved the proposed AIA terminal revitalization.

Unanimously resolved by the Board on February 10, 1998

Anchorage Economic Development Corporation
The Center of Opportunity

February 9, 1998

Governor Tony Knowles
Office of the Governor
State Capitol
Juneau, Alaska

Dear Governor Knowles:

At the full meeting of the Board of Directors on February 4, 1998, The Anchorage Economic Development Corporation adopted the enclosed position of support for the improvement of the Anchorage International Airport.

The AEDC recognizes the need to improve the passenger terminal and to provide appropriate amenities supporting travelers. The AEDC also recognizes the importance of cargo traffic to the economic viability of the Anchorage International Airport. The transportation and access corridors play an important part in the future growth of the cargo business in Anchorage. It is important for these elements to be included in the planned improvements to AIA. The AEDC supports a financing approach that maintains the cost competitiveness of carrier operations at AIA.

Please keep us advised of the progress of this project. We will provide appropriate comment and documentation during the process of moving this complex undertaking forward.

Sincerely,

Ernest E. Hall
Chairman of the Board

cc: Joseph Perkins, Commissioner, Dept of Transportation & Public Facilities
Mort Plumb, Director, Anchorage International Airport
Randy Simmons, Director, AIDEA

550 West Seventh Avenue, Suite 1400 • Anchorage, Alaska 99501 • phone 907-258-3700 • fax 907-258-6646 • e-mail aedc@alaska.net

TONY KNOWLES
GOVERNOR

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 4, 1998

The Honorable Mike Miller
Senate President
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Miller:

The Anchorage International Airport is a vital business center and major force in Alaska's economy. As our economy grows, Alaska's largest airport must be poised to accommodate and assist that growth. This bill I transmit today authorizes the issuance of $204 million in revenue bonds to pay for a much-needed redevelopment of the Anchorage International Airport to better meet airport user needs today and into the next millenium.

A record number of passengers - more than 5 million - used Anchorage International Airport last year. Analysts expect a 4 percent annual domestic growth rate to continue through the year 2005. The airport generates 7,000 direct jobs and another 4,000 indirect jobs, and that job growth also is expected to increase by about 5 percent in coming years.

Along with this demand and growth, Anchorage's domestic terminal suffers from major deficiencies. The terminal area is only 75 percent of the space needed, while the baggage claim and ticket lobby areas are only 40 percent of necessary space. Concourse C, built in the 1950s, is functionally obsolete and code deficient.

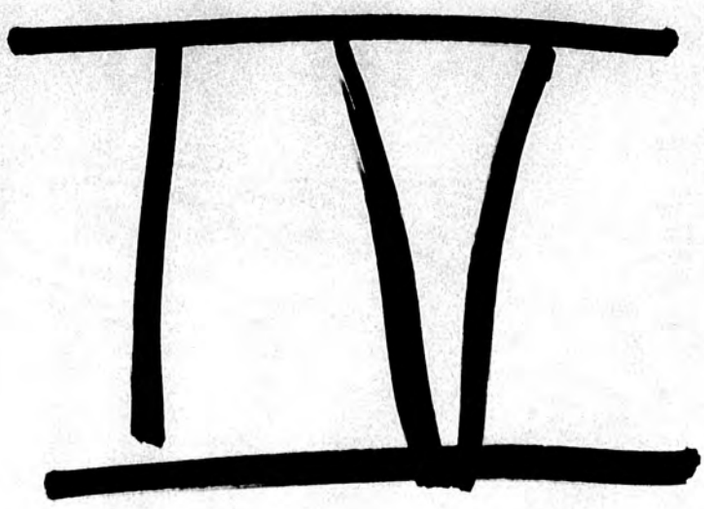
The airport redevelopment plan is projected to cost about $191 million with $26 million coming from federal funds. The plan will expand the existing ticket lobby, baggage claim, and retail areas by 350,000 square feet; add five new aircraft jetways, seven aircraft parking spaces for regional carriers, and a tour-group handling facility; and extend curbside space for vehicles.

The airport redevelopment plan is the product of a comprehensive needs assessment that examined existing terminal facilities and forecast passenger demand. Based on international aviation standards, the assessment identified major deficiencies for both passengers and aircraft. Airport officials and airlines spent six months carefully examining 14 different terminal master plan concepts. This effort resulted in a generally agreed upon concept for terminal redevelopment and expansion for the year 2005. The plan accommodates a variety of future development options for the next 20 years. Airlines that have signed the airport's five-year operating agreement recently committed to provide the revenue necessary to pay the debt service on these bonds through user fees, as provided in the operating agreement.

It is vital to the state's economy that we improve and expand the Anchorage International Airport to keep pace with public and business demand. This bill is a necessary element to permit financing of the airport expansion project.

Sincerely,

Tony Knowles
Governor



A

HB 432

Written Testimony
of Joseph Sprague
Director of Marketing
Era Aviation

before the
House Special Committee on International Trade & Tourism
John Cowdery, Chair

February 25, 1998

The Anchorage "Terminal Expansion 2005" Project

Good evening Mr. Chairman and members of the Committee. My name is Joseph Sprague. I am with Era Aviation and am representing tonight Era's president, Charles Johnson. I am here to testify on behalf of Era about our views on the Administration's Anchorage Airport "Terminal Expansion 2005" Project.

First and foremost, allow me to make one point very clear: Era supports terminal renovation and expansion at Anchorage. We always have and we believe the time has come to embark on a businesslike plan for renovation and expansion that is appropriate to legitimate needs. We believe that the Administration's proposed project could serve as broad concept for long range planning for future needs -- if and when they arise.

From what position does Era share its views? Era enplanes approximately 10% of the domestic passengers using Anchorage International Airport. We spend much of the year as the second busiest carrier at the airport, behind only Alaska Airlines in terms of enplanements. Many of the nearly 450,000 passengers carried annually by Era are not visitors, but residents of the state. Additionally, we employ over 250 Alaskans at Anchorage International Airport.

On November 17th, 1997, we voted against the Terminal Expansion 2005 project, as presented by the Administration on the Signatory Airline Ballot. A copy of our cover letter and Ballot have been distributed to you (attached). In our letter we stated, "[T]he ballot does not include alternatives to the massive and costly project that we can be comfortable with. ... [W]e are limited to one source of funds and a minimum size and price for the project."

A total of **twelve** Signatory Airlines voted against the project; **only ten** voted for it; three did not vote.

Today, as then, the Administration freely admits that the project as proposed still remains "only a concept". This concept is still in its infancy; and the estimated costs can only be "best guesses", to be changed later by yet-emerging design concepts. Therefore, in view of our commitments to our customers, our fellow citizens, our employees and our shareholders, we have no choice but to continue opposing the project as presented by the Administration.

In the letter accompanying our vote, we also encouraged, and offered to participate in, a cooperative effort involving representatives from all the Terminal users, to establish terminal renovation and expansion plans that might better meet the needs of all concerned. We stand by that offer.

We agree that the Airport is a tremendous economic benefit to the citizens of Anchorage and the entire state. We also agree we should plan and build for the future. We must all keep in mind, however, that the costs of these improvements will be borne in large measure by the citizens of our state. These costs should be thoroughly and rigorously justified.

How good are the analyses offered in support of this project? For example, although passenger traffic at Anchorage has increased over the last 10 years, it has remained essentially flat since May of 1997. What will continued failure to meet growth projections do to the costs that all of us must bear? There are abundant examples, both within Alaska and across the nation, of how quickly airline passenger traffic levels can change -- and what happens to business at airports when costs skyrocket due to over-building. Additionally, the Administration's plan proposes to increase airline lease space by 75% and concession space by 100%, but has gathered NO commitments for any of this additional space.

As I mentioned earlier, we do believe the concept being presented by the Administration has some merit as a potential long term master plan. Last June, all participating airlines, including United, Delta, Alaska Airlines, Northwest, Era, PenAir and Northern Air Cargo, among others, favored an incremental approach to terminal renovation and expansion. We were on a course to establish priorities and do the most important things first. In July the airport administration proposed a $33 million incremental approach. However, by October the number was $191 million; in November it was reduced to $164.5 million; last month it was $235 million; and now the legislature is asked to authorize bonding for $204 million.

Whatever the final cost, this is a major investment; one that merits careful consideration and reasoned discussion among airport users, airport staff, legislators, and other community leaders.

We all want a modern efficient airport terminal. The needs at our present facility are readily apparent. "C" Concourse was built in the early 1950's, and renovation studies have been ongoing for at least the last ten years. There are legitimate needs in the main terminal baggage handling areas and ticket lobby areas. Before rushing forward, however, we must develop a sound business plan that prioritizes problem areas and identifies cost effective solutions.

We must learn from the experiences of others also. There are examples around the country of airports that over-expanded -- places like San Jose and Denver where high terminal costs resulted in downturns in airline activity. We must consider this possibility at Anchorage. The Administration has done a good job attracting cargo carriers to Anchorage. These carriers employ many hundreds of Alaskans, and there are good prospects for more cargo carriers to come. Cargo carriers will, however, pay a substantial portion of the Terminal Expansion costs, perhaps as much as 30-40% -- for the next twenty-five years. How will this affect the decisions of potential new cargo carriers; or for that matter, existing ones?

In closing, we believe the Administration's Terminal Expansion 2005 concept merits serious and careful consideration. We have the expertise right here in Alaska to evaluate and prioritize the legitimate needs at the Anchorage International Airport -- and to come up with sound, fiscally responsible, plans to meet those needs. This is an opportunity that we cannot afford to miss; and we should do it right.

* * *

Era Aviation, Inc.

VIA FACSIMILE TO 1-206-431-7031

November 14, 1997

Mr. Cliff Argue
Alaska Airlines, Inc.
P.O. Box 68900
Seattle, WA 98168

RE: Signatory Airline Ballot Due November 17, 1997
Anchorage Airport Terminal Expansion

Dear Mr. Argue:

Attached is Era Aviation's Ballot for the above project. Unfortunately, we are compelled to vote "Disapprove" on the proposed Anchorage Terminal Expansion 2005 project.

I say "unfortunately", as we are convinced that improvements and expansion plans are necessary for the Anchorage Domestic Terminal. It is mandatory that we plan for and meet the needs of the future at Alaska's gateway airport. However, the Ballot does not include alternatives to the massive and costly project that we can feel comfortable with.

In the Ballot we are limited to one source of funds and a minimum size and price for the project. The design concept is in its infancy, and the estimated cost is only a best guess based on the emerging design. In view of this, and the corporate commitment we have to our customers, employees and shareholders, we have no alternative but to vote for disapproval on this ballot wording.

We encourage, and will readily participate in a cooperative effort involving representatives from all Terminal users, to establish Terminal renovation and expansion plans that might better meet the needs of all concerned.

Sincerely yours,

Charles W. Johnson
President

cc: The Honorable Tony Knowles, Governor
Mr. Morton Plumb, Director, AIA
Mr. John J. Ungar, Controller, AIA
All Signatory Airlines

6160 Carl Brady Drive, Anchorage, Alaska 99502, (907) 248-4422, Facsimile: (907) 266-8383

BALLOT

ALASKA INTERNATIONAL AIRPORT SYSTEM
FY99-2004 AIRLINE CAPITAL IMPROVEMENT REQUEST

In accordance with Article 4, Section 4.02 A&D Anchorage and Fairbanks International Airports Airline Operating Agreement and Terminal Building leases dated November, 1990 and extended in June, 1995, the Signatory Airline identified below approves or disapproves the Capital Improvement listed below as indicated. The Signatory Airline's vote takes into consideration, among other things, the Terminal Concept Package Report #8 dated 10/1/97, Plan of Finance (Volume I & II) dated 10/2/97, and previous reports, the discussions at the October 15, 1997 Airlines Airport Affairs Committee meeting in Anchorage and preceding Airline Executive Committee and Technical Committee meetings.

	FY 99				FUNDING X $1,000	
AIRPORT	PROJECT	AIP	IARF	TOTAL	APPROVE	DISAPPROVE
ANC	TERMINAL EXPANSION 2005		191,000*	191,000*		X

* Project costs identified in 1997 dollars. Approval authorizes AIAS to issue up to $235 million in airport revenue bonds, which includes escalation and financing costs. AIAS pledges to use its best efforts to obtain alternate sources of funding/financing to reduce airline cost exposure.

SIGNATORY AIRLINE NAME Era Aviation, Inc.

SIGNATURE OF AUTHORIZED REPRESENTATIVE

DATE November 17, 1997 TITLE President

Cliff Argue has agreed to serve as designated representative and collect and tally votes and provide the requisite written certification within the required time. He requests Ballots sent to him arrive by 12:00 noon, PST, November 17, 1997 at Alaska Airlines, P.O. Box 68900, Seattle WA 98168, FAX (206)431-7031 or TTY SEAPZAS.

TERMINAL EXPANSION 2005 PROJECT
ANCHORAGE AIRPORT

Summary Key Points

We do not know what it is. We do not know what it will cost. We do not know who will pay for it. The Administration has not defined or prioritized legitimate needs, much less justified this Project.

1. We do not know what it is.

There is a TERMINAL EXPANSION 2005 *Project*, but there is no *Plan*. To this day, the Project still remains "only a concept". This "concept" includes among the Administration's priorities: (a) a Hotel in the new Terminal; (b) a Railroad Station in the new Terminal; (c) a Shopping Mall in the new Terminal; and (d) an administration Office Tower in the new Terminal. The Administration is asking the Legislature for a $204 million blank check, for a "concept" - a concept that the Administration will later perhaps define, or change, or expand.

2. We do not know what it will cost.

The numbers have jumped all over since last June:

- $33 million in July
- $191 million in October
- $164.5 million in November
- $235 million in January
- $204 million on February 4th
- All of these changes have been with little rhyme or reason.

This all has happened after the last Technical Committee Meeting was held with the airlines on June 11, 1997. Substantial and critical portions of the Project remain dependent upon "federal dollars", which have yet to be applied for, and for which the Project may not qualify in any event. The Administration's "Preliminary Construction Cost Estimate" includes ***over 50%*** of construction costs for "Contingencies", "Admin/Management", "Other", "Planning", "Design", and "Project Administration". With **the current disarray** in the Project's budget, we could only expect massive cost overruns if the Project were approved - **not unlike the Anchorage Performing Arts Center.**

3. We do not know who will pay for it (for the next 25 years).

"The Airlines will pay for it." That is largely true, under the current Operating Agreement with 25 Signatory Airlines. Duty Free and other concessions would also pay a significant portion, and cargo airlines would pay about 30% through higher landing fees. But the Operating Agreement expires in two years - just as the first Bond payments would come due. The Administration has ignored all efforts to negotiate a renewal or extension of the Operating Agreement before embarking on this historic Bond quest. The simple fact is, when the Operating Agreement expires, all airline fees - land rents, terminal rents, fuel flowage fees, docking fees, FIS charges, landing fees - are on the table. No airport user - passenger, shipper, airline, car rental, gift shop, or community resident - can have any idea what his share of the TERMINAL EXPANSION 2005 costs will be.

The Administration's much vaunted (and expensive) "Plan of Finance" is based upon the Operating Agreement continuing past the year 2000. For this reason alone, it is valueless. Even worse, the Plan of Finance deliberately understates costs and overstates the benefits of projected growth. As examples: (a) It factors in but a small fraction of the increased costs of other capital improvements necessary to meet present and future demands; (b) It factors in but a small fraction of increased maintenance and operations costs that would result from nearly doubling the size of the Terminal; and (c) It factors in wholly unrealistic assumptions for increased concession revenues. Further, this "Plan of Finance" does not address the more than $36 million in excess, unspent and unencumbered, capital improvement funds the airport administration has already collected from the airlines in past years. Nor does this "Plan of Finance" address Passenger Facility Charges (new passenger head taxes), which the airport administration and most airlines fully expect to be proposed shortly after the 1998 election.

4. The Administration has not defined or prioritized legitimate needs, or justified this Project.

There are areas in the existing Terminal that need serious attention, but the Administration has not taken responsible steps to address them. Instead, the Administration resorts to slight-of-hand:

- It reduces the square footage of the Terminal by 20%, by eliminating the old C Concourse, and then offers a conclusory, "The airport's main terminal has only 75 percent of the space necessary to serve today's passengers."

- It predicts passenger growth at 4-5% each year; but neglects to tell us that passenger traffic has been flat for the past seven months, since May of 1997.

- It proposes to increase airline lease space by 75%, but it has gathered **no** commitment from any airline to lease any additional space.

- It proposes to increase concession space by 100%, but it has **no** commitments from any additional renters.

- The Administration has made **no** effort to see what improvements could be made with better management, increased efficiencies, sharing of current empty spaces, or perhaps increased manpower by the airlines to meet seasonal needs.

- No thorough cost-benefit analysis has been done for this Project.

Any public works project deserves better justification than this. This would be by far the largest aviation capital improvement project in the history of our State. It, especially, demands credible justification.

Twelve Signatory Airlines - substantial contributors to Alaska's economy - voted against this Project. Their reasons are clear. The Project as presented defies common sense. It is far too much, far too soon; the numbers do not add up; and no credible justifications have been presented by the proponents. Ten airlines voted in favor. Ask them, Why?

* * *

FY 1999 CAPITAL PROJECT REQUEST

PROJECT TITLE: ANC: Terminal 2005 Design/Construction Phase 1

FUNDING:

FEDERAL AIP: $4,800,000

IARF: $28,200,000

TOTAL: $33,000,000

PROJECT DESCRIPTION:

Plan, design and construct stage one of a multi-staged terminal development program to be completed by 2005. The 2005 Terminal Development Plan includes replacement and expansion of C Concourse, renovation and expansion of the main terminal building, expansion of the terminal curbside and landside road and parking system, and expanded aircraft parking aprons. Detailed information about the stage one elements will be provided in a separate mailout and at the July 15 meeting.

PROJECT JUSTIFICATION:

The domestic terminal is significantly undersized to meet the existing and year 2005 needs. Once the old, existing C Concourse is demolished, the domestic terminal will provide only 75% of the total area needed to meet 1996 traffic levels. By the year 2005 the existing terminal will provide only 53% of the required square footage. Primary deficiencies include inadequate sized baggage claim and ticketing areas, curbside, and need for additional gates. Furthermore, the existing C Concourse must be demolished and replaced because of code, maintenance and functional problems.

