

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672  
5172 HTRA HB 525 - HCR 6

74

Mr. Bruce Kennedy  
February 6, 1985  
Page Three

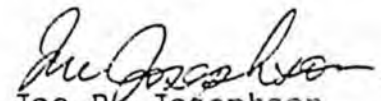
I am considering introducing legislation on this subject, and as a member of the Senate Transportation Committee, I have requested public hearings on this question. The Chairman of the Transportation Committee, I am informed, has scheduled such hearings.

I have also received a response from the Attorney General of the State of Alaska to my inquiry about possible anti-trust violations. The reply of the Attorney General indicates that an element in any anti-trust litigation would be evidence of actual consultations among the carriers to set prices; it does appear that such evidence is difficult to obtain, if it exists at all. The Airline Travel Publishing Company computer service gives every carrier access to detailed fare schedules from every competitor, and so a consciously-parallel fare policy can be set without direct communication among competitors on the subject.

The remedies for Alaskans in this environment would appear to be limited to a spontaneous or concerted abstinence or boycott from air travel; consultations with the Alaska delegation in Congress to explore inducements or sanctions at the federal level; utilization of the state's bargaining position as a major customer to bring about price concessions benefiting all Alaska travelers; encouragement of a new entrant in the Alaska market; and public relations rewards and honors to that carrier which is imaginative enough to be the first to give Alaska travelers some overdue relief.

I solicit your comments and suggestions so that Alaskans can begin to get some of the price benefits deregulation was supposed to bring. I have written in an identical vein to your three counterparts at the other interstate air carriers. In my judgment, imaginative leadership in this regard will inure to the short-range and long-range benefit of the company displaying it, and will certainly earn the recognition and gratitude of the legislature and the people of Alaska.

Sincerely,

  
Joe P. Josephson  
State Senator

JPJ:rak  
Enclosures

JJ's copy <sup>file</sup> Air Fares

RECEIVED

FEB 22

Josephson,

MEMORANDUM

TO: Vince O'Reilly, Deputy Commissioner *Vince O'Reilly 2/13/85* DATE: February 12, 1985

FROM: Orhan M. Yildiz, Economic Analysis Section SUBJECT: Airline Industry

THROUGH: Committee of Directors, Economic Analysis Section

In response to your request concerning determinants of airline travel demand we performed a literature search on the subject. Not surprisingly, there is no relevant information specifically for the Alaska market. However, from the limited literature that is available locally I have put together the following discussion, which may shed some light on the questions raised by Senator Josephson.

The 1978 Airline Deregulation Act has increased competition in most of the airline markets. Consequently, consumers have, in general, benefited from lower fares. In the Alaska market, however, steady price increases in recent years above the inflation rate indicate that Alaskans might not have benefited from the industry deregulation equally. Finding the reasons behind this would require an analysis of the local market characteristics and the airline industry structure in Alaska.

In spite of the increase in competition in the U.S. air travel market, the industry earnings in the post deregulation years have been good, except around the 1980 recession period, and were exceptionally good in 1984. Earnings are expected to increase in 1985. (This information was given by Albert Khan, the man responsible for the deregulation of the airline industry, on the KTOO TV show "Firing Line" on Feb. 9, 1985.) This may imply a price elastic (or price responsive) demand for air travel -- i.e., a decrease in fares is more than offset by an increase in demand so that the industry revenues in fact increase. Why, then, is this experience in the lower 48 not transferable to Alaska?

First, the Alaska market has little competition compared to markets elsewhere in the U.S. Even the national market is not entirely competitive, since it is still dominated by the large Trunks, although their market share decreased considerably after the deregulation. In Alaska not only are the alternative modes of travel practically absent, but few airlines operate within the state boundaries. The existence of a small number of operators with similar cost structures and nearly identical products makes

the disadvantage of rivalry clear. This does not necessarily imply collusion. When the market is dominated by one large airline that airline could act as the leader and set the market price, which would be adapted immediately by the smaller airlines. Thus, it is likely that the Alaska market gravitates toward a monopolistic structure or toward an oligopoly with joint profit-maximizing behavior.

Where the air fares are set depends on how easy it is for other airlines to enter the market and the elasticity of demand for air travel. If barriers to entry were low, fares would not be much above those found in a "competitive market," for otherwise new airlines would enter the market to share profits. Thus, one question to be answered is how difficult it is to open the Alaska market to further competition.

If demand for air travel is not responsive to price changes the industry can pass most of the general operating cost increases on to the customers. The existence of monopoly conditions would further exacerbate the situation, because costs due to inefficiencies would be added to the overall costs -- while in a competitive market the inefficient airline would be forced to drop from the market. If the demand responds elastically to price changes cost increases would be born mostly by the industry. Hence, any price increase due to increasing costs would cut revenues drastically. Conversely, a decrease in price would increase revenues but not necessarily the profits of a monopolist. Therefore, the second question that would need to be answered is whether the demand for airline travel in Alaska is responsive to changes in prices.