Era Aviation, Inc.

VIA FACSIMILE TO 1-206-431-7031

November 14, 1997

Mr. Cliff Argue
Alaska Airlines, Inc.
P.O. Box 68900
Seattle, WA 98168

RE: Signatory Airline Ballot Due November 17, 1997
Anchorage Airport Terminal Expansion

Dear Mr. Argue:

Attached is Era Aviation's Ballot for the above project. Unfortunately, we are compelled to vote "Disapprove" on the proposed Anchorage Terminal Expansion 2005 project.

I say "unfortunately", as we are convinced that improvements and expansion plans are necessary for the Anchorage Domestic Terminal. It is mandatory that we plan for and meet the needs of the future at Alaska's gateway airport. However, the Ballot does not include alternatives to the massive and costly project that we can feel comfortable with.

In the Ballot we are limited to one source of funds and a minimum size and price for the project. The design concept is in its infancy, and the estimated cost is only a best guess based on the emerging design. In view of this, and the corporate commitment we have to our customers, employees and shareholders, we have no alternative but to vote for disapproval on this ballot wording.

We encourage, and will readily participate in a cooperative effort involving representatives from all Terminal users, to establish Terminal renovation and expansion plans that might better meet the needs of all concerned.

Sincerely yours,

Charles W. Johnson
President

cc: The Honorable Tony Knowles, Governor
Mr. Morton Plumb, Director, AIA
Mr. John J. Ungar, Controller, AIA
All Signatory Airlines

6160 Carl Brady Drive, Anchorage, Alaska 99502. (907) 248-4422. Facsimile: (907) 266-8383

PENAIR
The Spirit of Alaska

November 14, 1997

Governor Tony Knowles
State of Alaska
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

RE: Anchorage International Airport Terminal Expansion Project

Dear Governor Knowles:

If the forecast obligation of airline fees and terminal rents were accurate, and *if* the final cost came in at $191 million, we still could not afford the airport expansion project. I think the concept of the plan more appropriately resembles a Master Plan and should be phased with six or eight individual projects, individually voted on, funded and built separately.

During the oil boom in Alaska, we built a new terminal in Fairbanks with the promise it would be paid through rental and landing fees. Immediately upon completion, the small local carriers felt they could not afford the rent and opted to continue their operations on the other side of the field. They are still there today. In Anchorage, carriers presently using the terminal do not have the option to move out.

The Fairbanks terminal has the luxury of sharing an operating agreement with their partner, Anchorage International Airport. The Fairbanks Airport has lost money since the terminal was built, and Anchorage is picking up the losses through their landing fees, flowage fees and rentals. Anchorage does not have an agreement with a "Big Brother" airport and, therefore, does not have that option. If we vote for this project, we have to pay for it.

We built the north terminal in Anchorage only to see it turn into a ghost town a few years later. It is just starting to become occupied again, but if the Anchorage landing fees and flowage fees are increased to pay for the new terminal, Anchorage may become less attractive to foreign cargo and passenger carriers.

At the Chamber of Commerce meeting, you stated that the airport is an economic engine for the state. Mayor Mystrom said basically the same thing concerning the City of Anchorage. If the terminal is a financial engine for the city and state, then those two entities should share the expense, and that share should be declared as a funding liability before we are expected to vote on the project.

6100 Boeing Avenue • Anchorage, Alaska 99502 • (907) 243-2485 • Fax 243-6848 • www.penair.com
Peninsula Airways, Inc. D/B/A PenAir

As a suggestion for creative financing, the City could subsidize the project by eliminating or deferring taxes on airport property as they are currently doing with the Alaska Seafood Center. The State could contribute with a guarantee covering any cost overruns. So far, the airlines are the only ones required to provide any guarantees.

The terminal expansion does not generate any revenue for our company, yet we are expected to shoulder the financial burden. The cost to PenAir, per year, for the terminal expansion, based on the airport's revenue projections, can be equated to the cost of bringing a new aircraft on line. Or to put it another way, the increase in rent and fees would be more than the entire annual profits generated by one Saab aircraft. *If* the cost estimate is off by 20%, the financial damage could be devastating.

Airport revenue projections provided by the airport are based on increased traffic and airlines leasing more space. Airport traffic has been decreasing for the last six months, and most carriers state they would like less space, not more. While passenger traffic is declining, cargo is increasing at 12% per year. This passenger terminal project will increase fees to cargo carriers and create a substantial deterrent to cargo operations.

We fly the same passengers to the same locations every year. Our only potential for passenger growth is through tourism. Increasing ticket prices will make travel to Alaska less affordable and our current customers will be discouraged to fly as often.

I believe Mr. Plumb's plan can provide long-term direction as a 20-year Master Plan. However, I can't support the proposition the way its written on the ballot. It's ambitious, expensive, and based on "best case" forecasting.

PenAir cannot afford this project with or without PFC's.

Sincerely,

Richard E. Harding
General Manager/
VP Operations

cc: Mort Plumb
Doyle Ruff
Signatory Airlines

NAC
NORTHERN AIR CARGO, INC

Mort Plumb
Airport Director
Anchorage Int'l Airport

October 18, 1997

Dear Mort: VIA FACSIMILE

The question as stated on the ballot received yesterday says that the AIAS pledges to make its best efforts to secure alternative means of financing in order to reduce the impact on rates and fees. What specific means of financing are to be considered are not described. Yet the question shown on the ballot and the one which we are being asked to vote on, states that the entire amount is to be paid through the IARF. While I do not doubt the veracity of the pledge nor its intent, it is an unenforceable promise not binding upon either the current airport management nor any subsequent airport management and is therefore meaningless.

I assume that included in these unnamed funding sources are federal funds of one sort or another, including your previous statement that it is the airports intention to pursue multi-year forward funding. You made the statement at the October 15th meeting that before even the application for any federal funding can be made, all necessary approvals must be secured. Among the other possible sources of funding mentioned at the October 15th meeting were the Permanent Fund, the General Fund, PFC's, AIP funding and a couple more. None of these possible sources of funding are shown or even referred to, other than the promise to "try" to secure funding from some non-specific source.

Many carriers have indicated they could support the terminal project, but only if some additional source of funding, (such as PFC's), were included as part of the financing. As you said, application for these types of funding cannot be made without prior "approval". If they are not even included in the ballot question, how can these funding sources ever hope to achieve the approvals required to begin the application process?

I therefore respectfully request that, in keeping with your pledge, the ballot question be re-worded in unambiguous language to include the specific funding sources besides the IARF that are included in the actual current financing plan and the "pledge."

Sincerely,

Butch Halliford
Vice President,
Northern Air Cargo Inc

cc: attached list

[illegible] INTERNATIONAL AIRPORT
ANCHORAGE, ALASKA 99502-1096
TEL. (907) 243 1345 FAX (907) 249 5190

The Alaska Journal of Commerce
Page 1
Week of 11/17/97

Carriers question Anchorage airport project funds

By Rob Stapleton © 1997
For the Journal of Commerce

A letter offering $41.3 million in federal highway funds to partially finance a terminal expansion project at Anchorage International Airport is raising eyebrows among some of the carriers that use Alaska's largest airport.

The carriers say funding for the $191 million project should include passenger facility charges, or PFCs.

The letter, written by Alaska Department of Transportation and Public Facilities Commissioner Joe Perkins to Cliff Argue, chairman of the airport's Airlines Airport Affairs Committee and also a staff vice president at Alaska Airlines, was distributed recently to carriers that are signatories currently considering the state's plan for the terminal project.

"Any prioritized project of this nature is going to have an effect on other smaller projects. It happens all the time," said Perkins, in explaining his offer.

Perkins responded to questions about the priority list for state construction projects, about whether the terminal project was listed and where on Nov. 3, following an announcement from Gov. Tony Knowles that the state aims to upgrade the airport's transportation arteries with improvements of roads, intersections, and recreation trails that will cost more than $350 million.

Anchorage is in a unique position to use federal money due to the status and nature of the road system in the Anchorage area, Perkins said.

"Many of the access roads and streets are on the National Highway System, which make them eligible for some federal monies," he said. The consensus among the air carriers that pay fees to use the airport is unanimous about the need for the terminal renovation, but regional airlines such as Era Aviation, Reeve Aleutian Airways, PenAir and Northern Air Cargo say the price is too high and no guarantees of funding have been given by state officials, just political promises.

Regional carriers are split, and cargo sig-

Continued on Page 18

Some carriers bristle at proposal for Anchorage airport construction

Continued from Page 1

airlines favor PFCs to help defray the cost of the expansion and hold down their terminal lease expenses and landing fees. Several of the carriers have written letters to the committee and to airport director Mort Plumb making a case for the PFC money.

Word of the dissension found its way into the letter to Argue in which Perkins expresses his support for additional funding.

"I will consider other funding alternatives including a Passenger Facility Charge program that is acceptable to the public and reflects the unique nature of Alaska," he said in the letter.

PFCs are considered a political hot potato that the governor may not want addressed during the next legislative session, and the airlines say a bill authorizing such charges will never pass the Legislature in an election year.

The $3 PFC adds $3 to $12 to a roundtrip ticket. This addition to airfares, coupled with higher landing fees and terminal leases, may be perceived as a tax.

The carriers say many state politicians fear that frequent Bush travelers, along with their legislators, will use the PFC issue to sandbag re-election campaigns. Currently Ketchikan and Seattle airports are charging a PFC to help defray their debts.

Perkins said the public and Alaska, as a whole, are not ready for PFCs to fund the Anchorage airport.

When asked about PFCs, Knowles said the issue needs to be addressed but not right away. "The (Federal Aviation Administration) is looking at Anchorage and encouraging the PFC program," he said.

According to Ron Simpson, a spokesman for the FAA, several airports in the Northwest, including Anchorage International, are on a list for federal de-funding.

Only 7 percent of current Anchorage International funding that comes from the FAA is scheduled to be cut, according to Perkins.

"This project has taken on a life of its own," said Butch Halford of Northern Air Cargo, one of the airport's 26 signatories. "The dollar signs on this project continually grow. They are not going to give me a bill for $230 million without any guarantees and shove it down my throat."

The terminal project, coined the "Taj Mahal" by some airport and airline officials, once contained plans for a shopping center and a multistory tower for the airport director's offices.

According to sources close to the airport's administration, the carriers objected to the shopping center and it was cut from the final plan.

At the Anchorage Chamber of Commerce forum Nov. 3, Knowles referred to the airport as the "economic engine of Anchorage and Alaska," citing increased cargo activity and 10,000 jobs related to the airport.

Dick Harding, director of operations for PenAir shares Halford's concerns. "If the airport is the engine driving this project, it looks like a runaway train to me. I'm not sure we want to get on it," he said.

Adding to what some airline industry officials are calling a "crime of omission" in the governor's presentation, was that the airlines have not yet officially endorsed the $191 million terminal project.

Pressure to see the completion of the project's funding is evident in airport presentations that include photographs of a tar plywood roof on the "C" terminal and stories of trash cans positioned in the C terminal to catch melt water from the leaky ceiling.

Despite their objections, the carriers are aware that the expansion plan is likely to be approved. It only takes about a third, or nine of their votes to pass the proposal. Not voting in the ballot tally counts as a "yes" vote.

If the plan does not pass this year and is brought in front of the committee for a vote again next year, it is automatically passed. Only a petition directly to the Legislature will stop the project from Senate and House scrutiny.

"Our fees and leases are going to go up with little benefit to us. What do we care if Alaska Airlines wants a new terminal in Anchorage?" asked Bob Hajdukovich of Frontier Flying Service in Fairbanks.

Carriers that are signatories at Fairbanks International Airport also are obligated to fund the Anchorage terminal expansion through the Alaska International Airport System.

Expansion of airport is suspect

The $350 million in Anchorage airport and airport-access improvements pitched by Gov. Tony Knowles to the Anchorage Chamber of Commerce last Monday is ambitious indeed.

The plan is for a sorely-needed upgrade of the airport's domestic passenger terminal, as well as other, cargo-related improvements.

About a third of the $350 million would be spent on improved street access to the airport. The governor threw some of his beloved bike trails into the package, too.



TIM BRADNER

There's no denying the airport needs improvements, but some airlines have decidedly mixed opinions about all this.

Monday's pitch was part of an intensive effort under way to sell the package to airlines using the airport and state legislators, who must approve the plan. The air carriers are being asked to endorse the plan in a Nov. 17 vote.

There's no denying the airport needs improvements, but some airlines have decidedly mixed opinions about all this.

One carrier, Alaska Airlines, is an enthusiastic supporter. Others are reported to be more ambivalent, and a few are opposed.

What worries some carriers, particularly the smaller, regional operators, is how fast the terminal part of the package has grown to $191 million. This created questions about precisely what is proposed, whether some

BRADNER: Airport expansion suspect

Continued from Page C-1

ger growth really requires it and whether some things could be done for less money.

Last Monday the governor announced the roads part of the package, which brings the total to $350 million. Federal highway money will be used to finance the street improvements as well as some access ramps in the terminal reconstruction.

I'm an ardent airport supporter, but I also have questions about this expansion.

Is the growth to justify it really there? Experts hired by the airport project a 4 percent annual growth in passengers. But I worry about this when I saw domestic air passenger growth level off in both Anchorage and Fairbanks this summer.

Passenger traffic even declined in July and August compared with the same months of 1996.

This isn't surprising considering that what mainly drives air travel here — tourism and the state's resource industries — are level or in very slow growth.

Are the planners being realistic? I remember the early 1980s when the experts predicted oil prices would keep rising and expectations of $50 per barrel oil were used to justify all sorts of projects.

Like oil, aviation can be affected by unforeseen events, and it has happened before here, too. We completed the international terminal just as most international airlines started overflying, leaving a virtually empty building.

Second, I'd like to be sure several air carriers, not just Alaska Airlines, really want more space. I'm told the demand isn't there, and that some even want to decrease the space they rent in the main passenger terminal.

The airport's managers say their studies show the demand growth will be there. I hope so.

Third, the road parts of the package paid for with federal highway money are worthy, even the bike trails. But I'd like to know where these projects were on the state's long range highways priority list before the airport package was assembled. If they were moved up the ladder, which other projects are being delayed?

Finally, who pays for all this? It's us, not the airlines. They pay higher landing fees and terminal rents to pay for the improvements, but the costs are passed on in ticket prices we pay.

And because the Anchorage and Fairbanks airports are administratively joined, landing fees and rents at both airports will go up. Intra-Alaska travelers, such as those who fly from northern Alaska or the Interior through Anchorage, get hit twice because the higher fees at both airports will be part of their ticket price.

The airport is a huge economic engine for our community. That's all the more reason to be cautious. Big public works projects look great, particularly leading up to an election year. But let's be careful with this one.

Tim Bradner writes for an Alaska economic reporting service. His private clients include petroleum companies. His opinion column appears every fourth Sunday.

B

Era Aviation, Inc.

March 4, 1998

The Honorable John Cowdery
Chairman,
Special Committee on International Trade and Tourism
House of Representatives
State Capitol, Room 416
Juneau, Alaska 99801-1182

Ref: HB 432; Terminal Expansion 2005

Dear Chairman Cowdery,

Thank you for the opportunity to testify before your committee last week on the Anchorage Airport terminal expansion project. As you recall, Speaker Phillips had questions regarding the use of Passenger Facilities Charges (PFCs or Head Taxes) as one source of funding for this project. The following is offered to clarify my answer to her questions on this subject and to provide additional information on the role PFCs have played in this project and the airline voting process.

In the cover letter for its ballot (attached, November 7, 1997), Federal Express stated, "We also hope to see PFC implementation next year."

In his letter to all airlines encouraging a vote for the project (attached, October 24, 1997), Commissioner Perkins stated, "To further achieve this goal I will consider other funding alternatives including a Passenger Facility Charge program that is acceptable to the public and reflects the unique nature of Alaska."

In his letter transmitting the ballots to Director Plumb (attached, November 17,1997), Mr. Cliff Argue stated, "[T]he airlines expect the airport and the State of Alaska to aggressively pursue and obtain additional sources of non-airline revenue as promised in Commissioner Perkins' letter."

Mr. Argue made special mention that, "With PFC's included in financing, Reeve Aleutian will change to approve project."

In a meeting on October 2, 1997, Director Plumb publicly encouraged the airlines to contact their legislators and the governor's office supporting implementation of

6160 Carl Brady Drive, Anchorage, Alaska 99502, (907) 248-4422, Facsimile: (907) 266-8383

PFC's. Mr. Leif Selkregg stated there would be "retroactive opportunities" for the use of PFC's in connection with this project.

Over the past several years, virtually every airline voting in favor of the project has indicated its strong support for PFC funding. This was evidenced in the Legislative Budget and Audit Committee hearings in the Summer of 1996, and more recently at the July 15, 1997, Airline Airport Affairs Committee, when the Chairman conducted a "straw poll" on PFC's.

In a related matter, Delta's ballot was expressly made "Subject to the State of Alaska capital contribution of $26.3M resulting in a net funding approval of S165M." Copies of Delta's cover letter and ballot are also attached.

If we can provide additional information, please do not hesitate to contact either myself or Jack Birmingham at 248-4422.

Sincerely,

Joseph A. Sprague
Director of Marketing

PROPERTIES/FACILITIES
NOV 07 1997
RECEIVED

FEDERAL EXPRESS CORPORATION

Properties & Facilities Department
2003 Corporate Avenue, 2nd floor
Memphis, TN 38132



FAX

To: Cliff Argue — Fax: (206) 431-7031
cc: Mark Plumb — ~~Tele:~~ (907) 243-0663

From: Teri Kerschner — Fax: (901) 395-4873
Tele: (901) 395-3652

Number of pages, this sheet included: 2

Enclosed please find Federal Express' ballot on the Terminal Expansion. We appreciate the Airport's commitment to seek additional sources of revenue/financing (as evidenced by the $24.3 million in Fed. Highway Funds for terminal access roads). We also hope to see PFC implementation next year.

Have a fantastic day!!

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR
3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898
TEXT: (907) 465-3652
FAX: (907) 586-8365
PHONE: (907) 465-3900

October 24, 1997

Cliff Argue
Chairman, Airline Airport Affairs Committee
Alaska Airlines Properties and Facilities
PO Box 68900
Seattle WA 98168

Dear Mr. ~~Argue~~ Cliff:

The ballot for the Anchorage Terminal expansion presented to the Airline Affairs Committee on October 15 included a pledge by AIAS to seek alternate sources of funding to reduce airline cost exposure.

Governor Knowles noted the vital importance of the airport and its terminal as the gateway to Alaska when he addressed the Committee. In keeping with the Governor's desire to work with the Airlines to achieve the needed expansion at Anchorage International Airport, I have directed the Department to reserve and commit $26.3 million in federal highway funds for the terminal access roads. This will reduce the construction amount being financed through Airport Revenue Bonds from $190.8 million to $164.5 million. The benefit to the airlines rates and charges of this State investment will be set forth in an addendum to the October 15 presentation, which will be distributed to all members of the Airline Affairs Committee no later than Wednesday, October 29.

The State has also identified a minimum of $15 million in airside development which is eligible for FAA Discretionary Funds. We commit to aggressively pursue these funds to further reduce the airline share of the project costs.

As we discussed on October 15, the State and the airlines will have an ongoing opportunity to further reduce the bond amount and annual debt service, both before and after the issuance date of the bonds. The State joins with the airlines in recognizing that lower rates and charges makes Anchorage International Airport more competitive in the aviation market. To further achieve this goal I will consider other funding alternatives including a Passenger Facility Charge program that is acceptable to the public and reflects the unique nature of Alaska.

The financial commitments outlined above clearly demonstrate the State's good faith in committing non-airline funding sources. We look forward to continuing this partnership through the design, funding, and construction of the Terminal Expansion 2005 project. I request the support of the signatory airlines for this project.

Sincerely,

Joseph L. Perkins, P.E.
Commissioner

cc: Airline Affairs Committee

ANA-T34LH

ANCHORAGE/FAIRBANKS
AIRLINES AIRPORT AFFAIRS COMMITTEE
P. O. Box 68900
Seattle, WA 98168

November 17, 1997

VIA FAX 907 243-0863

Mr. Morton Plumb
Airport Director
Anchorage International Airport
P.O. Box 196960
Anchorage, AK 99519-6960

Re: FY99 Capital Improvement Request - ANC Terminal Expansion 2005

Dear Mort:

This letter will serve to provide certification of certain signatory airline votes on the above captioned project. In accordance with your request at our October 15, 1997 Airlines Airport Affairs Committee in Anchorage, a vote was taken among the signatory carriers on adding the proposed expansion and renovation of the Domestic Terminal at Anchorage to the previously approved FY99 International Airports Revenue Fund Capital Improvement Program.

Ballots were received from 22 of the 25 signatory airlines at Anchorage and Fairbanks International Airports. A ballot showing approval was received from Polar Air Cargo shortly after the deadline. The individual votes received by me are listed on the attached report. According to the Airline Lease and Operating Agreement, a project must receive 67 percent disapproval votes (17 or more) to be deleted from the airport's capital program. You will note that 12 disapproval votes were submitted, but 10 airlines voted to approve the project. Therefore, the terminal expansion is approved by the signatory airlines.

Although the ballot listed the project cost at $191 million, the airline approval is based on the revised cost of $164.5 million as set forth in Commissioner Perkins' letter to the airlines dated October 24, 1997. Further, the approval is based on the financial plan and revenue bond analysis presented at the October 15 meeting and as amended November 5.

However, given the size and financial impact of this project, the airlines expect the airport and the State of Alaska to aggressively pursue and obtain additional sources of non-airline revenue as promised in Commissioner Perkins' letter. We hereby request periodic reports on these efforts.

The expansion of the Domestic Terminal is an important project for Anchorage and the entire state, and the airlines serving the airport. We look forward to working closely with you, your staff, and the consultant team throughout the design, construction, and financing process, in the same spirit of cooperation and partnership that was evident in the studies and concept development to date.

Copies of each ballot as received from the signatory airlines are being sent to you with the mailed original of this letter. If you have any questions, please contact me.

Sincerely,

Cliff Argue /mg

Clifford T. Argue
Chairman, ANC/FAI AAAC

c: J. Perkins, Commissioner DOTPF
K. Parkan, Deputy Commissioner DOTPF
J. Ungar, Controller, IARF
ANC/FAI AAAC

Delta Air Lines

Delta Air Lines, Inc.
Post Office Box 20706
Atlanta, Georgia 30320-6001

November 11, 1997

Sent by FAX: 206-431-7031

Mr. Cliff Argue
Chairman, ANC AAAC
Alaska Airlines
Properties and Facilities
P. O. Box 68900
Seattle, WA 98168

Dear Cliff,

Attached is Delta's approval of the ANC MII ballot for FY99-04 Capital Improvement Projects. As we discussed, our approval of this project is predicated upon the incorporation by the State of Alaska a capital contribution of $26.3M into the project which would result in a net funding approval of $165M.

Thank you for your assistance on this matter.

Sincerely,

Rodger Holman
Regional Director - Properties & Facilities

Attachment

ALASKA INTERNATIONAL AIRPORT SYSTEM
FY99-2004 AIRLINE CAPITAL IMPROVEMENT REQUEST

In accordance with Article 4, Section 4.02 A&B Anchorage and Fairbanks International Airports Airline Operating Agreement and Terminal Building leases dated November, 1990 and extended in June, 1995, the Signatory Airline identified below approves or disapproves the Capital Improvement listed below as indicated. The Signatory Airline's vote takes into consideration, among other things, the Terminal Concept Package Report #8 dated 10/1/97, Plan of Finance (Volume I & II) dated 10/2/97, and previous reports, the discussions at the October 15, 1997 Airlines Airport Affairs Committee meeting in Anchorage and preceding Airline Executive Committee and Technical Committee meetings.

	FY 99				FUNDING X $1,000	
AIRPORT	PROJECT	AIP	IARF	TOTAL	APPROVE	DISAPPROVE
ANC	TERMINAL EXPANSION 2005		191,000*	191,000*	X 1)	

* Project costs identified in 1997 dollars. Approval authorizes AIAS to issue up to $235 million in airport revenue bonds, which includes escalation and financing costs. AIAS pledges to use its best efforts to obtain alternate sources of funding/financing to reduce airline cost exposure.

1) SUBJECT TO STATE OF ALASKA CAPITAL CONTRIBUTION OF $26.3M RESULTING IN A NET FUNDING APPROVAL OF $165M

SIGNATORY AIRLINE NAME DELTA

SIGNATURE OF AUTHORIZED REPRESENTATIVE Jodeen Holmes

DATE 11/11/97 TITLE REGIONAL DIRECTOR PROPERTIES & FACILITIES

Cliff Argue has agreed to serve as designated representative and collect and tally votes and provide the requisite written certification within the required time. He requests Ballots sent to him arrive by 12:00 noon, PST, November 17, 1997 at Alaska Airlines, P.O. Box 68900, Seattle WA 98168, FAX (206)431-7031 or TTY SEAPZAS.

C

Butch Halterd
NAC
3-5-98

1. The Governor and/or Mr. Plumb have made the point several times that the airlines that earn 89% of the domestic passenger revenue and carry 84% of the passengers through Anchorage International Airport are in support of the project. Does that mean that they also pay the expense of running the airport in the same proportion? (No) If not, what portion of the bill do they pay? (The 'supporting' carriers paid $16.6 million out of a total revenue collected of $55.8 million, or 29.8%)

2. I understand that the terminal does not now pay for itself. After terminal rents, concession fees, duty free revenues, parking etc. are applied against the cost of operating and maintaining the terminal, landing fees are used to make up the difference. How much of the cost of the terminal is borne by landing fees? *(31.61%)* How will that be affected by this project? *(It is projected to increase to 40.01% when the proposed terminal comes into service in 2002)* Since given the fact cargo traffic is expected to grow at a higher rate than passenger traffic for the foreseeable future, won't landing fees, particularly from cargo carriers, pay an increasing share of the terminal costs? How high can that percentage go? Is there a limit? What affect will that increasing share have on our ability to attract more cargo flights to Anchorage and Fairbanks?

3. The "Construction Cost Estimate" appears to not only estimate the anticipated actual cost of construction of each facet of the project, but it also includes a significant amount of indirect costs. Estimators Contingency of 10 (or in some cases 20%), and Change Order Contingency of 10% are applied to the actual construction cost estimate. Then, Construction Admin/Management at 10% & Other Construction Related Costs at 5% are applied to that grossed up number. Regulatory, Planning & Permitting – 2%; Design Fee – 10%; Project Administration – 2% are then applied on top of everything. The compounding of these percentage estimates and the apparent duplication of some descriptions is disconcerting. How much of the total project is comprised of these indirect costs? (46.96% $101,173,033 in "direct construction costs", $89,581,321 in "indirect costs"). It does not appear with all these little "cushions" that you actually know what it is you are asking for us to approve, but you have padded the amount to cover whatever you may

finally decide on. Not only does that seem like it may be an exorbitant amount, but is in reverse order of what would normally be expected; that being you first decide what it is you want to build, and then come to us for the money. What happens to the contingency funds that are not used?

4. In the "Anchorage International" – "Airport Terminal Redevelopment Project" – "Supplemental Information" provided to this committee, it shows the project cost at 190.8 million, plus $14.5 million for escalation (I assume that means inflation), and $24.7 million for capitalized interest and bond issuance, totaling $230 million. From that total $26.3 million from highway funds is subtracted, leaving $204 million.

   If there is $26.3 million coming from FHWA Funds, why do we have to pay escalation on that amount? The same question for the $6.1 million in Fiscal 1998 allocated funds? What about the capitalized interest? If we started with needing $190.8 million, subtracted $26.3 million that we already got from FHWA and another $6.1 million already approved by and collected from the carriers, that leaves a bonding requirement of $158.4 million. Shouldn't any capitalized interest and/or escalation be based on <u>that</u> amount of money, not the entire $190.8 million.

5. Missing in the handout but present in the "Plan of Finance" contained in the "Gateway Alaska - Terminal Redevelopment Project" booklet dated 2/2/98, are $6.1 million dollars from "Fiscal Year 1998 Allocated Funds" and $21 million in "Credit Construction Fund Earnings." Where did this money go? Why isn't this $27.2 million reflected in the bonding request?

   OBSERVATION: This is fundamental math. The difference in bonding requirements and debt servicing is several million dollars. Was this done in error by the multi-million dollar consultants? Or was it done deliberately? In either case, are these the folks you'd want handling $200 million of <u>your</u> money?

	FY97 Actuals		FY98 Estimated		FY2002 Projected	
System Terminal Requirement		$25,810,287		$25,935,000		$39,997,566
Less: Revenues Earned in Terminal						
Non Airline Revenues	$15,838,934		$16,316,000		$20,097,610	
Less AIA: General aviation parking and fuel flowage fees	(585,523)		(600,000)		(600,000)	
Automobile parking fees	(3,638,148)		(3,760,000)		(4,398,668)	
Land Rentals	(1,976,800)		(2,160,000)		(2,224,800)	
FIA: General aviation parking fees	(170,657)		(167,000)		(170,340)	
General aviation fuel flowage fees	(359,183)		(364,000)		(378,000)	
Automobile parking fees	(381,991)	(8,726,632)	(390,000)	(8,875,000)	(397,800)	(11,928,002)
Land Rentals						
		17,083,655		17,060,000		28,069,564
Less: Airline Terminal Rent		(8,878,308)		(8,861,000)		(12,067,067)
Amount That Hits Landing Fee		$8,205,347		$8,199,000		$16,002,497
% of Terminal Being Paid by Landing Fees		31.79%		31.61%		40.01%

P.03

FY 99 CAPITAL BUDGET
ANCHORAGE INTERNATIONAL AIRPORT
TERMINAL REDEVELOPMENT PROJECT

SUMMARY

COST:

$190.8 MILLION	PROJECT COST (1997 $)
$ 14.5	ESCALATION
$205.3 MILLION	
$ 24.7	CAPITALIZED INTEREST/ ISSUANCE COST
$230.0 MILLION	TOTAL CAPITAL REQUEST

FUNDING SOURCES:

$204.0 MILLION	AIRPORT REVENUE BONDS
$ 26.0*	FEDERAL HIGHWAY FUNDS
$230.0 MILLION	TOTAL CAPITAL REQUEST

* ALSO SHOWN IN HIGHWAY CAPITAL REQUEST

Project Components

Note: This chart is included for illustration purposes and uses the Example of the revised Financial Model A (2001 Completion of Concourse C and 2003 Project Completion).

	Additions in $	Subtractions in $	Net in $
Total Cost of Project in 1997 Dollars	190,800,000		
State Capital Contribution		26,300,000	
AIRPORT COST OF PROJECT IN 1997 DOLLARS			**164,500,000**
Fiscal Year 1998 Allocated Funds		6,100,000	
3% Escalation per Cash Flows	14,500,000		
24 Months Capitalized Interest	20,000,000		
Credit Construction Fund Earnings		21,000,000	
Financing Costs Including Bond Insurance	4,700,000		
CORE FINANCING	**Total Additions**	**Sub-Total Subtractions**	
	230,000,000	**53,400,000**	**176,600,000**
Optional Adjustment: Take Out Capitalized Interest		20,000,000	
ADJUSTED WITHOUT CAPITALIZED INTEREST		**Total Subtractions**	
		73,400,000	**156,600,000**

November 5, 1997

Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC ***Aviation, Infrastructure & Project Finance***

SUMMARY

ENABLING WORKS			
Utility Relocations		931,500	
Cargo Hardstand Replacement		3,588,000	
Modifications for Temporary Relocations		1,549,641	
TOTAL ENABLING WORKS:			6,069,141
'C' TERMINAL REPLACEMENT			
Demolish Existing Concourse 'C'		1,716,786	
'C' Terminal Construction		66,534,665	
Roadway and Parking Improvements *		23,956,526	
Right of Way Acquisition Costs **		5,000,000	
Tour Bag Facility		3,768,870	
Airside Improvements		28,819,368	
TOTAL CONCOURSE 'C' REPLACEMENT			129,796,215
TERMINAL RENOVATION			
West Terminal Renovation		22,577,431.00	
East Terminal Renovation		12,574,295.00	
TOTAL TERMINAL RENOVATION			35,151,726
TOTAL CONSTRUCTION AND RELATED COSTS:			171,017,082
PLANNING, DESIGN AND ADMINISTRATION COST			
(Based on Direct Construction Costs)			
Design Fee	10.00%	14,108,540	
Regulatory, Planning & Permitting	2.00%	2,814,366	
Project Administration	2.00%	2,814,366	
TOTAL PLANNING, DESIGN AND ADMINISTRATION:			19,737,272
PROJECT TOTAL (WITHOUT ESCALATION):			**$ 190,754,354**

SCHEME NO. 5
ENABLING WORKS

Cargo Hardstand Replacement

1.	Cargo hardstands	2	EA	1300000.00	2,600,000	
	SUBTOTAL CARGO HARDSTAND REPLACEMENT:					$ 2,600,000
•	Estimator's Contingency	10.00%				260,000
•	Change Order Contingency	10.00%				260,000
	SUBTOTAL CONSTRUCTION COSTS:					$ 3,120,000

CONSTRUCTION RELATED COSTS

•	Construction Admin/Management	10.00%	312,000	
•	Other Construction Related Costs	5.00%	156,000	
	SUBTOTAL CONSTRUCTION RELATED COSTS:			468,000
	TOTAL CARGO HARDSTAND REPLACEMENT:			**$ 3,588,000**

NORTHERN AIR CARGO, INC

Governor Tony Knowles
State of Alaska
Office of the Governor
P.O. Box 110001
Juneau, Alaska 99811-0001

November 6, 1997

Dear Governor Knowles:

Thank your for letter of October 24 soliciting support for the proposed terminal project at Anchorage International Airport. In your letter you acknowledge that the project is both ambitious and expensive and state the project makes sense. I agree wholeheartedly that it is both ambitious and expensive. However, I question whether or not it makes sense, at least in its present form and particularly with regard to how it is to be paid for.

Cargo carriers such as Northern Air Cargo, Lynden Air Cargo, Japan Airlines, Korean Airlines and many others, receive no direct benefit whatsoever from the domestic passenger terminal. Unless the cost is reduced and binding committments for alternate means of payment, (such as PFC's, AIP funds & long term forward funding, General Funds, contributions by other interested government and public agencies etc.) are identified and participate financially in the project, Northern Air Cargo cannot support it.

The residents of rural Alaska are already the least able to afford any increases in the cost of living. You yourself have recognized this and have provided emergency funding for the economic emergency that exists in southwest Alaska and have postponed implementation of certain welfare reform measures in rural Alaska following the disastrous commercial fishing season just completed. This terminal expansion project will not improve the lot of rural Alaskans, yet they will be called on to pay for a significant share of it.

Northern Air Cargo was founded in Alaska and has, for 41 years, served the needs of Alaskans. As an Alaskan company born and bred, we have a fundamental responsibility to the residents of Alaska, our customers, to maintain the cost of goods and services as affordable as possible. As we enter our 42nd year in business, we remain true to our mission and duty of providing our fellow Alaskans the services they require at an affordable price. It will be extremely difficult to satisfactorily explain to a person living in Emmonak, why his new snowmobile must cost him more because of the new, expensive passenger terminal in Anchorage.

Sincerely,

R.J. Hallford

R.J.Hallford
Vice President

3900 W. INTERNATIONAL AIRPORT RD
ANCHORAGE, ALASKA 99502-1097
TEL (907) 243-3345 FAX (907) 249-5190

Russians Propose New Polar Routes

BRUCE D. NORDWALL/WASHINGTON

A Russian delegation recently proposed opening air routes from the U.S. to Asia over the North Pole and Siberia, which could save as much as 3 hr. of flight time and gain overflight revenue for Russia.

Since the new routes would also pass over China, Chinese authorities would have to agree to the plan, but gaining their acquiescence would probably take longer than resolving technical problems.