Whether the Alaska market can become more competitive depends on several factors. Entering into the Trunk business involves economies of scale. Literature indicates that "... a carrier would have to supply at least two billion available ton miles ... in order to achieve unit costs comparable to those of the typical Trunk;" beyond this level of operation economies of scale disappear.<sup>1</sup> In this situation the economical alternative would be the entry of an existing airline company, not a new carrier, to the Alaska market. This way the airline would pick the revenue

---

<sup>1/</sup> Paul Biederman, "The U.S. Airline Industry: End of an Era," Praeger Special Studies, 1982.

Ton miles is the available tons multiplied by mileage flown.

passenger miles of travelers destined to other locations within the U.S. The market share of a carrier also depends on the frequency of service (number of flights per day), although as length of trip increases this becomes less of a factor.<sup>2/</sup> In Alaska, trip length between Anchorage and Seattle, Southeast and Seattle, and Southeast and Anchorage would make it feasible to capture a reasonable share of the market with few flights per day.

Obviously, each carrier does not have the same cost structure, since there are other determinants of cost than size. One indicator of carrier efficiency is employee productivity, which could be measured as revenue ton miles per employee.<sup>3/</sup> Total operating expenses of a carrier depends on total employment; age of aircraft fleet (affects maintenance), type of aircraft (technology and cargo revenue). Since the two major airlines operating in Alaska are lower 48 based their employee costs in routes between Alaska and Seattle are probably not much higher than an average U.S. carrier. Of course, airlines have to maintain ground crews (for maintenance and service) at every airport. In addition, the cost of providing service within Alaska would be higher. One factor of great importance for the Alaska market is the cargo revenues of carriers. These work to reduce operating costs considerably. In all likelihood airlines in Alaska receive considerable cargo revenues, which lower operating costs and increase total revenues. Consequently, it is not clear whether operating cost of air carrier service to Alaskans is overall costlier than elsewhere. If further work in the airline cost area is sought, financial data for Alaska carriers could be obtained from the Federal Aviation Administration (FAA). Such reporting is a requirement of FAA.

In addition to operating costs, a major obstacle to entry into the Alaska market would be fixed depreciation and amortizations costs of investment. Airlines with the monopoly power could easily undercut the prices, even below the level of a competitive market, to drive out a new entrant to the market. A carrier with high financing costs might not survive such rivalry unless it is protected by a parent corporation.

---

<sup>2/</sup> George C. Eads, "The Local Service Airline Experiment," The Brookings Institute.

<sup>3/</sup> A revenue ton mile is the revenue generated from carrying one ton a distance of one mile.

For a new carrier to enter the Alaska market it is important to know whether Alaska travelers are sensitive to price reductions. If they are not, utilization of additional carrier capacity offered by the new carrier may require deep price cuts, which would also reduce the total revenue earnings of the industry. On the other hand, if there are barriers to entry into a market, companies with the monopoly advantage benefit from inelastic demand. When demand is not responsive to price the reduction in demand would be proportionately less than the price increase, resulting in an increase in revenues.

The results of demand elasticity analysis in the U.S. carrier market has mixed results. In general, demand for business travel is relatively insensitive to price, whereas the reverse is true for vacation travel. Nevertheless, it is not clear that these conclusions apply to the Alaska market. It is possible that even the vacation travel might be inelastic, considering that few substitutes for air travel exist. Besides, demand for travel is derived from demand for other things, such as business, vacation, visiting family or friends. It is generally acknowledged that the geographical conditions here necessitate occasional vacations to outside. Also few Alaskans may spend their annual leaves at a touristic location of Alaska. There is also the fact that most people here have relatives in the lower 48, whom they may need to visit occasionally. Without specific analysis of the market we can not draw definitive conclusions, although these arguments point to a market with low price responsiveness to air travel. However, acknowledging the price sensitivity of vacation travelers, air carriers offer price discounts. Thus, the existence of different fare categories in Alaska indicate that nonbusiness travelers still have a more price elastic demand curve, but this is likely to be a matter of degrees.

A study for the airline travel in the North Atlantic market seems to give some, albeit shaky, evidence to the hypothesis of inelastic demand in Alaska. Cigliano has analyzed the effect of price and income elasticity of airline travel between the U.S. and Europe, and also between Canada and Europe.<sup>4/</sup> The total demand (aggregate of different fare classes) was responsive to personal income in both markets, responsive to price in the U.S. market but unresponsive to price in the Canada market. The author attributes

---

<sup>4/</sup> J. M. Cigliano, "price and Income Elasticities for Airline Travel; The North Atlantic Market," Business Economics, 1980.

the price inelastic demand in Canada to a different mix of travelers — e.g., more first class or business travelers. It is also possible that the special relationship of Canada to England requires a level of governmental and business interaction which is less sensitive to price. Alaska's remote geographical location to the mainland U.S. could easily be likened to the Canadian situation. Cherington, who did the first comprehensive, but subjective, review of airline pricing concluded that price changes of less than 10 percent produced an inelastic response.<sup>5/</sup> This study is now out dated, but for a new entrant to the market this figure gives an idea of the type of strategy required in order to be competitive.

In conclusion, the position of the State of Alaska should be the encouragement of competition in the Airline industry by making entry to the market easier. This can take the form of low interest business loans, tax legislation, or contract bidding. By opening the fiscal year air travel to a bidding process the government would be acting as a monopsonist (a monopolist of the user of services). If the size of government related travel is large the bidding process may prove to be very effective and may even lure a new carrier to enter the Alaska market.

---

<sup>5/</sup> Paul Biederman, op. cit.

HB

544

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

*House Transportation:*

*3/30/88*



Official Business

# Alaska State Legislature

House of Representatives

House Transportation Committee

P. O. Box V  
Juneau, Alaska  
99811

Phone:  
(907) 465-4859

March 30, 1988

\*\*\*\*\*

## COMMITTEE CALENDAR:

SJR 27: Urging the United States Army Corps of Engineers to dredge the shoal developing in St. Paul Harbor, Kodiak.

SJR 68: Relating to radioluminescent runway lights.

HB 544: "An Act relating to civil liability for voluntary aircraft inspection programs."

FOR THIS MEETING, YOU HAVE BEEN GIVEN:

a folder on SJR 27 that includes:

- item #1: SJR 27
- #2: a statement from Senator Zharoff
- #3: fiscal note - DOT/PF
- #4: position paper - DOT/PF
- #5: map of the shoal
- #6: status of the shoal
- #7: correspondences to and from the Governor
- #8: correspondences to and from the Alaska's congressional delegation
- #9: information on the original soundings

a folder on SJR 68 that includes:

- item #1: SJR 68
- #2: fiscal note - DOT/PF
- #3: a statement from Sen. John Binkley
- #4: letter of support - DOT/PF Commissioner
- #5: resolutions and a letter of support

a folder on HB 544 that includes:

- item #1: HB 544
- #2: fiscal note - Dept. of Public Safety
- #3: position paper - Dept. of Public Safety
- #4: background information
- #5: statutes

FISCAL NOTE

REQUEST

Revision Date: \_\_\_\_\_  
Title: "An Act relating to civil liability for voluntary aircraft inspection programs."  
Sponsor: Transportation Committee  
Requestor: House Transportation

Agency Affected: Public Safety  
BRU: DPS Administration  
Components: Civil Air Patrol

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY88	FY89	FY90	FY91	FY92	FY93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUNDS						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact is anticipated.

Prepared by: Capt. C. Roger McCoy

Division: Commissioner's Office

Phone: 465-4322

Date: 3/30/88

Approved by Commissioner: Arthur English 

Agency: Public Safety

Date: 3/30/88

Distribution: (by preparer):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

BILL NO: HB 544

DATE: March 30, 1988

TITLE: An Act relating to civil liability for volunteer aircraft inspection programs.

CONTACT: Capt. C. Roger McCoy  
Commissioner's Office  
465-4322

DEPARTMENT OF PUBLIC SAFETY

3

The Alaska Wing Civil Air Patrol (CAP) has an "aircraft safety inspection program" now in place which is part of their objective to improve public awareness of aerospace safety. This program is staffed by CAP members as volunteers which involves presentation through flight instruction schools and safety workshops.

This bill provides qualified volunteers with a degree of civil protection. The Department of Public Safety supports this legislation.



Arthur English  
Commissioner

*from Rep. Barnes' Office*

SUBJECT: Immunity from civil liability for voluntary aircraft inspections.

TO: Transportation Committee

The objective of this bill is to encourage qualified personnel to participate in a voluntary, complimentary aircraft safety inspection program. Each Spring, various groups of individuals visit airports across the State to perform complimentary aircraft inspections. The purpose of these inspections is to seek out winter damage to frames, struts, etc., and to inform the pilots and owners of the potentially dangerous situations involving their aircraft. As the situation now stands, as a result of these Good Samaritan efforts, should one of these persons miss a potentially hazardous situation and an injury result, the resulting liabilities would be ruinous to the person performing the complimentary inspection, even though there was no charge for the inspection and it was performed at the request of the aircraft owner.

The only solution to this problem would seem to be introduction and passage of Good Samaritan legislation protecting such endeavors. Failing this remedy, the only alternative seems to be some form of State funded insurance program, which is economically impossible at this time, and extremely unsound under any conditions.

TO: REP. BETTE CATO, CHARIPERSON  
HOUSE TRANSPORTATION COMMITTEE  
RE: HB 544

Formerly, the FAA conducted a "Spring Break" safety inspection program, but this has been discontinued. Currently the only program being conducted in Alaska is an educational safety program conducted by the Alaska Aviation Safety Foundation. This program is presented on public television on Thursday nights. The program features interviews with various persons, ranging from FAA employees to private pilots, and deals with various phases of safety training.