THE RUSSIANS GAVE THEIR pitch to the FAA and U.S. Air Transport Assn. here and to the International Civil Aviation Organization in Montreal, although they admitted that discussions were at a very early stage.

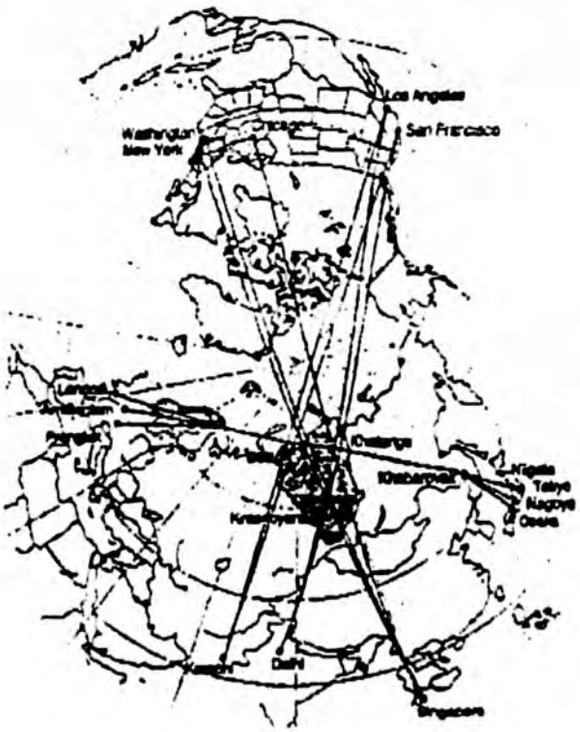
One of the big technical issues will involve communications to aircraft over the poles, which would be too expensive using conventional terrestrial systems. Russia plans to launch new satellites for mobile satellite service that could also be used by aircraft to transmit their positions automatically over data link. For that automatic dependent surveillance (ADS) application, the Russians are considering both GPS and their Glonass navigation satellite system. Satellite navigation and communications are the central elements for the Future Air Navigation System (FANS-1).

As air traffic control moves into the 21st century, it will evolve toward a communication, navigation and surveillance/air traffic management (CNS/ATM) system using satellite-based systems and sharing decision-making between air traffic controllers and pilots.

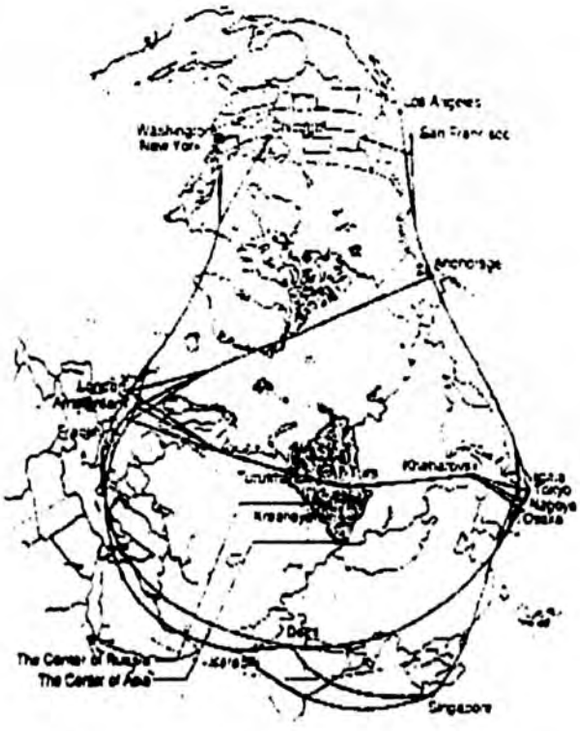
Work on FANS-1 has been underway in the Russian Far East for several years, since a prototype ATM system was installed at Magadan area control center in 1995 (*AWST* Sept. 4, 1995, p. 28). The recent focus has been on the Kamchatka area, which should pave the way for the polar routes, according to Nikolay Zobov. He is first deputy general director of the State Corp. for Air Traffic Management. By the time the air routes over Krasnoyarsk are ready (see drawing, below left), a CNS/ATM system should already have been implemented and certified in Russia.

AIR TRAFFIC CONTROL infrastructure in the heartland of Russia also would have to be upgraded, and this undoubtedly would require foreign financial assistance. When asked about the climate for U.S. investment and whether Russia had the legal infrastructure to foster development, Krasnoyarsk's governor, Valery Zubov, said: "The main thing is to provide attractive conditions for investors." In addition, he noted that the region has no history of closing foreign enterprises and canceling projects.

On July 19, Russia celebrated the 60th anniversary of the nonstop flight of an Ant-25 aircraft from Moscow to San Jacinto, Calif. The flight crew of Gromov, Yumachev and Danelen established a single-engine distance record at the time. Had there not been the intervening "political restrictions," those polar routes would be most popular today, Zubov said.



Planned International Orthodrome



The Existing International Air Routes

March, 19, 1998

IT&T Meeting on HB 432

I. INTRODUCTORY REMARKS:

Today is the fourth meeting of this committee on HB 432. It will be the last meeting in which we will take public testimony. I expect to have one more meeting to consider amendments, next Tuesday, March 24, 1998, after which we will move the bill.

A substantial effort has been made by many parties to analyze and digest a lot of information about his project. I have witnessed cooperation among the airport staff, their consultants, my office and this committee's consultants. I want to acknowledge Commissioner Perkins for setting the tone very early on in his department for complete disclosure and cooperation.

Nevertheless, it was reported to me that certain people may be afraid of retribution for the nature of their testimony for and against certain aspects relating to this project and to this legislation. I want the record to be loud and clear. I have checked with Speaker Phillips and Commissioner Perkins. They, nor I, will tolerate any hint of retributive behavior toward anyone who testified before this committee or participated in any way in this public process.

I urge any one who feels threatened to come to my office and meet with me or my staff about any complaint of this nature. You will find us to be very willing champions to protect you from the slightest hint of unprofessional conduct. I believe such fears to be unwarranted. However, I want to provide assurance on the record of the legislature's willingness to protect the democratic process.

HOUSE SPECIAL COMMITTEE ON INTERNATIONAL TRADE AND TOURISM

We'll now convene the House Special Committee on International Trade and Tourism on February 24, the time is 5:00 PM.

Present are members: COWDERY, Chairman
PHILLIPS
MULDER
KOTT
RYAN
JOULE and
ELTON

It is my intention today to take testimony on HOUSE BILL 432. This bill would provide authorization for the state to issue up to $280 million in revenue bond funds to pay for improvements to the Anchorage International Airport.

The amount of the bonding authorization may change depending on what we learn during the legislative process. I sponsored this bill because I support development and improvements at Anchorage International Airport. However, as the committee of first referral, it is our job to develop as complete a record as possible on the issues involved with this project.

We will try to surface as many questions about the underlying assumptions made to justify this project. We may not have time to get answers to all questions. But, we will set the stage for completion of the process by the time this bill gets to Finance Committee.

I plan to make the Department of Transportation officials, and the International Airport officials, and the Department of Revenue officials, work harder than they planned on working to justify this project. I don't believe we should be penurious about Anchorage International Airport. But, I do believe we should incur the least amount of debt consistent with developing an excellent airport.

I plan to go until ~~about~~ 7 p.m. tonight. We will resume tomorrow at 5 pm for a ~~shorter~~ ANOTHER hearing. ~~Within~~ IN ABOUT a week, after we receive a consultant report, we will meet again and ~~pass~~ DISCUSS ANY NEW QUESTIONS ABOUT the bill ~~out of committee, barring an unforeseen report.~~

For starters, I would like to have my staff, MARCO PIGNALBERI, give us some background on this bill. Then we will hear from:

- Anchorage International Airport
- The Airline Airport Affairs Committee Chairman, Mr. Cliff Argue
- The Department of Revenue
- The Federal Aviation Administration
- The AFL-CIO
- Other public members who are on our teleconference sites

Marco, please proceed.

D

Feb 24, 1998

FILE NOTE: TELECON WITH DON HARRIS, FORMER COMMISSIONER DOT/PF

RE: AIRPORT EXPANSION PROJECT

Don Harris

1. 80 million in IARF reserves, use cashflow, like we did for NS runway & Int'l Tmnl.
2. why did project balloon since July
3. feeders and cargo carriers against it
4. break down project into as many different components as possible, priortize and cut back to what is affordable

V

A

SPECIAL REVIEW

HB 432

ANCHORAGE INTERNATIONAL AIRPORT

REVENUE BOND AUTHORIZATION

for

ALAKSA HOUSE OF REPRESENTATIVES

SPECIAL COMMITTEE ON INTERNATIONAL TRADE AND TOURISM

Report prepared by:

March 19, 1998

Dr. Heinz Noonan,
Economist, Airport Planner
Stephen F. Wells,
Certified Internal Auditor

Airport Bond Questions:

Introduction:

In all fairness to the AIA we must say that there has been considerable effort made toward presenting as complete a package of information as may be possible. Numerous staff and consulting hours have been incurred in preparing more reports than we could possibly review in detail. Therefore, it is entirely conceivable that the AIA has answers to any questions we may raise and that those answers have already been covered in a report somewhere. We have briefed both Dave Eberle and Mort Plumb of the general nature of this report and some of its specific findings in order that they may be prepared for your questions or so that they could supply us with any additional comments they might have. They have not received a copy of this report.

Because we have been asked to review certain information related to the Anchorage International Airport proposed bond package, we have agreed to try to answer certain questions and provide additional information. Also because we want to provide a cost effective product we will avoid duplicating efforts that have already been expended, but may in some cases evaluate already provided information. Our review was limited to information available at AIA. Discussions with airlines or consultants were not done due to time constraints. Therefore, there may be additional information which might need to be considered.

Question:

1. What is the total debt capacity of the International Airport System?

The simple answer is that there is no singular dollar debt capacity that remains constant.

The short version answer is that the level of activity and associated revenue at the Anchorage **and** Fairbanks airports (IARF) are tied together to calculate bond capacity given a point in time and certain assumptions. More directly the current bonded debt of approximately $33 million and the proposed bonded debt of approximately $200 million is within bonding capacity of the IARF but only if certain conditions are met. If the IARF is willing to accept a lower credit rating then the amount of the bonded debt could conceivably be as much as $400 million.

The long version can not be covered in the limited time allocated for this report but requires a due diligence review by qualified bond counsel. Additionally, should further review be requested we would be available to assist where possible.

2. Is the borrowing capacity for Anchorage International Airport(AIA) legally separate from Fairbanks International Airport(FIA), i.e. does debt incurred for AIA project affect the borrowing capacity for FIA?

The simple answer is NO the borrowing capacity of AIA and FIA are not separate but are linked together in the form of the International Airport Revenue Fund (IARF). And to continue, YES debt incurred at AIA does affect FIA borrowing capacity and vice versa.

AIA has historically subsidized operations at FIA because Anchorage generates excess revenues and Fairbanks has lost money consistently. While this is not a popular statement, it is true, and can easily be seen in any of the financial statements for the airports. What it means for your purposes in this question is that anything which either reduces revenue or increases cost at AIA will have a significant impact on FIA's ability to justify any bond financed improvements. Regardless of where the projects are located (AIA or FIA) the impact is to both airports as they affect the IARF in total.

3. After the proposed project is complete, what will be the plane/passenger capacity at AIA and how long will this capacity satisfy anticipated demand?

AIA has answered that "The project is designed to accommodate 3,000,000 enplanements or 6 million passengers, which are projected for the year 2005." Additionally, they answered that "...an additional four jet gates may be needed in about 2010 with another four jet gates in about 2015."

The Hirsh report, ("Final Report, AIA, Terminal Expansion Study, date 12/22/97, Hirsh Associates") table II-1 indicates that by 2005 the total enplanements are estimated to be 3,070,000 and by 2015 the enplanements will total 4,440,000 or almost 9 million passengers.

4. What are the long-range capital improvement plan and accompanying cost estimates for AIA and FIA? Match funding sources to the project in the long range capital improvement plan and compare to debt capacity.

This is a complicated question. Numerous reports have been generated which cover parts of this question. We'll try to summarize **but** what you may want to ask for is what we normally call a "Source and Application of Funds" statement(s).

AIA CIP	Estimated Funding/Costs
FY99	$25.150 million
FY00	$23.150
FY01	$22.100
FY02	$16.400
FY03	$35.050
FY04	$20.400
total	$142.250 million

FIA CIP	
FY 99	$6.359 million
FY00	$8.050
FY01	$7.368

FY02	$5.937
FY03	$3.220
FY04	$2.200
total	$33.134 million

IARF total CIP **$175.384 million**

Part of the answer for the source of funds is that IARF revenue normally provides some of the funding and FAA AIP provides some funding. When you look back to previous CIP projects that have been approved and not yet built it is hard to understand how future projects will really be paid for. The "reserve account" is for previously approved projects that may or may not have received planned-for AIP funding. If the federal funding portion were revised, cancelled or funded by IARF revenue this would impact future projects, debt capacity, etc.

5. How does the fund for the proposal presented in HB 382 differ from funding methods used for past terminal projects at AIA and FIA?

In past terminal projects a combination of bond funds and revenues or cash has been used to pay for the projects.

6. What are the historic balances of the IARF? Show which major capital projects were funded in which years?

The published financial reports for the IARF for each year has a schedule in the very last pages which I find most useful and comparative for AIA and FIA. but they do not show relationship to projects.

Historic Balance -Net Income (Loss)

	AIA	FIA	Total IARF
FY97	$8,615,979	($7,723,270)	$ 892,709
FY96	$6,584,122	($7,053,665)	($ 469,543)
FY95	$4,341,090	($6,689,017)	($2,347,927)
FY 94	$1,261,104	($7,292,081)	($6,030,977)
FY93	$3,416,468	($7,242,494)	($3,826,026)
FY92	$8,004,223	($7,892,669)	$ 111,554
FY91	$16,604,397	($8,258,443)	$8,345,954
FY90	$21,562,965	($7,837,424)	$13,725,541
FY89	$26,282,113	($6,802,607)	$19,479,506
FY88	$24,943,829	($7,121,223)	$17,822,606

What this information should clearly demonstrate is that from a strictly financial point of view, FIA should carefully consider any project which might increase it's operating costs and further impact its net income and ability to repay debts. Certainly without the support of income from AIA, the rates and fees at FIA would be considerably higher.

What the impacts are when the total fund is at a loss should be explained by the IARF Controller.

The AIA provided a list of major projects and year of funding in their 3/4/98 response, attachment #6.

7. How long is the proposed project's life and how long is the amortization period?

   The AIA has responded, "Industry standard building design life - 30 years and Bond amortization period - 25 years"

8. Under the current proposal, how long will it be before AIA will need to be expanded again?

There is a strong possibility, that if estimates and projection within the AIA reports are experienced, that within 5 years and again in 10 years after this project is complete there will be another expansion project needed for passenger growth and gate needs. Those alternatives can be seen in the new "finger" alternatives that would extend out from the new Concourse C.

The proposed project's design life and useful life for demand purposes may be different. As has already been shown the demand may require more building by 2010 or within 5 years after this project. In all fairness, however, the planners have alternatives (at more costs) which can be expanded to meet growth demands. That information may not have been presented or clearly explained. Certainly the AIA can explain in detail why this project is being design for 2005 instead of 2010 or 2015.

9. In light of AIA traffic growth projections, has the building of a new terminal been seriously evaluated?

   YES.

   In the "Sketch Planning Process" Technical Report dated 1/2/98 by McCool Carlson Green Team, you can find numerous alternatives, their evaluation process, and a recommended 2005 conceptual design. In discussion with Mr. Donn Ketner, he indicated that as many as 15 different alternatives have been considered. When you review the document mentioned above you see an evolutionary process unfolding. Sophisticated models of evaluating which alternative would be presented were utilized, as well as decisions about what items would be of more importance. The AIA team should answer any specific questions about design alternatives.

10. Is a 25 - year debt being incurred for a remedy that will only be adequate one or two years after completion?

    Very possible, and certainly within 5 years as their own information and forecasts state.

11. How will the AIA landing fees compare nationally after the proposed $165 million in debt is incurred?

One critical point that you may have heard in testimony before the committee is that at AIA and FIA, you need to combine landing fees **and fuel flowage fees** in order to make a comparison to many airports who only have landing fees. You need to have an apples to apples comparison. What you have been given is an apples to oranges comparison. How the landing fee number is generated by the industry can reflect entirely different cost information.
What is needed and what could be supplied if we had more time is a simpler way to making a comparison at different airports. For instance, it should be possible to use a standard aircraft size and configuration to determine what it would cost for that particular aircraft to land at different airports. In that manner you would get an apple to apple comparison. How the fee was developed and what different cost information was used to determine the fee wouldn't matter as much because the end result would show what it would cost that particular aircraft.

12. How will higher tariffs affect AIA and FIA ability to finance future expansion and attract new carriers?

Certainly the ability to finance future expansion projects through revenue bonds will be affected. As the AIA has explained if there is a demand then presumably there will be a resultant way to pay for that demand by those who needs the services or facilities. Attracting new cargo carriers could be a problem IF this project precludes further air cargo projects due to limited funding or revenue. However, if rates and fees are still competitive then improvements should be possible.

13. How much money is in the IARF at this point?

The AIA has responded that there is approximately $78 million in the IARF as of 6/30/97.

The financial statements show that it is probably an asset consisting of investments at $77,327,177.

14. How much money in the IARF is being held as collateral for debts?

The AIA responded that "Approx. $36 million was in reserves required by the AIAS bond resolutions and operating agreement;"

15. How does the passenger facility charge system work?

I believe that the FAA testified in answer to this question.

16. How will reduction in the requested bond authorization from $304 million to $280 million affect the project?

The AIA indicated that they may need to request additional bonding authority if they fail to secure federal funding.

In trying to analyze how further reductions in funding might affect the project was difficult. The only pieces we identified that might be worth further review were the main terminal ticketing and baggage claim construction and remodeling. There seems to be another way to accomplish this in the new Concourse C. The part that we couldn't ignore was the need for certain code remodeling needs. How that all gets broken down into its respective costs would have required more review on our part. Perhaps the AIA could supply this information.

Additional Information:

During the process of obtaining information for the specific questions asked by the Legislature, there were certain categories of information which either appeared to answer questions the Legislature was interested in or pointed to questions that might still need to be answered.

This additional information may be useful in your deliberation process. We believe that the DOT/PF and AIA may want to comment on certain of these items.

In line with Commissioner Perkins request to keep Dave Eberle informed of our needs and information, we have met with Mr. Eberle on three occasions and have generally informed him of our progress and results. This report, however, has not been distributed to anyone other than to Mr. Marco Pignalberi in draft. This information was fully discussed with Mr. Pignalberi on two occasions.

Throughout our review process we have found AIA to be very cooperative.

Design Comments:

When we first started out with the information that was initially supplied to us, we believed that there might be certain design questions that had not been adequately considered. Because we questioned Mr. Donn Ketner in this area at some length, we now can state that we believe the AIA has adequately reviewed most possible alternatives that can be imagined within reasonable limits. There has been considerable work devoted to examining alternatives from various sources including the airlines. Almost any idea for reasonable development has received detailed examination. Mr. Ketner was able to discuss any question in a very knowledgeable manner and supply supporting detail.

We were very impressed with the work that has gone into the design effort and the resultant alternatives that have been documented.

Because of that extensive effort, we believe the Legislature could ask for and receive detailed information about any alternative that you might be interested in examining.

What we also determined is that it is very possible to reconstruct Concourse C without the remodeling portions. There are alternatives which allow for predicted future growth. The AIA can provide the estimates for the additional costs. Such a design has not been totally presented to the Legislature in this bond package. We question why the project has not been designed for 2015? We believe the AIA may have answers which should be provided which might explain more fully why the 2015 design was not chosen.

Most of the costs of this bond package are not for reconstruction of Concourse C and the predictable growth but to remodeling of the existing main terminal areas. As such there is a considerable risk associated with the remodel of the main terminal because of its age. Therefore, there is also a considerable likelihood that additional and unexpected costs may occur. The main point here is that this portion of the project is high risk and potentially more costly.

In examining the design process a few questions do come up that may need to be explained.

1. How can this or any design and associated major construction project be considered without reasonably asking what the needs of and impact will be to the air cargo operations, the major revenue producer?

We know that at least some effort has gone into the needs and resultant projects that air cargo will have because of the recently prepared LOI that has issued to FAA. Therefore, AIA should be able to report what air cargo development is needed .

2. What assurance does the Legislature have that the concept design presented will be the design that is built and, therefore, shouldn't a final design be presented before funding of this amount is requested?

Although a concept design has been presented to the Legislature, it is our understanding that such a design is not binding in any way other than as a total price tag. We have heard explained that this process is the way it is done at other airports around the country. Our understanding is that this design could and may be changed several times in significant detail before the project is built.

We understand that the normal DOT/PF design and construction process is to have a complete design before full funding is generally requested. Design work is a separate funding item usually accomplished before the legislature appropriates money for the construction project. There may be exceptions such as design/ build projects.

So the issue seems to be whether to allow the AIA to issue bonds before a design and costs are finalized and to maintain some oversight on the process or to wait for various reasons.

3. Should Concourse A be a regional only terminal providing a separation from jet only operations and giving the ability to meet the future needs of the regional carriers in a cost effective manner? Has this option been given due consideration and what are the specific issues?

When we reviewed the design alternatives, it became apparent that some consideration had been given to moving all **regional operations to Concourse A**. One of the reasons given for not pursuing this design was that the FAA saw some problems. When we reviewed the FAA letter, we remained unclear as to any serious objections. Furthermore,

there was no letter from the FAA that we were given which discussed the possible safety considerations to having both jet and non-jet aircraft operating in the new Concourse C areas together. **Perhaps there should be a letter requested from FAA that discusses any potential safety problems associated with the current design where jet and non-jet operations are both located at Concourse C.**

The only argument that we heard which seemed to raise a good question was that if the regional carriers were all in Concourse A, then their passenger would have a long walk to get to Concourse C if they had a connecting flight in that area. However, the reverse argument will also be true. So someone is going to have to walk.

The Hirsh report (AIA Terminal Expansion Study, Domestic Terminal Facilities Requirements, dated 12/22/97), page 10 states that "it is estimated that **less than 5% of the peak hour passengers are connecting directly from one flight to another."**

Further explanation of this option may need to be provided by AIA and the airlines.

4. **Peak Hour Passenger Design:**

To illustrate how numbers and statistics may be viewed differently, the following statement is true and uses numbers from AIA reports, but is presented here in a different view.

The design presented in the bond package is based on peak hour passenger volumes as a **standard industry method of designing terminals**, resulting in a facility designed to meet the needs of at most **0.07% of the annual enplaning passengers at AIA**, or at most 8.7% of the daily passenger activity during the peak month of August, occurring only between the late night hours of midnight and 2 AM. (Annual enplanements 1997 total 2,076,936, peak hour passengers enplaned 1,460 or .0007 see Hirsh Table II-1 after page 10)

A person might question whether such a design and design criteria meets the needs of Alaskans. Perhaps the design is merely for certain tourists traveling late at night only in the peak month of August. A person might also ask whether the airport's future was in passengers or with air cargo where 70% of the revenue is generated.

5. Baggage Check-in/Claim Needs:

A considerable portion of the bond package design deals with the need for additional baggage claim area. Whether that need should be accommodated through a remodel of the main terminal or in the new Concourse C might be questioned further. We did note that in the Hirsh report there were recommendations as follows, page B-6,B-9:

"Direct transfer of baggage from aircraft to cruise ships and hotels for land packages could initially be implemented at AIA without significant terminal construction or investment by either airlines or the tour companies."

Additionally, "Remote check-in could potentially provide the highest level of service to the passenger with the least amount of confusion, but be more difficult to implement."

The reports that we read do not address how the airlines could modify their operations to accommodate some of the peak time problems. For instance, we specifically looked for but did not find discussion of the airline's staffing at check-in counters and at baggage areas. Were the airline staffing levels at maximum during these peak hours? If that type of information is available, it might be interesting to examine further. If not, then further discussion with the airlines might be warranted to determine the extent to which operations issues might mitigate some of the problems.

What these statements seem to suggest is that there may be alternatives to construction which might address the peak hour passenger volumes needs. What might be interesting to hear is how these recommendations affected the main terminal remodel design. The AIA may be prepared to address these comments.

Cost Comments:

1. What assurance does the Legislature have that this bond package amount will not increase or be insufficient to meet whatever design is eventually constructed and how accurate are these numbers?
2. Who has committed to repay these bonds and where is that written commitment? What risk does that imply and what is the AIA plan to cover such a risk?
3. **Will the AIA Controller be required to provide written assurances for the bond package that the accounting information and cost information is accurate, complete and in accordance with generally accepted accounting principles?**

There are already indications that the costs associated with the bond package may differ considerably before construction begins and may require the Legislature to authorize additional bonding limit. Specifically, there has been **no written assurance from either FHWA or FAA** that monies in specific amounts will be made available or are even eligible on the part of the FHWA. Without federal funding the future bonding capacity and ability to construct either air cargo improvements at AIA or other bonded improvements at FIA may be severely impacted.

The high risk associated with remodeling the main terminal area may encounter changed conditions and more costs.

The fact that the Operating Agreements will expire in July 2000 may have a material effect on the bond sale unless there are written commitments from the users of the facility that will repay the bonds. There may be a strong resistance to signing a new operating agreement if there is a material impact to rates and fees . This issue should be addressed by AIA and the bond counsel.

The following are certain cost or accounting issues that may need to be further examined or clarified:

1. In a recent submittal dated March 4, 1998 to the Legislature there were several attachments to answer questions that had been asked. In Attachment 8 "Status Report" there are several pieces of information that may need clarification.

    a. At the top of the page titled Concourse C Funding, there are three appropriations, AR65837, AR59898, AR 63836 totaling $14,700,000. When AR 63836 for $4.5 million was submitted to the Legislature there was a commitment to seek AIP funding in the amount of $1,690,000 (see Attachment 9, page 1, 1994 AIA Term Expand Design, near the bottom of the list). **Has the AIP funding been requested or received**, and if not, please explain?
    b. Within the text of the Concourse C Funding report, noted above, there is a line item for Terminal Schematic Design, Schematic Design and Admin in the amount of $605,878. Directly above that is the line item Terminal Assessment totaling $2,400,000. This information was prepared by the AIA consultants. **Was this information substantiated or verified with the AIA accounting section? What was their input or response as of 2/11/98? Did it differ from the information being presented to the Legislature? Please explain.**

2. Leif Selkregg Associates:

The contract for Leif Selkregg Associates and the resultant increases in contract value might be viewed as a measure of what could be expected throughout this project if a person were somewhat suspicious.

The original contract for Task 1, dated 9/20/96 estimated that overall services would "be in the range of **$1,000,000**". The next contract, Task 2, dated 11/1/96 estimates that overall services would "be in the range of $1,200,000". All subsequent contracts for additional tasks do not contain an estimate of overall services costs.

Therefore, we reviewed the project cost reports dated 3/11/98 to determine what the budgeted to actual costs are running for this project and found that the Leif Selkregg authorized contract amount is now at **$1,611,082.16.**

Furthermore, we examined the period of performance for the tasks to determine if there were any controls on the amount of time that was being permitted to accomplish the required work. What we found was that up until Task 3 , Amendment 2 there were cut off times when work products were suppose to be completed. With that amendment all cut off times were extended out to 12/31/2001.

From a cost and control point of view there seems to be few if any dollar limits or time limits and therefore, there is a strong possibility that in addition to the already significant increase of 60+% there could be other increases in the amount of the contract.

There may be a need to review this contract, the State Procurement Code, and **the reasons for these increases in cost and changes in control**. We have not discussed this issue with the consultant but have provided the AIA with this comment. Perhaps the AIA has additional information at this time.

3. In answer to your questions about "What percentage of the budget will be for Contingency, Planning, Design Engineering " the AIA responded to you on 3/4/98 with the following schedule:

Contingency	10%	
Planning	02%	
Design & Engin, Const Admin		10%
Project Admin	02%	
Construction	76%	
Total		100%

To summarize they answered that 76% went to construction and **24%** went to **Planning Design Admin or Contingency (PDAC).**

We reviewed that information to see if we could determine if there might be additional information available. In the AIA Terminal Concept Package Report #8, (dated October 1, 1997 in the Cost Estimate section on pages 3) there is a summary report which breaks down the cost for a project total of $190,755,354. If you were to prepare a schedule of all the PDAC costs as shown in the supporting schedules what you would find is that there are $68,525,867 in **PDAC** costs or a **36%** factor instead of a 24% factor. If you choose to explain the PDAC **as a percentage of only the construction cost** ($122,229,487) then the resultant **PDAC % would be even higher at 56%.**

4. We wanted to know if there was a simple formula for determining what the impact might be for each additional $1 million in CIP and what that would do to the landing fee.

The short answer is that using FY 2002 as a base year, not counting the bonded project, and after using the available IARF funds which would be approximately $13 million, there would be a $0.0333 increase in landing fees for each $1 million in CIP.

5. We have seen different interpretations on the airline vote for this project presented in different reports. What is implied is that there is a majority of support for this bond package and design. Perhaps with all the changes in design and different cost presentations, there should be **another vote by the airlines to confirm their continued support**. Such a confirmation might be most useful in the bond package if there is no progress toward new operating agreements until year 2000.

6. Interest Rates:

The AIA has used the approach that if we wait until next year the interest rates could be higher. In recent discussions there has also been the statement that if we move ahead this year we will be in a position to take advantage of any lower interest rates next year. The later statement seems to have merit.

We examined this question and have determined the following:

The short answer is that **interest rates are likely to drop even further**.

The long answer is:

Mr. Paul McCulley, Chief Economist for UBS Securities recently stated that the Federal Reserve and its Chairman, Alan Greenspan have won the war against inflation and high interest rates. In his semi-annual Humphrey-Hawkins testimony, Dr. Greenspan indicated the economy was in great shape. The economy is "delicately balance between inflation and recession".

During the next twelve to eighteen months the Federal Reserve will react favorably toward the US financial markets by shaving 100 to 125 basis points from the benchmark rate of 5.50 percent. In our opinion the interest rate cut will formally start this summer (1998).

Dr. Greenspan will chop away at interest rates in a very cautious manner. The last interest rate cuts came in three steps starting in July 1995 and ending in January 1996. This monetary move caused short-term interest rates to decline from 6.00 percent to 5.25 percent. The lower interest rates will provide a monetary hedge for the US economy against the Asian economic problems that will hurt the US economy and corporate earnings in the second half of 1998. The Federal Reserve and its short-term forecasts on the health of US economy have not been very accurate, as noted by Dr. John Shaughnessy, Chief Investment Strategist for Advest, Inc. The Federal Reserve economic growth forecasts has been by far too conservative. For example the Central Bank had forecasted a 1997 growth rate of 2.25 percent in Gross Domestic Product compared to the actual growth of 3.9 percent.

In a recent speech at Carnegie Mellon University, Lawrence H. Meyer, Federal Reserve Board Governor, noted that we have a good news economy that has a "remarkable combination of healthy growth, low unemployment, low inflation, a soaring stock market and a declining federal deficit". He said he could summarize the recent economic performance into a single sentence. "We have been recently blessed with relatively strong cyclical growth, the lowest unemployment rate in 24 years, the lowest inflation in 31 years, an impressive investment boom, soaring equity prices and a 5-year decline in the federal deficit".

RECOMMENDATIONS:

1. Should the Legislature decide to move forward with a bond package authorization in any manner which allows the AIA to continue with this project, we strongly recommend that there be some mechanism which allows you **to maintain a continuous oversight of the project** by having a assigned person to be a part of the project team (with no decision making responsibility) to merely provide oversight and reporting to the Legislature. That person may not need to be full time but should plan on being involved in status meetings every week. That person could easily be funded out of the project. That person should be experienced with and knowledgeable about the AIA and its processes. This effort could be considered part of the Quality Control process.

2. The Legislature may want to consider a bond authorization by approving a **private placement or partial private placement of the bonds with the Alaska Permanent Fund**. This potential option could offer some significant interest cost, financing cost and opportunity cost savings. At the same time, it should be noted that the current bond resolutions prohibit private placements or privately negotiated sales. Those resolutions would have to be amended.

3. Several of the comments we made in the Cost Comments portion of this report are intended to point out the need to have accurate and complete information. We are concerned about the process. **We recommend that all financial information be reviewed by the IARF Controller before it is released.** That is not being done at this time at either Anchorage or Fairbanks. The problem is that without this review, there is a strong possibility for error which has been demonstrated in some of these comments. If we had more time to do an in-depth review we could provide more examples. The need is to insure that the process is providing accurate and complete information. Certainly when the bond package is reviewed in the due diligence process this financial information and the process used to present the information will come into question and be of critical significance.

EXECUTIVE SUMMARY

Within the time allowed a special review was conducted on behalf of the Alaska Legislature, Representative Cowdery. The following are some of the keys points.

1. The Anchorage International Airport (AIA) Concourse **C project has been thoroughly examined and alternatives considered**. There isn't any reasonable design that cannot be discussed at length. What may not have been presented or may need further exploration is a design that meets the estimated needs of the airport to year 2015. The current design to 2005 may not meet forecasted needs within 5 years if estimates by AIA are accurate.
2. **Information data**, particularly the financial data, **needs to be entirely accurate and complete.** Therefore, the process for assuring that happens may need some refinement. The IARF Controller and his staff need to review all financial data before it is released. That is not happening. The result is that certain information may be inaccurate. When the bond package is reviewed in the due diligence process, there should not be any unresolved questions in this area.
3. **Air cargo** is the major revenue producer at the AIA. Without the completed Air Cargo Master Plan or a clear determination of the capital projects needs for air cargo, it is difficult to understand how the total debt capacity can be determined. Additionally, how the terminal costs, the air cargo costs, and current list of $175 million in CIP might **impact one another does not seem clear at this time.**
4. **Cost control** for this project to insure that any significant escalations are minimized will require certain commitments from all parties. Some design uncertainty or at least **alternative design possibilities might significantly change the cost picture**. This project does have some high-risk construction portions particularly in the main terminal area. The DOT/PF and AIA should insure that certain key staff members be assigned to report only on the costs and that function should report differently than the Design and Construction function to insure cross checks and unbiased reviews. This could be easily accomplished by the IARF Controller's office. If the Legislature desires to maintain an **independent oversight** role throughout this project, you may want to require that such a person be involved and report directly to the Legislature. That function could provide for immediate project status reports in terms of design changes, construction progress, use of funds, cost control, and specific inquiry feedback.
5. **Impact to rates and fees** was difficult to report in a short version answer. The formulas for how other airports determine this comparative data are different and result in an **apples to oranges comparison.** There may be a method for accomplishing this by identifying one or two common aircraft and finding out how much it costs for that particular aircraft to land at any given airport. That information was not provided but could be determined. How this or future projects might impact the current rates and fees only at AIA can be determined but only if the assumptions and formula is clearly defined and understood. This **needs further review.**

VI

A

Individuals Testifying on HB 432
ITT Committee Hearing
Tuesday, February 24, 1998
5:00 – 6:40 PM

In Person:

Marco Pignalberi – Chief of Staff Representative Cowdery

Department of Transportation Presentation
- Kurt Parkan - Deputy Commissioner
- Mort Plumb - Director, Anchorage International Airport
- David Eberle - Director, Construction & Operations, Central Region
- Leif Selkregg - Contracted Consultant for the Airport
- George King - Contracted Consultant for the Airport (Via Hook-Up)

Ross Kinney – Department of Revenue

Via hookup from Seattle:

Cliff Argue – Airline Airport Affairs Committee

Anchorage LIO Teleconferenced:

John Unger – Comptroller AIAS System

Ron Simpson – Federal Aviation Administration Manager Airports Division

Mano Frey – Alaska AFL/CIO Laborers Union

Teleconference # 80370

Individuals Testifying on HB 432 –day 2
ITT Committee Hearing
Wednesday, February 25, 1998
5:00 – 6:50 PM