In 1987, the Foundation conducted in excess of 400 tests on Emergency Locator Transmitters, and found approximately one-half of them to be defective. The Foundation also conducted approximately 40 Educational Safety Programs for pilots. These programs were presented from Bethel to Glen Allen and from Barrow to Ketchikan. There have been over 500 pilots reached through this program. Additionally, the Foundation has produced a video entitled "Passenger Safety In Alaska" which has been shown all over the State.

To conduct a voluntary or complimentary inspection such as the Foundation has in mind would require a team of qualified persons and would be performed at the aircraft owner's request. This is not being done at the present time, due to the liability factor. The objective of this bill is to extend freedom from liability to these persons under the Good Samaritan theory. There would be no exemption from liability for intentional or wilful acts, or ommissions.

# HOUSE COMMITTEE REPORT

(7)

Date referred: 3/21/88

FURTHER REFERRALS: Labor & Commer

DATE: 3-30-88

The Transportation Committee has considered HB 544

"An Act relating to civil liability for voluntary aircraft inspection programs."

**RECOMMENDS:**

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

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

**SIGNING OTHER RECOMMENDATIONS:**

*Ed C. Boucher*  
*Bill Anderson*  
*Mike Miller*  
*Heinrich Spruijs*

*Heinrich Spruijs - No Rec*

*Heinrich Spruijs*  
 Chairman's signature



Official Business

**COMMITTEE:**

House Transportation Committee

**DATE:** March 30, 1988

**SIGN-IN**

**Subject of meeting:**

- SJR 27: Urging the U.S. Army Corps of Engineers to dredge the shoal developing in St. Paul Harbor, Kodiak.
- SJR 68: Relating to Radioluminescent Runway Lights.
- \* HB 544: "An Act relating to civil liability for Voluntary Aircraft Inspection Programs."

NAME Please include title	ADDRESS Please use full address. Please include zip.	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY? <i>which legislative questions may arise?</i>
Roger McCoy	P.O. Box 2 JUNEAU, AK, 99811	465-4322	DEPT. OF PUBLIC SAFETY	AVAILABLE FOR QUESTIONS THAT MAY ARISE
MICHAEL THILL	CAP RM 121	4922	SEN ZHAROFF	SJR 27
Janice Blair		4985	Binkley	SJR 68

\* indicates first public hearing

HCR

I

# Alaska State Legislature

## *House of Representatives*

### *Committee on Transportation*



Rep. Bette Cato, Chairman

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

JANUARY 25, 1987

INSIDE YOUR FOLDERS ARE:

- 
- ~~\* Committee schedule for the week of January 26-30, 1987~~
  - \* HCR 1: Relating to the highway between Eklutna and Palmer
  - \* Status sheet for HCR 1
  - \* Fiscal note for HCR 1
  - \* Memorandum from Rep. Curt Menard
  - \* Resolution from the Mat-Su Borough
  - \* Memorandum from the Mat-Su Borough
  - \* Recommendations from the Mat-Su Borough to DOT/PF

01/23/87  
BILP300R

STATUS OF HOUSE CONCURRENT RESOLUTIONS

R01-33F-3042

<u>BILL ID</u>	<u>SPONSOR</u>	<u>ABBREVIATED TITLE</u>	<u>CURRENT STATUS</u>	<u>STATUS DATE</u>
HCR 1	MENARD	EKLUTNA-PALMER HIGHWAY	(H) TRA THEN FIN	01/19/87
HCR 2	HAVARRE	INSURANCE AVAILABILITY AND AFFORDABILITY	(H) L&C THEN JUD	01/19/87
HCR 3	MARTIN	UNIFORM RULES/TIME LIMITS	(H) RUL	01/21/87
HCR 4	COLLINS	CHILDREN'S LAW TASK FORCE	(H) HES THEN JUD	01/23/87
HCR 5	RULES BY REQUEST	MANAGEMENT OF STATE SAND & GRAVEL OF BUDGET & AUDIT	THEN FIN (H) RES THEN FIN	01/23/87

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** \_\_\_\_\_

Bill Version : HCR 1  
Publish Date : \_\_\_\_\_

Revision Date: \_\_\_\_\_

Agency Affected : DOT&PF

Title : Hwy between Eklutna and Palmer

BRU : \_\_\_\_\_

Sponsor : Menard & Larson

Components : \_\_\_\_\_

Requestor : Cato

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

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

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary) The Dept. of Transportation and Public Facilities has requested federal authorization to continue to develop the Glenn Hwy widening project. Future federal authorization will be requested as needed.

Prepared by: Mark S. Hickey *MSH*  
Division: Deputy Commissioner, Operations

Phone: 465-3900  
Date: 1-26-87

Approved by Commissioner: *Randy Shultz*  
Agency: DOT & PF

Date: 1/26/87

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



## Dept. of Transportation & Public Facilities

# *Position Paper*

**BILL NO:** HCR 1

**APPROVED:** Rocky Gutierrez  
Commissioner

**TITLE:** Relating to the Highway  
between Eklutna and Palmer

**DATE:** January 26, 1987

---

The DOT&PF agrees that widening the Glenn Highway from Eklutna to the Parks Highway is a much needed project, and in fact, has included it as a high priority in the Six Year Capital Improvement Program.

Specifically, this project would widen the Glenn Highway to four lanes from Eklutna to the Parks Highway with interchanges at the Parks and Old Glenn Highways. The first phase of the project (widening to four lanes) is estimated to cost \$59,000,000. The total cost with interchanges is estimated to be \$142,000,000.

A community meeting was held in Wasilla on October 29, 1985 to introduce the project and explain the development process of a federal aid project. One of the major hurdles, the Draft Environmental Impact Statement (DEIS), was submitted to the FHWA on December 18, 1986. Following approval of the DEIS by the FHWA, the project will proceed to design. We anticipate that right-of-way acquisition could begin as early as 1989 and construction could be completed by 1991. At this time there is no reason to believe this project cannot be developed in a timely manner.

Wetlands and wildlife habitat impacts are part of the social and environmental issues being addressed in the DEIS. We do not anticipate any problems with the wetlands as the Alaska Legislature exempted the right-of-way for the project from legislation establishing the Palmer Hay Flats Game Refuge (AS 16.20.032), and the U.S. Fish and Wildlife Service and the Corps of Engineers have cooperated with our development efforts. There will of course be some required wetland mitigation. The extent of which will not be known until the DEIS has been accepted by the FHWA.



Official Business

# Alaska State Legislature

## House

Pouch V  
State Capitol  
Juneau, Alaska 99811

### M E M O R A N D U M

January 23, 1987

To: Transportation Committee Members  
From: Representative Curt Menard  
Subject: HCR 1

---

The following dates summarize the schedule of major project development events:

2/87	Draft Environmental Impact Statement (EIS) Approval
4/87	Public Hearing
11/87	Final EIS Approval
11/87-1/88	Appearance in the Federal Register
1-2/88	Record of Decision by the Federal Highway Administration (FHWA)
5/88	Design Study Report Approval by FHWA

Once the above are complete, the final design, right-of-way acquisition and utility relocation will be initiated. The construction phase is expected to begin in the autumn of 1989.

Rep. Menard.

At the request of Mayor Edna DeVries

MATANUSKA-SUSITNA BOROUGH

RESOLUTION SERIAL NO. 84-107

A RESOLUTION SUPPORTING WIDENING OF GLENN HIGHWAY TO FOUR LANES FROM EKLUTNA TO THE JUNCTION OF THE PARKS HIGHWAY.

WHEREAS, most of the Glenn Highway from Anchorage to the Parks Highway junction has already been constructed to a four lane standard, and

WHEREAS, the near doubling of Borough population since 1980 has caused increasing congestion along the Glenn Highway between Eklutna and the junction of the Parks Highway and the Palmer-Wasilla Highway, and

WHEREAS, population growth, increases in traffic count and development trends are sufficiently clear and well established to justify a four lane highway,

NOW THEREFORE, the Matanuska-Susitna Borough Assembly urges the State of Alaska to commence the design for widening the Glenn Highway to four lanes between Eklutna and the junction of the Parks Highway so that the necessary highway right-of-way acquisition and construction can begin at the earliest possible date, and

BE IT FURTHER RESOLVED, the Matanuska-Susitna Borough urges the State of Alaska to seek an allocation of federal aid monies for a four lane highway based upon need, existing and projected traffic count, and

The Matanuska-Susitna Borough directs that a copy of this resolution be forwarded to the Governor of Alaska, to

Senator Jalmar Kerttula, to Representatives Ronald Larson and Barbara Lacher, to Richard J. Knapp, Commissioner Department of Transportation and Public Facilities, to David Haugen, Deputy Commissioner Central Region, Department of Transportation and Public Facilities and to the Mayor Municipality of Anchorage.

PASSED AND APPROVED by the Borough Assembly of the Matanuska-Susitna Borough this 7<sup>th</sup> day of August, 1984.

Edna DeVries  
Edna DeVries, Borough Mayor

ATTEST:

REVIEWED AND APPROVED:

Chris Seagraves  
Chris Seagraves, Clerk  
(SEAL)

Gary Thurlow  
Gary Thurlow, Borough Manager

Matanuska - Susitna Borough  
assembly memorandum

no. TM 84-

from: Department of Public Works

date: 1/6/84

subject: Glenn Highway Four Lane Improvement from Eklutna to the Parks Highway Intersection

A number of estimates have been stated publicly over the past several months regarding the cost of construction for the additional two lanes between the Eklutna Flats and the Parks Highway. The Department of Transportation and Public Facilities has two estimates for the four lane work within the limits described above. One estimate is in the amount of \$58,000,000, which would include design, right of way, utilities, construction and contract administration for four-lane highway construction, bridges, etc. between Eklutna and the Parks Highway with signalized intersection at the Parks-Glenn intersection.