In Person:

Kurt Parkan – Deputy Comissioner DOT
Joe Sprague – Era Aviation- Director of Marketing
Ross Kinney – Department of Revenue

Anchorage LIO:

Mort Plumb – Director, Anchorage International Airport
David Eberle – Director, Construction & Operations
Leif Selkregg – Contracted Consultant for Airport
Don Harris – Former Commissioner DOT
Bill Elander – Anchorage Convention & Visitors Bureau
Ron Simpson – Federal Aviation Administration, Manager Airport Div
Sherman Ermhouf – Muni of Anchorage – Mayor Mystrom Special Assistant

Via Hookup:

George King – Financial Consultant for Airport

Teleconference # 80401

Individuals Testifying on HB 432 –day 3
ITT Committee Hearing
Thursday, March 5, 1998
4:00 – 6:00 PM

In Person:

Kurt Parkan – Deputy Comissioner DOT
Ross Kinney – Department of Revenue
Butch Halfrod – Northern Air Cargo –Vice President Operations & External Affairs

Anchorage LIO:

Mort Plumb – Director, Anchorage International Airport
David Eberle – Director, Construction & Operations
John Ungar – Alaska International Airport Controller
Leif Selkregg – Contracted Consultant for Airport
Ron Simpson – Federal Aviation Administration, Manager Airport Div

Via Hookup:

George King – Financial Consultant for Airport in New York
Joe Sprague – ERA in Anchorage

Individuals Testifying on HB 432 –day 4
ITT Committee Hearing
Thursday, March 19, 1998
4:00 – 5:40 PM

In Person:

Ed Merlis – Air Transport Association, Executive Director
Kurt Parkan – Deputy Comissioner, DOT
Mort Plumb – Director, Anchorage International Airport
Ross Kinney – Department of Revenue
Cliff Argue – AK Airlines
Dennis Byrd – Federal Express

Anchorage LIO:

Steve Wells – Independent Airport Consultant
Heinz Noonan – Independent Airport Consultant

Via Hookup:

George King – Financial Consultant for Airport in New York
Joe Sprague – ERA in Anchorage

Individuals Testifying on HB 432 –day 5
ITT Committee Hearing
Tuesday, March 24, 1998
4:00 – 4:45 PM

In Person:

Ross Kinney – Department of Revenue

Via Phone Hook-up:

Dave Eberle – DOT, Central Region Director of Construction & Operations

B

Contact Sheet
HB 432 - International Airport Revenue Bond

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C

COMMITTEE TAPE LOG

COMMITTEE: House Special Committee on International Trade and Tourism DATE: 2/24/98 TIME: 5:04

SUBJECT: HB 432-Airport Revenue Bonds before before 5127 6119

MEMBERS: Cowdery, Elton, Joule, Barkes, Kott, Mulder, Phillips, Ryan
JC KE ~~RJ~~ RB PK BM GP JR

Reke berg

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
JC	TAPE 1-A 0001	Meeting called to order @ 5:04 p.m.
HB 432	10	take testimony
		$1 280 million rev. bonds
	18	amt may change
		sponsored thi.
	20	however 1st ref.
		record issues
		surface as many questions
		may not have time ....
	29	I plan to make DOT off, ...
		DOR work harder ... to just
		but I do believe ...
	38	go until 7 p.m tonight ...
		re
	42	at time presentation
		open to questn.
	46	week after.
		meet again
	49	Starters Marco Pigna(beri, staff
		give background
		then Cliff Argue.
~~Marco~~	~~59~~	... lim
Pignal-beri		amends stat bonding auth.
MP		to 280 million-s
		difference.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
● MP	72	this ↑ bond auth.
		② includes fed hi
		③ fed funding
	78	bonding cap
		this bill contemplates --
		reduce amount State needs to
		borrow....
		single
	88	Taking on such a high amt
		of debt ..
	92	Sen. Sen. Carrico ...
		voted against ...
		concerns
●	97	This bill also notable
		(dif) Gov.
		doesn't change Stat.
	102	Mr. Chairman narrow
		am:
JC	106	None --
Wrt	112	dep. Com (?) DOT/PF ...
Parker		
KP	118	apprec interest ... imp project
		SOA happy
	122	concerns -- $ amt .. ex.
●		believe DOR as well bond
	128	with me
		director Anchorage intl airport
		(Mort Plumb.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
KP	133	Leif Selcraig - Rec AK
		consultan -
		Dave Eberle Gateway AK
	1441	intro to Dave — history
		Director ... — DOT ...
		Dave has had experience ....
		Bradley Lake ...
		$350 million
		Project director
	158	we fill up.
	160	on line .- King consultant
		speak package why time
		is now ...
		handouts ...
Mort Plumb	176	handout ....
MP—		tuber
	183	manage this resource
		deficiencies
	188	Airing of air
	189	Growth of aviation huge
	195	Plan we are presenting
		conservative to → 2015
		bridging to 2005
		ASC
		not gen funds
	201	Product of close working rel.
		+ vote
	204	Anch Int Airport ... entry
		out of bankruptcy

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
MP		43% bag, 40% ticket
	212	we recognize that this project is significant
		avoid piece-meal approach losing val ground...
	220	This Plan must cost effective -- safe good quality ...
		thank you
JC	227	.. Hold ?
	231	gen m Seattle, wife b'day to Mr. Cliff Argue (ph)
CA	236	Clift Argue
		Staff VP of Prop. fac. AR Air Chairman ...
		org. ~25 air lines
	243	Last Nov. voted agreement. proposed term ...
		est $191 million
	248	Dirg DOT/PF (costs/balance)
		vote also approved ... issue revenue bonds
	257	we hope ... also fed funds
	259	I believe details of vote based on approve.
		(IN FAVOR HB 432]

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
CA	264	Having been involved ...
		the needs ...
	270	Exc. coordination
	271	My colleges ...
		Reeve ... (in & out State)
	275	Existing ....
		containing experience
		plan to remedy soil
		& conservative ..-
		redem & effec.
	282	Also allow newest technologies
		... bet. cost
	286	as you co-
		AIAS (ph)
		word
		cost
	290	These bonds ... -
		not impact g.f. ..
	295	I request your fav. actn
JC	297	Th.. ? ..
		vote approval process ..
CA	300	Under. .- DOT (2)
		list of projects to carriers..
		review with airport ..
		formal
	306	voting ... either (+ or -)
		in order ... 66 2/3 %
		disapprove .-

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
● CA	312	However, only 1 yr deferral --
		if DOT deems nec. --
		present -- still
	317	Prov — '85, '86 .. renewed
		2 XS, Som. Various airports
JC	321	?
		whats the length com ....
		vote ....
CA	324	? closon
JC	325	when ...
CA	327	In this case cost
		spread ... prob. 20-25 yr.
●		time fame ...
		som equip less
JC	334	Then
CA	335	" ...
Leif	337	AIA & DOT
Sekiaz		
LS	339	1996
	341	This effort ....
	342	The team composed --
		+++ numbers +
●		AK firms ...
	348	Rise AK ..
	349	About process ....
		purchase

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
LS	352	Prefered master plan ...
		while still
	355	Getting to ... forecast
		ICT sep mp concepts → 4 → 1
		sup. budget ... throughout ..
	361	forecast
	362	In regards to forecast ...
	368	Leif from
	370	to convert
		2, ... million → 2.5 mill → 3 m
	373	Deficiencies ...
		Concourse C ...
		end of life.
	376	Con. B, Con A early in 80s
	379	Since A built ...
		Standers.
	381	To meet todays needs ...
		There is imbalance ...
		air / public
	384	Unique peaking
		D & F rating ...
		imminent demolition of C ...
	389	Prefered term. master plan.
		intense 6 month planning
	392	Eval. process ..
	393	Meeting w/ ....
		Imp. plan
		controlled roll out
	394	Quick overview

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
LS	398	Overview -- visual ...
		Picture ...
	403	If we don't get cross-util..
		...
		extending curbside & roadsyst
	407	intro. Dave Eberle --
Dave Eberle	409	Dir. Co. Op. Group DOT/PF asked to becom PD...
DE	416	Construction 5 yr period
		1st .. enabling projects..
		Delta reloc., reg. distrib...
	421	Overview enab ... Con C.
		1999 ...
		following
	423	Summer 1997
		2.5 years ...
		Some per
	426	Then begin
		W first 1 yr. / E 2002-3
	430	Parallel act.
		road work near elevated ...
		we'll also be doing ...
		improving .. parking inadeliby
		new aprons --
		remote fuel staging
	437	Nut-Shell
		Comp. 2003, rec
JC	439	Con. C -
(DE)		

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
CS (?)	442	linear ... MP ... ? ? KP
JC	443	
JP	444	What do U
DE	446	Reg carriers allowing of ... more Delta
GP	449	secured
DE	450	MSAs
MP	451	2 gates ...
DE	454	Costs (Leif)
	458	38 million -
		raised
		total $205 mill
	460	mange plan. -
		do maj.
		prof. Consultants
	465	Airside split
		P.M combos augment
	467	Effective ...
	468	other elements. -
		those as needed ....
		treated ...
	472	As far as Cinder
		$205 mill + bond +
		interest $230 million.

2/25 This is from the meeting. ??? I think comments may have been going back & forth.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
DE	476	Anticipated
		In Addition ...
		FAA uncertain
		this plan
	479	George King on line ...
GP	481	One expansion or work
		pipeline
DE	483	not part
George	485	Hudson ...
King (GK)		1st
		2nd 3 K
	489	Overall purpose --
		deliver $ funds
	491	In order to do this
		① low cost
		② low risk
		③ high flex
	494	Achieve --
		not objective
		we have benefit
		low risk
	497	2nd .. fav. tax low ...
		this in effect
		airport
	500	Discret. Authority.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
GK	502	2nd ...
		3 way ist of all
		all source u/d control
	505	2nd - no hypo
		3rd approaches by securing...
		bid & construct
	509	3rd Object .. high flex
		2 ways
		1 — inc. res -25yrs
	513	we will do this cred.
		medn. dollar for dollr. basis.
JC	520	?
GP	521	ARCO no Ho
JC	522	Thks.
	524	Leif ...
		brochure says addtl mp.
LS	527	Not part ...-defer
		to MP
JC	529	need ...
		pres.
MP	532	Cargo Master Plan Inc.
		... Lee Fischer (ph)
		part of
	535	as far as costs ....
JC	536	bulk pr
MP	537	Mo .-
		por

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
MP	540	taxiway
	541	We ... $1 million taxiway
		but at this point ...
JC	544	Sep.
MP	545	No
JC	546	Hm
MP	546	Hm
JC		...
MP	548	That out of ....
		that was area ...
		get
JC	551	... questions.
		(DOR)
JS	5:14	~~Answer questions~~
Finney		. — George King ...
KDOR		fiscal note ...
	559	Fiscal not
		3 scenarios
		which one ...
	562	Correct ③ sched.
	564	2nd schedule....
	566	when we sit ...
		careful allow enough ...
		sell abill

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RK	569	create exp
	570	Rec to committee
		use that as rule of thumb ..
	573	not to say ..
		more likely rates ...
		if takes place ...
		back off ...
		diff to sit
GK	578	Said ...
		add #s
		4 sets
		1977-91 - ... N.M. +7%
		1991-93 ... decline 7% to 5
SIDE B		1993-94 back up 5 to 7%
		back down 7% to 5%
		above ...
GK	995 ...	
RK	992	body a year ago ...
		15 year period
	989	credit enhancement ...
JC	987	Fbrxs.
RK	985	Not exp 2 combined
		in issuing bonds ....
	983	in this case
JC	979	Rep. Rokeberg (NR)

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
JC	972	?
GP	977	Revs in disc. ...
		did you have
		diff maintenance
GP RK	974	Sep bonding
		or
		no bearing
NR	969	? mr. King
		warning ...
	967	tell me relationship ...
		mmic ... dif
RK	964	dif varieo...
		AAA AA
NR	962	30 yr
RK	962	I bel.
GK	960	Ab rt ... pt.
		75 pts to 120 pts
		pick ... 75-100
NR	657	Time frame ... Bsuace
RK	955	possibility of interim financing..
		schedules for fisc. rate
	952	we are early on...
		whether we use
		secure interim to carry
	949	whole ball wax
	947	One exceeds ... IRS ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RK	944	arbitrage reg.
	943	dictate interim financing
		non IRS ..
		36 months ...
	940	All know, restrictions ... —
		arbitrage rebate
	937	# of things ...
		int rates plays large part
NR	933	Cap on id bnds
RK		(RT)
NR		Cap interpt
RK	930	(No comp) ...
		AIDA ...
NR	929	... — ( )
	927	Mr. King .. . Gross amount
		$25 million ...
		costs & time
	922	were it rec.
GK	921	From view
		1st addtl transaction costs
		needing to do ....
		legal disc. —
		going to market ....
	914	Transaction costs ... —
	913	2nd category unknown
		factors rates
		interim period

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
GK	910	Ex before ——
		rates movement ..
		12 month period
		13k would be
JC	904	Cowls .— Sorry
		100 pts mean in
GK	902	150 basis --- pts
		$100 million bond ---
		over course
JC		(interest)
		Calc.
JC	897	Mark
	896	How much now
(MP?)		(MP(?) argued ..
John	892	Last ... (Ungar)
Ungar.	888	remaining $35 million ..
JV		then $5 million excess
JC	884	Hmmm
JV	883	3 — in dept.
KE	880	Navette .. — (to Ross RK)
		lines 12-14
	876	These lines seem to provide ...
RK	873	Correct .— leg. co-
KE	871	Shares

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RK	871	Level of comfort ...
		lower interest rate ...
	867	Some of language ...
		credit enhancement ...
	864	Less risk - lower rate ..
KE	862	Cliff Argue test ..
		suggested .. m with ..
	859	Qest. flex ...
		Seems to me if we ...
		Comig enough amount
	854	bill out ... (Gov bill ref)
		m market
	851	whether or not
RK	850	KE from debt side
		I believe
	848	we have to provide ...
		adequate ..
		scale bar
	844	In conj. w/ the
	842	Provides some things ...
		flex
		fact
	839	credit enhancements ...
		monthly ...
		trade ...
	836	how fits together

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RK	834	U saw language ...
		doing, now, goes along
		airlines informed
		expect that ...
KE	829	Nr? further ...
JC	827	If in fact determined
		after .— more $$
RK	822	I would think ... up to
		addt bonds
JC	820	If we ... FAA money &
		if we bonded for that
		$25 million ...
RK	815	defer(?)
JC	814	Senator in favor ...
		FAA
RK	811	You'll recall Mr King
		& retire debt.
JC	808	Nec. enhance ...
		disc. ...
KE	805	Sump. answer
		extra $25 million fences ...
		upgrade carpets ....
		constants
RK	798	Strings attached approval
		process

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RK	796	Complete
	~~795~~	
	~~799~~	
	794	Call feature
		debt service
		before ...
		mismatch (MP?)
JC	787	?
		to Ron Simpson
		FAA
Ron Simpson (RS)	784	(FAA) manage ...
		AK ....
	780	As I was listening ...
		contemplates ...
		1st off
	777	strongly support ....
		vital & import
	774	focus on financing & funding
		options
	771	Receives funding. ...
		from 2 sources...
		(national fund AIP (?)
	767	Passenger entitlement
		$2.6 mil
		cargo $3 annually ...
	760	(2) Discretionary
		competitively
		19 ... 1995 FY
		$2 million
		1996 2.1, 97 2.3 mil

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RS	754	Tantative compete
		allocated priorities FAA ...
	749	In order to compete effect...
		I look at ....
	745	Apron work ...
		terminal bldg ...
		access road ..
	742	Strategy for FY 98 ...
		we thought
		best advantage to
		approach
	737	letter of intent AIP
		funds ...
		anticated entitlement
		levels
	732	FAA policy
		④ areas ...
		Ready proje..
		Criteria .- LOIs
		non fed fin. commitment
		LOI leveraged from non-
		fed sources
	722	Right now ...
		3/1 LOI
		description ...
		overnight parking ..
		apron ... @ $23 million
	715	Expansion
	714	Runway recon Phase II

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RS	712	Overall LOI --
		HB 432
		The LOI can be used however very early
	706	we won't know -- probably June July
	703	From funding strategy -- I've spoken before -- could be earning
	696	PFC -- most viable way... reliable -- esp. bldgs.... don't think will
	690	PFC rev pay back
	689	FAA supports these projects..
JC	686	? (Mulder)
NR	683	-- ?
RS	680	1991
NR	678	Decisions
RS	675	These decis: (2) leg. appropriating FY 98 last year

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RS	670	Entitlement funding
NR	667	Scope -- $48 million
RS	664	LOI long-term plan --
		fund
		letter of intent
	661	Magnitude --
		LOI fed -- acq that ten..
NR	657	Airline
		... pd out
RS	654	LOI request competitive
		entitlement (dif. pots)
		need AIA ...
		tie up .. entl ...
		as well
	645	AIP program addtl actn
		by congress ...
NR	642	Follow ..
		AIP funding both
		LOI - ~~district~~ co
RS	638	LOI di
NR	636	
RS	633	--
		LOI agreement
		tie up ...
NR	628	LOI commit ...
		addt.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
● RS	626	Say — vise
		commit portion ...
	623	short Commitment ...
NR	621	Confused ..
JC	619	Test.
RS	618	does
JC	617	.. on paper
RS	615	.. Complex ...
		$25 million ...
		have to have
		strategy ..
●	608	This time ....
no	605	AFL-CIO President AK
sig		
	600	Travel outside the State
	598	decisions ...
		for instance Detroit ..
	591	Seen examples ...
		have facility like that
		esp. ..
	587	Con C. or newer
		time to go ...
●		since middle ages ..
		duct tape DUCT
	581	Photo .. new
		women.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
MF	577	we, AFL-CIO ...
		fully support concept
		Gateway AK ---
	571	widening "C" Street
	569	whole package --
		tourists --
	566	those who live --
	563	improvements
		necessary
	559	What ever happens.....
		Admin/Leg.--.
	555	timing of financing.--
		so important .. right now..
	550	easily largest project ..
		for importance ...
		as effic as possible
	542	Not unlike DE
		Bradley Lake ---
		Leif Selcraig
		Seward SeaLife Center...
	534	I would hope.--
		all those involved ---
JC	531	Th-- -.
		I believe --
		majority support ---
	525	support Bivens
MF	523	thank
		rock n roll

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
(NR)		
JC	517	OT
MF	513	EfG
JC	514	way
Dwayne Heyman	512	Cor.. North ...
DH	508	Commensurate
		Ag. 2000
	504	endorse .—
		authorizing leg.
	502	-- leg ...
	499	# of reasons —
		impact on econ y
		11,000 jobs
JC	495	I do have ...
		letters ...
		Ron Lara
Ron Lara	489	United Airlines ...
RL	484	Process
	482	unique ...
	479	we're satisfied ...