A second estimate includes the four-laning with bridges, utilities, right of way design and construction for the project referenced above, except for the intersection at the Parks-Glenn Highway, which would include the ultimate design of an interchange for free traffic flow instead of the signalized intersection in the estimate above. The cost estimate for this work is \$104,548,000.

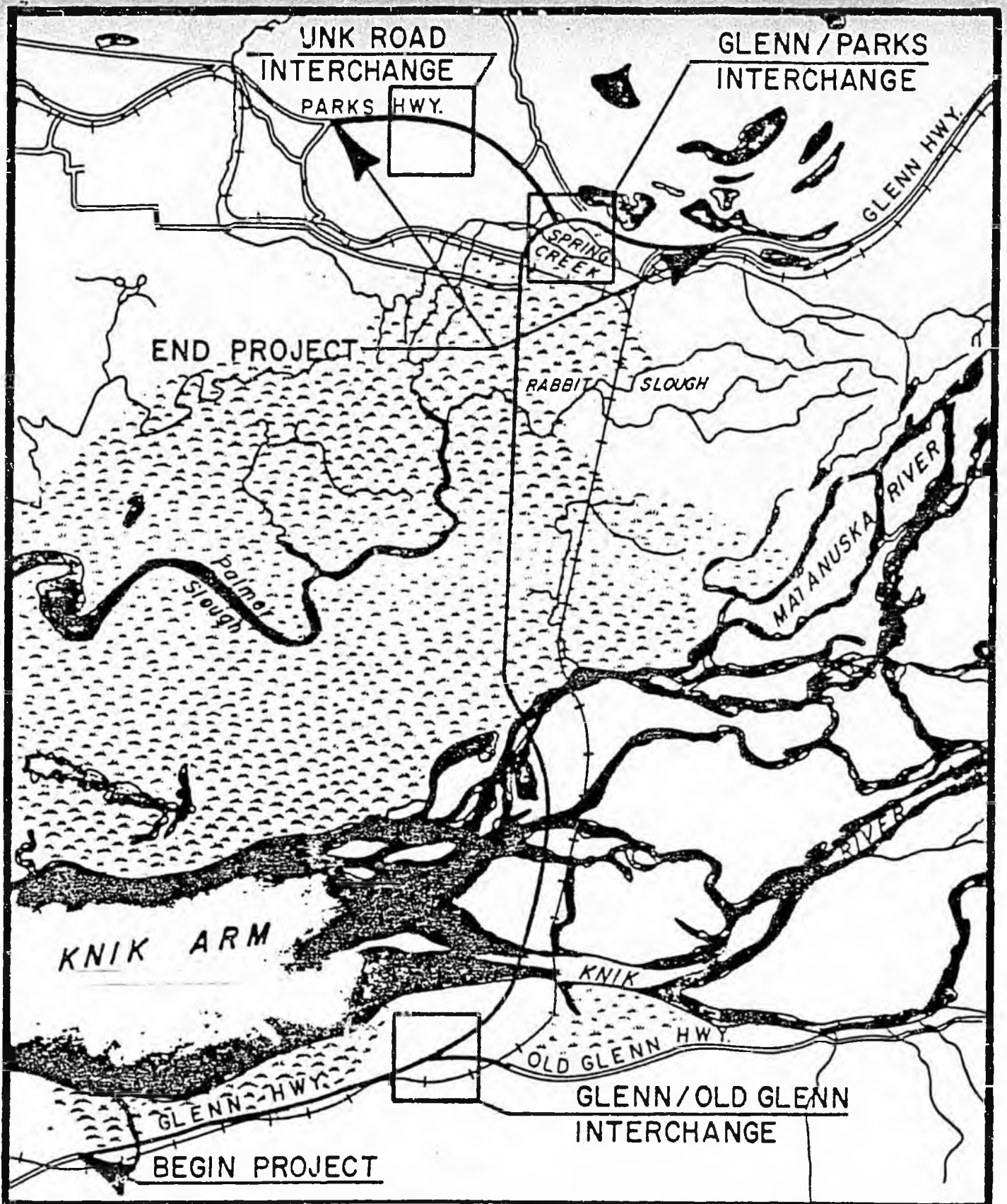
Respectfully submitted,

*Rodger Wm Lewerenz*  
Rodger Wm. Lewerenz, P.E.  
Borough Engineer

Reviewed and approved:

Gary Thurlow  
Borough Manager

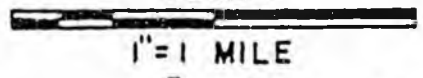
map



**LEGEND**

 WETLANDS

**SCALE**



STATE OF ALASKA  
DEPARTMENT OF TRANSPORTATION  
AND PUBLIC FACILITIES

**GLENN HIGHWAY, EKLUTNA  
TO PARKS HIGHWAY**

1-0A1-5(1)  
LOCATION MAP



# Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-4801

BOROUGH MANAGER

December 2, 1985

A handwritten signature in black ink, appearing to be 'P. J. S.' or similar, located in the upper right quadrant of the page.