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RL	476	14 gB ... —
JC	472	... — M..
Joe Griffin	471	Commerce resolution passing this process
JC.	461	...
Sherman Ernett	457	spec. to Mayer Brock ... — ...
	453	we all know behind ... —
JC	448	? .... local testifying
	0004	Adjor ... testimony
		Test. have ...
	13	6:35 p.m.

COMMITTEE TAPE LOG

COMMITTEE: ITT DATE: 2/25 TIME: 5:10

SUBJECT: HB 432

MEMBERS: ~~Cowdery~~ Phillips, Rudder, Katz, ~~Brooks~~, Ryan, Goude, Elton

OTHER: RYAN ROKEBER

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Cowdery		
"	133	
	056	at-ease 5:13
		back on 5:18.
Joe Sprague	081	test on behalf of ERA
		supports term limitation in Ariz.
		Bel. admin's proposed project.
		2nd biggest casino in Ariz.
		+250 Abns at input.
	120	today as then revisions only at concept.
		Opposing project as presented by admin!
	133	Agree that input is.
		Questions surrounding project.
		Re meeting of earlier all part.
		Admin's favored incremental approach
		Whatever final result-
	175	Before sending forward
		Examples of inputs that over expand
	188	On closing pros regimes careful consideration
Joe Ryan	197	
Joe Sprague		

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Carr		Anything concern
Cudery	212	What percentage of Income
Sprague		Don't have that figure
Cudery		Earlier you stated
Sprague		
Cudery	229	Is this a
Sprague		
Cudery		Landing fees increase &c ?
Sprague		
Phillips	239	Vote - was per vested affirmative
		Cont. -
Sprague		that is my understanding
Phillips		How many
		Don't know
Phillips		Of this project.
Sprague		Of these were Leases per
Ryan	260	Landing Fee & Rental fees.
Culder	264	Cap & G & E associated
		Exp
Culder		Staff at all
Sprague		No
Culder		Tracking Centers -
Sprague		No
Phillips	278	Working Fee - Statement of C
King	286	test yesterday
	295	? / ¥ - $ -
		? 179 / ¥ is 100 passes pt
		more.
Cudery	306	

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
King.		
Caudery	325	What % is Fin. reading agencies
King		Don't have exact #
Caud.		Finance Ca
King.		aggregate ~ 2 P ~ neg.
		~ w/ Committee &
		consistent w/ ging. rate.
Caudery	339	Any estimate
King		
Caudery	346	Who are members of bond counsel.
"	351	How ~ ~ C. & O B ~
		& Lee, sing. project.
Caudery		Competitive bid?
King		Yes
Phillips	362	Financing Ca - ~ 4 177 / 6
		~ 204 ① & ~ Ca ~ Rev ①
King		
Phillips	373	Can we use 177 / ~ ~ P ①
Kurt	379	
Parker		Speaker Phillips & referring
		to Nov 5
King.	394	191 - 164.5
Phillips	405	176.6 as ~ - ~ us 204 today
King		Assumptions
	424	- line item finance - bonding
		Impact ~ P ~ assumptions add 2 ①
	432	204 / ~ ~ ~ ~ authorization ①
		~ CD parameter 9 P ~ /
		possibly happen.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
King		Financing costs / revenues
	448	P. P. considered outside parameters ⓓ
Mulder	456	Question relating to security of left. How secure is this left + Ry Sales in CBD activity levels.
King		In addition, employ growth assumptions of FAA assumptions.
	480	2nd part, ✓ ✓ Ⓓ assumptions ⇒ ↘ Ⓓ believing ⇒
Mulder	492	Dr Model predicated on
King		NoD in earlier considerations used conservative assumptions
		Assumed occup - 2002 - 80%
		3 - 80%
		4 - 83%
		5+ - 89%
		Vacant sq ft acreage 27,500
		Net assuming 100% occupancy -
		While Dr didn't generate #'s in model. Dr to
Crowley	519	King - stand - by
Dr Davis	521	Commissioner of DOT
		North + South Causeway under ⇒
		Bond left pd Dr to ½ Ⓓ
		2 most significant projects
		last 20 yrs

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Davis		Cabinpax & Club ahead
		- federal gov anything
		At time of lift off, Ch 7 JFK
	549	suggest that what is being
		proposed may be excessive
		It's my understanding that up
		until July, carriers = agreement
		C D
	569	leg take time / C evaluation
		C D ahead D C
		carriers P AKN W D
Phillips	578	Lg-time user. share feeling.
	581	Side B.
Davis		
Sweeney	009 572	Do you believe C for
		Louisiana D
Harris		30 C 33 V Lebt. D be a negotiable
		C term Eq C surplus.
		P D (A.I.P.?)
Sweeney	023 558	What happens if
Harris		
Ryan	026 545	Shared experiences losing questions
		carrier D
		Proposal is based on passengers
		Where is revenue going to come
		from.
Bill Flanders	061 550	Speaking on behalf of bd. of
		directors D support 2005 &
		2015 D
		Passengers have created losses

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Elander		to do anything type of travel @ legislature Expansion is essential @ longest as there. Travel as free to stay @ Legal business today @
Sweeney	98 0 483	Have position on pass. Sec. chgs?
Elander		PFC's in Anch are less than 2 cents @ Passengers willing to pay for convenience as long as there is competition there [illegible] - 6 c Anch.
Kent Plumb.	119 1462	Ballpark fig least interested to reflect.
A. Phillips Plumb	127 1554	Many collected in pioneer for Recalled transfer of $6.1 million
Peter Unger	128 1593	4½ / approp for 6 cases. study @ C 14½ million @ 6.1 1 PC @
Phillips Unger		14
Dave Kemppel	158 1723	Project Manager Put together for Concourse C indep. of @ At that time it became apparent Urgent time some minutes remain Could make for statement available to comm.
	179 1902	

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Calder	1 388	Items P in excess of 3 / 9
		E - studies ⊙
Rhumb		Except challenge
Phillips	2 06 375	Over 36 / in old
Logue	2 13 368	36 / cap. monies P) approp.
		previously ⊙
		Projects P ongoing /
		completed ⊙ Any project over
		5 yrs. has to be:
Phillips	2 30 351	Don't understand -
Logue		Totally separate for
Phillips		(What are (Get a list of project
Logue	2 45	Qte a few are in field projects
Ryan	2 56 336	What G. is app
Doyle		
Kentner		2 Contingencies built into program
		+ overall program cost of 10%
Ryan	2 61 320	Operating agreements w/ utilities
		require in 2 yrs ⊙ What
		Guarantee - Mrs of intent ⊙
Rhumb	2 13 308	No I believe
N Rebeburg	2 13 306	Contingency costs ⊙ Approp.
	2 88	is that ⊙ Like
Dave Eberle.	2 95	Reasonable amt to apply
		To a certain extent there is
		a certain expending
Rebeburg		Reg. to see P calculations made.
		Reg. did you assume a hard
		figures for.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Eberle		Costs are based on
		Right to be able to tighten up conditions
Rehberg		Reminds me of gas pipeline proposal
		w $156.
		Very concerned that we have
		a
		Concerned that not gate
		type analysis
Dyan Ruthven	353 328	Total cost includes - side
		development expanded parking
		landscaping ①
		Gate requirements were based on
		peak gate hr. at Arch. Est.
		5 pet positions + 7 sq positions
		yes, 6 eff. w/ use
		Part of concern is when skiing /
		overall ave / 24 / sq.
		parking & / 200 ①
		Drives us to a larger gate requirement
Coyden	400 484	Part in working
Mulder	402 246	Authorizing of concept concerns
		him ① Is this typical.
Eberle	417 617	My involvement w/ other projects.
		In this part case ① Only
		prudent to address whole project
Mulder	423 627	I appreciate that ① usually to
		have concept approved ① Gives us
		the energy + trust us ①
		Certain level of confidence ①

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
	4/25	Chicken + egg approach.
J. King	4624	Best way to structure process
		2 diff. issues
		Sep. questions re sep. of money. ① All implementation issues are.
		Feb survey conf
		Spending issue pull. -
Comdesy		
Phillips	508 573	Provide us answers
		1) Baggage claim system
		2) Lying
		3) Cat fax.
Ryan	520 661	+3 landing fee. -
		Projections include that
		fee ①
Roberts	532 649	Curious about PERT
		chart then outlines
		Additionally, it seems
		you're going to spend.
		Final thing cost per seg
		It
Comdesy	565	Adjourned at.
		Tape 2
Comdesy	007	Skipped
Dunberry	011	A Concourse for about 7

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Rose Nasser	6.18	Discussed Russian Trade Fair.

COMMITTEE TAPE LOG

COMMITTEE: Int'l Trade and Tourism DATE: 3-5-98 TIME: 4:07

SUBJECT:

MEMBERS: Chair Cowdery, Rep. ~~Barnes~~ Ryan, Rep. Mulder, Rep. ~~Kott~~, Rep. Phillips, Rep. Joule and Rep. ~~Robinson~~ Elton Rokeberg

SPEAKER	TAPE#	SIGNIFICANT INFORMATION
JC	001	Called to order a 4th from
HB342	013	last meeting? received answers
		2 hours ago-
	032	on line in Anch?
	041	Group & summary
Kurt Parkan	048	Summary - Dep Com DOTPF
	064	regarding planning process
	071	30 yrs I can tell you - Read
	084	Planning team Avia experts
	098	Voted unsupport 13-12
	093	8% 84% Error corr.
	099	Copy of all the ballots
	102	Delta Stipulate
	104	Reeve stipulated
	108	Forecast flex of plan
	111	4.8%
	113	4.15 FAA
	115	AAA 4.6%
	120	#2 Attach
	124	Occupancy rates 2001
	129	Proj ahead 191- - -
	135	$1.42 sq Ft
	140	Testimony projt
	143	Exp cash flow
	152	Phased approach
	155	Exp CIP requirements
	162	Landing fees have gone down
		1992 84¢ per 1000 lbs
	164	1998 46¢

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Kurt	170	$5.75
	172	$59.34
	173	$383.
	176	Attachment #3
	186	11 page bibliography
	192	Correction page 6
	198	How much AIP
JC	203	Anch Ron Simpson
JR	208	Comprable fees American NY fee
	217	Why not Competative
GP	221	small? list of Airlines
		America West?
Kurt	226	Amer west reduced their
		operations
GP	229	Yes
Kurt	230	
Mott Plumb	232	Still a member
JC	239	1992 landing fees Mark Air
	243	Reno & SW were seasonal
Kurt	251	demand met by existing & new
		carriers Load factor
JC	266	Mark Air 1/2 full same as Ak
Kurt	272	~~Gabbert~~ correct
JC	275	? was 2 airlines had to Read
Kurt	282	only assume
Ron Simpson	285	FAA AK Region — Fed fund has
		been a?
	300	LOI Monday 3-2-
	303	AIP dis. funds Total LOI
	306	47.3 mill 10 yr Term.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ron	313	Appeal July time frame
	324	Passenger Facility Charges (PFC)
	328	enacted in 1990 $3 per pax.
	340	LBA Nov 1996
	347	1st PFC app from Juneau
	353	$700 Amt 4.2 mill
	357	288 airports have app PFC
	361	AKNS paying Nws Lower 48
	371	Current AIP ends FY98
~~JR~~	GP3	79 Appreciate comments
	382	Feb 24 looking under PFC,
		$5 mill - build give up?
Ron	389	supplent AIP moderate med.
		in passenger entit
GP	393	$1.3 mill
	395	304.5 amended per.
Ron	398	As I understand
Plumb	403	32.7 33.1 Net gain
		w loss 1.5 - 4-5 mill
		net gain will get figures
JR	410	FAA? yes - airport improv
		fund crisis fuel
Ron	415	yes crisis trust fund,
GP	420	Senator Stevens presidence
Ron	424	PFC reg prov for essen ct
		classes less than 1% traffic
		(JR Blew his nose)
	426	adequate just -
Kent	442	we are talking w/FAA

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Kurt	450	Make Corrections Convance 6-7--
		$5 fee
NR	454	For record
Kurt	456	PFC Aviz pub. accept
JR	458	Votes 2/3 3/4 agreed 3/4 to
		Term down
Kurt	464	thumb nail - operating cost
		State & all airlines, oppose
		to take
	473	lower percentage of no votes Fbx
JR	479	NFL City Borough Amen-
	482	part 150 noise reduction
Kurt	486	Assembly deal w dimt -
JR	491	10 yrs apt trying to sell
	494	cost of implementation
Kurt	500	prob every apt deal w/in
		country Sound Proofing
	503	150 study
JR	506	planning process budget item
	508	Old 707 720 10.5 mill
Kurt	515	FAA requirements Hush Kits
JC	522	Go through answers
		Jeb are you there?
Jeff Kriggs	528	Have a history of his work
	533	1983-85
	939	on site construction team 1986
	547	Sullivan Knowles Fink
	553	1991 back in AK - employs
		50 people
	536	AK Sealife Center

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
JC	560	Cost over-Runs -
Leif	566	1986 cost to complete
		$45 mill $86 mill
Jeff B	573	Did not buckle under pressure
Jeff B	575	13 Alaska Contractors
JC	583	have all the resumes Sealed
	585	Leif responded a ? about
		sealife overruns
JC	578	? of Kurt - Page 1
Kurt	574	emplacements on plate
		de Plasments off
JC	571	
Outer Halford	568	Pres Air Cargo Anch -
	561	Terminal Cooled use Sprung up.
	554	2nd Phase parking lot -
	538	90% leasable space rented
	535	Cargo Carriers Pay 70% fees
	532	Do not arbitrarily oppose Projects
	506	Measured incremental approach
JC	500	Your concerns - requested cost
Beedon	497	more exps are better - a lot
		of data - not acct or financial
JC	491	Ever cargo related projects
Beedon	488	Can't remember a case where
		that occurred
JR	484	40 yrs of AK Gave a history
		of his flying experiences
		People come from (asked ?)

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Butch	466	Anch end of road - Seattle get off
	460	Fed X UPS —
	454	Future for Anch - passenger > tourism
	448	All passenger or all freight — >
JR	446	Couple 1,000 feet of runway
Butch	441	Longer runway has been visited
	435	90% not pay load limited
~~NP~~ JR	426	Bonded Warehouse
~~Butch~~	425	duty-free Warehouse, proven practice Right Time
NA	420	Voted No in pol- fearful scope of terminal
	415	concerned w landing fees
Butch	410	Some of seen not advisers for cedimal costs
	398	Concerned Maybe Something in future will really make sense
G M	390	Gas - What has greater deferring landing fee or Gas
Butch	383	neither - competitors
	380	highest expense pay all then fuel
JC	371	Calculation
Butch	369	Construction Cost estimate line by line -
	358	"other const costs 5% - 10%
	352	10% design & Admin 2% = 14%
	344	53% 47%
JC	340	Thank You - Anch

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Gerald DeGarlen	334	- Gave title & Address (Yes!)
	327	Majority goes to outside Contractors
Marco Benegalvez	294	Lost those few things
	289	Pg 1 16+ ? Why an open ?
	278	Passenger forecast 2010
JC	270	Whatever
Kurt	268	
Mort	258	Switch out computers
	244	Some Ways to accomodate
JR	237	10x Population of AK
Mort	223	Not sure caught all pieces Attch #2
JR	213	5x Pop-
Mort	211	Correct -
JR	204	Don't Know details underground fuel system - happen or be in place - new ramps taxiways
Kurt	194	Pipeline fuel Consortium
JC	176	Just got ? General ?
NR	169	Some were omitted
	162	Gates disturbed design of entire terminal 4 ea - lack of foresight
	146	$40 mill each jet Ways concerned
	141	Managing Proprietary - -
Mort	130	Challenges TWA Wants to come up here - can't dock
	120	Have many deficiencies
NR	112	enough Gates 5 more can't accomodate current demand
Mort	087	Don Kasner explain
Don Kettner	083	Projects Developer - Several years

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ketner	078	A1 - A4 5 feet - reason
		we able expand ticketing bag
	0624	Future expansion 14 concept Blankenship
NR	048	40Ft sig difference baggage
		pick up area -
Ketner	040	expand both - wouldn't be cost
		effective to replace ticket bay
NR	090	45° angle
Ketner	022	Floor plan (conceptual) retail
		floor
NR		Case Food court
Ketner	004	answers
Tape 2		
Side A	001	Ketner Ctd
NR	0012	Overall concept
	028	design accomodate -
Ketner	032	connection "C" extension
	041	Moving Delta to North terminal
	054	New concourse Mid Way
	064	2005 design
	068	Construct pier - on-line 8 gates
NR	072	cost
Ketner	075	depend w comes on-line $/50 mill
NR		Sq Ft
Ketner	081	comparable W terminal 300,000 sq
		feet 8 gate facility
NR	095	Int'l terminal domestic Flts
Ketner	100	Open - Summer
	105	Interim basis Delta

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ketner	112	1.2 mill
NR	114	last two corn shell finish work office space
Ketner	125	last testimony Preliminary ideas
	137	$142.00 sq foot AC1
	142	saw construction costs
NR	145	Finish work
Ketner	148	includes finishes
NR	152	Halford get copies —
Kurt	158	Office space response Some space
NR	163	How much — Finish wk
JC	167	wrap up
GP	169	baggage Claim —
	172	minutes of the Glgco recycle
	176	#1 June 30, 2000
	179	#2 major expn. cost analysis granuel & new prog
	188	3rd? tower fac satisfactor
JR	192	More study earlier —
	198	8 parking spots large Airports General Avia/commuter
Kurt	215	Will provide next meeting
JC	218	Page 4 next to last? we asked
	229	$30 mill contingency plan
George	235	couple differ - 30 mill ref 150
	240	split it interest rate increase 100 basis point cushion
	249	100 " " higher 20-30yr lower