State of Alaska  
Department of Transportation  
& Public Facilities  
Environmental Section  
P. O. Box 196900  
Anchorage, Alaska 99519-6900

Gentlemen:

Re: Glenn Highway, Eklutna to Parks

The Matanuska-Susitna Borough supports upgrade of the Glenn Highway - Eklutna to the Parks Highway.

We attended sessions where the various environmental consequences of the project have been discussed. We have also evaluated various statements by various public agencies having an interest in the project. In our opinion the various environmental concerns can be dealt with. Since you are dealing with parallel bridges and a parallel causeway, you are dealing with as few environmental variables as you will ever have occasion to deal with on a major project.

We have some minor recommendations which should not appreciably affect the cost of the project. We urge DOT/PF to consider the attached comments of the Borough Planning Department in the design of the project.

The traffic congestion on this route is severe and the threat to safe and efficient vehicle operation will increase with time. The widening to first four and then eventually six lanes is vital. The 1984 ADT (average daily traffic) was approximately 15,500 vehicles. There were 250 traffic accident on this section of the Glenn Highway between 1982 and 1984.

We believe the project should receive the highest priority possible for a timely upgrade.

## PROJECT DESCRIPTION

The Glenn Highway is the primary highway route between Anchorage and the rapidly growing Palmer/Wasilla area. Improvements to the Glenn Highway are considered necessary to provide for the existing and projected traffic demand.

The proposed project begins near the railroad overcrossing at Eklutna where the existing four-lane facility terminates. The proposed project ends at a point on the Parks Highway approximately two miles northwest of the Glenn/Parks intersection, and at a point on the Glenn Highway approximately 1.4 miles northeast of the Glenn/Parks intersection. The total length of the project is approximately 13 miles.

The portion of the Glenn Highway to be improved by this project is presently a two-lane rural highway. The proposed improvement would provide a six-lane divided highway. The existing two-lane highway would be widened to three lanes and would be used for northbound traffic. Three new lanes for southbound traffic would be constructed to the west of the existing road.

Access to the new highway would be fully controlled to allow for the most efficient traffic flow. As a result, certain roads and driveways that currently intercept the Glenn Highway would be closed, or rerouted to frontage roads and other access roads that would feed into proposed interchanges. Three interchanges would be constructed: one at the Old Glenn Highway, one at the Glenn/Parks intersection, and one at the proposed New Trunk Road.

Various methods of providing access to the boat launching area at the Knik River are being investigated.

### Bridges

Bridges for the southbound lanes of traffic would be constructed downstream of the existing Knik River and Matanuska River bridges. The existing bridges would be widened to serve the northbound lanes.

The three proposed interchanges: Glenn/Parks Interchange, Old Glenn Highway Interchange, and the Trunk Road Interchange would require bridges for grade separations (i.e. overpasses for railroad crossings, etc.).

### Frontage Roads

1. A proposed frontage road may provide access to the property served by the driveway at the old FAA towers near Eklutna; this frontage road would funnel traffic to existing roads in Eklutna Village.
2. Access to Rabbit Slough and private property west of the proposed Glenn/Parks Interchange may be provided by a frontage road system. This frontage road system would be accessible via the Parks Highway.
3. Access to Kepler-Bradley State Park and properties north of the proposed Glenn/Parks Interchange may be provided by a frontage road system. This frontage road system would extend from the Old Trunk Road to the Kepler-Bradley Lakes area.

Right-of-Way

Additional right-of-way would be required for the proposed Glenn/Parks Interchange, the proposed Old Glenn Interchange, the proposed Trunk Road Interchange, and portions of the proposed frontage roads. Some businesses and private property may be impacted by right-of-way acquisition.

Wetlands

Approximately 160 acres of wetlands may be filled by the project as presently proposed. These wetlands provide habitat for salmon, moose, waterfowl, and a variety of small mammals.

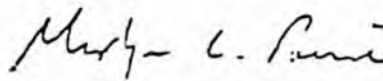
Floodplains

Fill, rip-rap, portions of the highway, and the new river bridges would be placed in the 100 year floodplain of the Knik and Matanuska Rivers.

Your comments on this proposal are needed to ensure that all factors are considered in the preparation of the Environmental Impact Statement and that our final recommendations are in the best overall interest of the public. Transmittal of any information you may have concerning environmental, economic, or social concerns and land use issues would be appreciated, and any comments or suggestions regarding the proposed roadway alignment or other project related concerns are welcomed.