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
George	257	Lastly do a ℞ if fortunate
JE	267	Put in writing
	270	Another ? design concept - airport/architect idea
		shut down recess to
		call of chair 8-10 days
	282	6:00, recessed to call
		of chair

COMMITTEE TAPE LOG

80463

COMMITTEE: HTT DATE: 3/19/98 TIME:

SUBJECT: HB 432 - AIRPORT REVENUE BONDS. - 1st & 1st Rep. Rokeberg

MEMBERS: C-(Cowdery JC), (Phillips GP), (Mulder EM), (Kott PK ≈4:14), (Ryan JR), Joule RJ, Elton KE

SPEAKER	TAPE #	TAPE 98- SIGNIFICANT INFORMATION
JC	Tape 1-A #0001	Meeting called to order @ 4:09
		Note: tape malfunction at beginning - eaten 1st
HB 432	14	4th meeting last meeting in what
		public comment ... Prove
	20	substantial efforts
		ack! Com. Perkins ... disclosure
	29	Nevertheless ... retribution ...
		record ... Sp. Phillips, Com. Perkins ...
	39	urge threatened ...
		den. process
	49	First people Air
		Ed Merlitz
Ed	55	Sen. VP Air ↑ HB 432
Merlitz		princip. trade org.
		95% of pas. & Cargo
	65	9 airlines to AK letter in support
	71	financially sized ...
		Argue ... well.
	83	These numbers ... paying for COS.
	88	Compared to similar expansion
		... price perspective, ...
		Fedex , M.
JC	101	Approved @ 180 million
Ed	107	Cost per "? enplanement" $1.5 range.
		Denver $20
	117	at that rate -- Spread ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
JC		?
Ed	125	-- ... trunk
		no increase cost per ..
JC	130	Yr. expair
Ed		Clearly ... necessitate ... passed as mdv. see f.t
JC	136	One last .... how? ... compare? major but
Ed	142	# .- Baltimore Wash Intl $200 million ... now project under ...
	149	Perhaps most heartening. ... ... give & take ensure - apr
JC		
GP	156	W/ Yr. exp. baggage exp Denver
Ed		No
GP		
JC		?
Ed	162	Denve $125 alone baggage
JC		
Cliff	168	AK air also signatory ..
Argue		appres. oppty .. Given ... before (1st meeting).
	177	Process, P, P
		Process ... beginning among best ...
		many months ... deficiencies
	189	We developed 14, 15 dif.
		concepts ...
	193	From those ... scoring those ...
		evant. pref
	198	Final product .. pref. plan ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Cliff		corrects .. many needs no
	204	Whether baggage ... jam-ups ..
		do
	207	In addition, and product ..
	210	Important ... modest growth rate
		for Anc. area
	215	Finally airlines prep. to pay bill ..
		Mr. Merlis ...
	220	These cost increases modest ... competitive
		as far as ...
JC		?
JR	226	Perhaps doc of questions ...
		net income & loss ... since ...
		net loss ..
	235	We're looking at ... Deputy Com. Parker
		lowering landing fees ..
	242	If I were a banker .. not rev..
		I think dif.
	246	Yes prop.. State board ... reas.
		businessman ... reinstated, then ..
		not only ..
	255	As bus mo
Cliff		...
JC		Adam
Cliff	258	I can comment
	260	The problem ... straight acc. stnd
		point ... I think ... published ..
	266	In reality .. defer tech. details.
		operating agreements landing fees.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Clift..		residual agreement ...
	274	So while ... IARF (?) deficit..
	278	Home incase
JC	279	John Ungar Anchorage...
JC	287	Hear you
(John Unger)		...
JC	292	If that would be o.k..
Rep. Norman Rokeberg.	295	Landing fees.
Clift	297	---
NR		. . .
Clift		. —
JC	301	-- Dennis Byrd
Dennis	303	Fed Ex..
Byrd	305	looking at whole process..
		we strongly support
	311	# of reasons ..
		1. also our customes.. not adeq.
		we don't give value
	320	we also have resp. to our employees..
		1,008, 350+ pilots
	326	very important...
	328	One other thing...
		apply infra structure .. support
		& growth global.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Dennis	333	.. Multinational ..
		airport facility ..
JC	338	You expect ... expect .. higher fee
Dennis	341	.. go up
JC	342	I don't see immed ...
Dennis		↓
JC	349	.. Kurt ... paperwork ..
		also letter commissioner ..
		summary ...
Kurt Parkan	356	Deputy Com. DOT/PF ...
(KP)	359	Rep. Rokeberg's qu
		in terms of letter ...
	365	possible to come up with time l..
		... discreet .. interest ...
	370	Letter from comm's .. 12
		bid packages / award dates ..
		revise
	374	Clearly .. closer to ... once
		you have detailed ..
		helps
	379	$100,000 ... project .. take another ..
	382	As mentioned earlier
JC	384	Our concern AK contractors
		bonding ability ... fit.
KP	388	..
JC	389	Ter. C $60 mill ...
		1 or ? dem ...
KP	393	could ..
JC	393	I would like

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
GP	396	One other ... big picture
(GP)		2005 not enough .. need more
	401	Reiterate .. short time frame ..
KP	405	? More succinct ... Staff ..
		question in Packet ...
		Most Plumb ...
GP		up
KP	409	.... earlier deicing
JC	413	Join ...
	415	I dont know ... .. JR ...
		shot of ..
KP	418	Before JR .. special report
		1½ hours .. happy respond
		writing ...
JC		okay
Most	425	Director AIA
Plumb		...
	428	A lot soln .. consensus
		challenge ...
		longer
	433	Said that, needs assess .. Master Plan
		20 yrs .. green field ..
	437	Premier . Gary Blankenship
	439	Proposal 2015 phased ...
		reasonable from financial possib ..
	441	3 possible .. build all ..
		1 build needed
		2005, inc .. current .. defic

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
nt	457	After delib.. 2005 other poss.
		matrix & weighting...
		forecast
JC	456	... Id like ?
NR	458	Cost per office AIA
		... Thanks.
KP	462	Rent ... same ... system.
NR	466	Sched
KP		2000 .
NR	468	Earlier -- 8 piers (?) ...
		2005, 15 ...
KP	473	.. ? Skipped
NR		--
KP		happy ..
JC	476	Hired consultant on-line ...
		Wells, Noon (?)(ph)
	479	summary ...
Wells	482	Dr Heinz (ph)
JC	484	
Steve	485	.. Dr. Heinz - Noonan .. (see letter)
wells		.. address question ..
Steve		14 pg. draft
	492	brief summary 5 issues ..
		exec. sum
	495	We feel .. design ... exc.
		thoroughly. --

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Steve	499	I.. partic. Don Keckner (ph)
	507	Quite a craft
	502	As .. indicated
	504	We think .. accurate .. complete ..
		couple of quest.
	507	Our sug. ... controller ...
		review info. Not happening..
	511	we think .. could have ...
JC	513	Steve, were not ...
		didn't mean. ..
Steve	516	Process ... not reviewed by them ..
		(controller) ... proces
JC	519	.. cntrol
Steve	520	We felt ... overall process
		"C" how air cargo .. lack of
		information.
	525	We feel 70% revenue ...
		any sig. how impact ... carefully ..
	529	Air Cargo Master Plan ....
	531	we see that as unclear ..
		some prep. information L10 (2)
		to FAA, still unclr
	535	Other — 2
		Cost control — 2 issues ..
		main terminal old
		because risk .. pot. exp.
	541	talked about ..
		Cost control needs to be some
		oversight ...
		increased cost ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Steve	545	We don't feel ... mechanism
		in place ... cost concept ..
		alternatives ...
	551	Indep. Oversight highly rec.
		① controller
		② indep. person.
	554	Imp. to rates & fees .. (analogy) ..
		other airports .. wrong info
	559	Even industry ...
	560	More appropriate aircraft ...
		better way of comparing ..
	564	Short form ...
JC	565	Thanks. landing fees ...
		also fuel (indisc.)
		right
KP	570	If .- comp.- cost ....
JC		
Mort	573 (573)	as id'd ... cargo
		good ? ... complete picture
	576	apple .. 747-200 ...
		submit, example .-
		Anc. 1,244 ... Sea 3,471
		JFK 197
	582	Taipei ... HK ...
		Anch.
	584	Closest ... Vancouver
	586	Adj. 198 ...
		Kennedy ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Matt		... Erope, Asia
	591	I think global
	592	also pasa-
JC	593	Fees dus
[BJ]		Tape change
MP		-- yes ...
		hadlen
	588	terminal use ..
	587	I will say this ...
JC		
GP	585	Wells ... ? to ask ..
	582	report overall favorable ..
		ex
Steve	579	Glad 3 sig. dates ...
		reading material ...
	576	what resulted ... in fact
		est. showed 4 addtl gates ..
	571	in planning - ... $ 4. million → 9
	568	Sig. increase in passenger activity ..
		... 2005 → 2015
	564	6 mil → 9 mil, 2015
		volumes .-
	560	? Why 2015 ult date ..
	557	we didn't get all costs .-
GP	555	? Taking cost control ..
		prof. determination
Steve	551	Anticipated ... sympathize ..
		same time ... seen so far ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Steve	546	Surg on seem, yes..
		however -- limits on process..
		decisions most
	541	~~low~~ cost control
		bottom line yes
NR	538	pg. 10 report, para 5
		Statement FHWA, FAA...
		Does -- take interp.-
	533	Any prospective funding... AIP
		not guaranteed
Steve	529	(Yes).- good? for DOT/PF
		history.. sig.?
NR	524	Question 16... dollar values..
		reduction bond...
	520	Rec. $204 million...
Steve	518	-- Answer #16.. not his
		#s..
NR	514	204 -- 825 million... federal
		not assured...
Steve	511	.. Not assured... any monies..
		not guaranteed... don't believe so.
	507	204 -- total cost..
NR		
JC	504	Expand
KP	503	In brief... LOI discret.
		package... risk assoc.
	499	other had fed. money $$
		"stip"

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
JC	496	In my office ... $18 bond
KP	493	Offset debt
JC		
NR	492	pg. 13 ... Interest rates .. fed. reserve ..
Steve	488	... financial [illegible] cons
NR		Ouija
JC	482	.. Controller (group exited)
KP	481	word go ...
JC	478	would controller ..
KP		.. the
GP	476	Follow areas ... improved .. bond .. prov. controller .. Sign package
KP	470	... Person Ross Kinney
GP		
KP		
GP	466	Somebody --- line
Ross Kinney	464	Dept Com, Revenue Process ... 2 fin. advisors ...
(Ross)	460	meaning auditing firm ... bond attorneys "opine"
	455	Prob. dozen .. indiv. & firms ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ross	451	There will be more than enough SEC ...
	448	Atty. assured [redacted] ... ts & is included ..
GP	444	All w/ opinions ... not only ..
	440	When say .. correct .. shade issue ... opinion .. but $$ money req. ...
Ross	433	Back in history # of years ... specific wording ... official statement ..
	425	1986-1987 ... project included ... AIA ..
	422	Fbnx elements ... sources & use .. spec. dollar amount ..
	417	at end ... Dept. expects ... in event however ... some Com I A RF not ..
	411	Same s/t same scenario .. bond holder
	408	Bank house ... have to have language .. not definitive statement.
GP	401	Last part ... ARF .. statement verified ?
Ross	397	One of things ... consulted .. agreed thru .. op. agreement
	392	obviously ... periodic adj. may in fact .. 101, highway ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ross	386	1 other thing ...
		do not contemplate ...
		again assurance in this project ..
JC		5 yr. ...
Mort		.. and [MP to unidd man]
KP		end
JC	372	Agreemen term o
KP	370	Current op. agreement ...
		5 yr.
Mort	363	Mr. Merlis ...
		orr info ... . will ...
JC		
NR	356	KP June 2000 ...
		Y2K .-
JC	352	Test ... controller
(?)		Uh
KP		again ...
JC	347	John Ungar
KP		.-
JC	345	Restate .. involved in #s ...
John	342	Yes & no ..
Ungar		1 person office .-
	338	one exhibit ...
		typically never ...
		DOT ...

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
John	332	My opinion ...
		I do review ... project ..
	328	Role historian
JC	326	Saying ... normal ...
John		Correct
JC	323	Explain ..
John	321	Yes ... bailiwick
		? raised attestation .
	313	Quite honestly ...
		go forward ... actual impacts ..
	308	Not only myself ...
		some assumptions ...
JC	304	Opinion .. increased suf.
John	302	Not issue ... factor ..
		as long as same ... no concern ..
		airlines ..
JC		Add-
ROSS	292	.. debt .. ...
		airport ...
		various things throughout state ...
	285	Really 3 people involved ...
	279	State debt manager ...
		support ..
JC		
EM	273	Crystal ball ...
		buying power ... future ..

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ross	269	No better ... both sides of
		fence ... investment ..
	264	When look .- believe ..
		20-25 yrs. 3.8 % 1, yr. 20 5%.
	257	Not oppty ... factors ...
		Asian- oil .. we believe pac
	252	Number 2 ...
	250	Other advantage debt ...
		ability refinance ... have done ..
		2 issues ...
EM	241	--
Ross	240	Peg
JC		
JR	238	.. Call provision ...
Ross		
JK		
Ross	235	higher
		in
JR		favr.
Ross		-- investment pert
JR	228	Question ... fund finan.
		aspects ... performe
~~Ross~~		
KP	222	-- Report ..
~~Steve~~		
John	218	Airport ... figures
Ungar		appreciation
	213	rates set ...
		therefore fees .-

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
John	210	only set rates
		10yrs. ...
JR	206	Govt. apprec. / priv. sector
		depreciation...
JC	200	? How much A → AAA
Ross	197	(varies) depends..
		judgement ... premium..
		bond issue of this size...
		no
	188	God
JC	187	range
Ross		
JC		..
Ross	185	don't .- spread narrow...
	180	Com. DOT/PF .....
		we will change
	175	Get assurances.. not close
		airport.. good rates-
JC		
JR	168	figure $20 million .-
		why can't we
Ross	163	Looking at assurance..
		SOA ... MBIA or AMBAC
	158	fiscal situation...
		where? ... diff'z. ?
GP	152	--
Ross	151	I can't
JC	149	.. ?.
Ross	148	-- MP booklet -- cos est.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ross		consents
JC	142	.. Recess call of Chair 5:32p.m. till Tuesday .. 4p.m.

COMMITTEE TAPE LOG

COMMITTEE: House ITT DATE: 3-24-98 TIME: 4:09

SUBJECT: HB432

MEMBERS: Cowdery, Kott, Foule, Ryan, Mulder

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
JC	001	Called to order @ 4:09pm
HB432	018	- Go To Arch Dave Epperly
	022	Tell us
Dave	024	Prgm Dir - $230 million
	032	Rev bonds $180 mill $26 mill $24 mil, 230 mill Total
JC	041	Reason asked for Clarification
	049	Move some amends -
EM	053	A. 3 moved Amend #1
RJ	055	obj
Marco Signal.	065	Amed. concerns passenger facility Charges -
	077	purpose is to require pass fee be used -
EM	082	Once rev bonds are retired go away
Marco	085	No. - Less sep. action
JR	090	against amend $6.00 min. doesn't support it
JC	107	Fee in there anyway
Marco	109	Doesn't invoke -
KE	115	Process - doesn't have state for - who determines use of receipts
JC	123	I believe FAA
Marco	125	Certain type - FAA governs
KE	132	which entity
KurtPerkins	138	Way Prog Works - sponsor of airport

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Kurt	144	Sponsor of Airport WK with FAA PFC
	150	review by airlines - Pkg would go to airlines -
KE	156	Depts position does restrict letting use
Kurt	161	Only concern W/regard amend. absolute on how PFCs can be spent
	172	There's no mechanism
KE	175	struggle w reasons - Amend creates a situation - will be cost shifting any way - ? Value of amend -
Marco	188	only comes into play if decid to invoke PFC - overlooking - $ used for redeeming before fixed Maturities
	203	Early debt retirement
JR	206	Understand - insurance Policy
	219	One Winsted turkey folly
	222	75% have to vote against - Poker
JC	229	Letter to Sen Stevens/Ask for earmark round AK
Marco	233	Same language - Clarification
	243	uses in statutes are sub PFCs
Kurt	248	Concern - Talk about - Clarification on amount of $ - $3.00 enplanement
JR	256	$3. 2 Landings has been charged
Kurt	261	2 airports can collect it -
	266	Last 2 -
JC	269	Div. of Fin respond
Ross Kenny	272	Dep. ? Treasury Dept of Revenue
	277	Would require no Call Period 10 yrs

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ross	284	Not mention about Calling early
EM	293	Rough estimate: Premium Paid -
Ross	298	Can't give a # could be a Substan. # Get #
EM	304	Easy concept 3.5 or 3.8 returns -
Ross	307	tax exempt market
JC	314	Withdrew Amend #1
JR	316	Normally - cost of bonds go up
EM	320	Withdrawl
EM	322	Amend #2 moved
Marco	324	$180 mill no further oversight by Leg - ea yr present their Agency Plan
	333	4 subpara
EM	335	Very smart easy to have loss in overall budget - security for leg
JR	343	Good idea -- what --
Marco		with or without
KE	349	D.
JC	352	No obj So adopted
EM	354	Move HCSHB 1132 w/r
RJ or PK	357	obj HB as amended
JR	363	10 Xs population No passenger route -
	371	Go back to drawing board
	374	good for jobs for Fla
KE	377	Supports bill
	385	Because of Market $180 is enough
RJ	390	Further committee work on this

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RJ	394	observation int seems really big proj task forces —
PK	403	For record appreciate work done on bill review comm. minutes
CW	413	Rollcall
JC	416	Adj 4:38