For further information about the project and scoping meetings contact Melanie Caltrider, Environmental Analyst, Central Region ADOT&PF at 266-1507.

Sincerely,



Marilyn L. Paine  
Environmental Coordinator  
Central Region ADOT&PF

MC/MP/mhb

Attachments: Project Map  
Agency Scoping Meeting Agenda

My name is Barbara Hunt and I am a legislative aide to Representative Larson. I wish to testify on behalf of House Concurrent Resolution No. 1--relating to the highway between Eklutna and Palmer.

As a past Planning Commissioner for the Mat-Su Borough and a current member of The Commuter Advisory group, I feel I can speak to the need for widening this inadequate 2-lane highway.

In the past 6 years I have spent approximately 3,120 hours commuting on this road. This equates to my logging in 156,000 miles. Although these numbers may be unscientific ~~is~~, I <sup>still</sup> believe they have validity.

~~Although~~ Representative Menard ~~is~~ has many statistics for your perusal. I would just like to say that I share the two lane with 6,930 other commuters during the peak hours of travel. Those numbers coupled with 3 narrow bridges, uncountable moose, and unpredictable ice fog has made this trip appropriately titled "the dance of death". (That was the name given this highway by the local paper more than two years ago.) Things have not become easier since then. If one accident happens on the two lane--during peak hours, you can be assured of atleast a 1/2 hour or hour delay. Emergency vehicles have the same problems as commuters, because in many cases an alternative is not available.

In my discussion with Mayor Jones of the Mat-Su Borough, I understand that this project remains one of the most important projects for the Mat Su Valley. Representative Menard has an assembly resolution to that effect.

I would be glad to answer any questions.

Source: Commuter's Advisory Study,  
Will Elder - MAA

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3000

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

H. TRANS. 1-26-87 1:30 p.m.

Taken to Clerk 1/26/87

# HOUSE COMMITTEE REPORT

(5)

Date referred: 1/19/87

FURTHER REFERRALS: Finance

DATE: January 26, 1987

The Transportation Committee has considered HCR 1

Relating to the highway between Eklutna and Palmer.

**RECOMMENDS:**

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

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

Mike Mill

Heinrich Sprungel

W.A. [unclear]

Bill [unclear]

Bette [unclear]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Bette [unclear]  
Chairman's signature



HCR

6

# Alaska State Legislature



## House of Representatives

### Committee on Transportation

Rep. Bette Cato, Chairman

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

February 20, 1987

FOR TODAY'S MEETING YOU HAVE:

-----  
A FOLDER ON HCR 6 THAT INCLUDES:

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: HCR No. 6  
Publish Date: \_\_\_\_\_

REQUEST \_\_\_\_\_

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

Agency Affected: DOT&PF  
BRU: International Airports  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

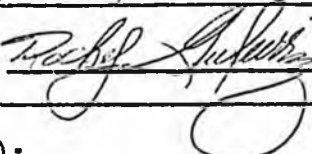
POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: See Attached.

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

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

Approved by Commissioner:   
Agency: DOT & PF

Date: 2/10/87

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

## Fiscal Note Analysis

HCR No. 6

### 1. ANALYSIS OF FISCAL IMPACT ON EXISTING PROGRAMS.

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

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

### 2. ANALYSIS OF FISCAL IMPACT ON NEW PROGRAMS.

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

### 3. ANALYSIS OF EXPENDITURES

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

### 4. OTHER INFORMATION

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE SENATE

BILL VERSION: SCR 5

PUBLISH DATE: 2/3/87

REQUEST

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

FISCAL DETAIL

Agency Affected : DOTPF  
 BRU : International Airports  
 Components : \_\_\_\_\_

EXPENDITURES/REVENUES : (Thousands of Dollars)

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

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

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

FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

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

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

Approved by Commissioner : \_\_\_\_\_  
 Agency : \_\_\_\_\_

Date : \_\_\_\_\_

Distribution (by Agency preparing fiscal now):

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



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

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

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

BASIS OF ALLOCATION

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

1/26/87  
Anchorage  
1/26/87

**metro**

**Trade,  
tourism  
linked**

By DEAN FOSDICK  
The Associated Press

Alaska's chances of selling its resources to Pacific Rim nations would be greatly enhanced if it could step up tourist trade with that region, a spokesman for Japan Airlines says.

Mitsuo Kitamoto, a JAL vice president and head of the company's Anchorage office, said trade follows tourism, and Alaska is missing out on a good thing by not promoting vacation opportunities to people passing through the airport's international terminal.

"After vacations, businessmen often go back to their offices and are more receptive to (trade) offers — especially if those offers are competitive," Kitamoto said.

"Australia and Alaska have many of the same things to offer — coal, ore — and they both have good locations for the (Pacific Rim) market. But Australia changed its tourism policy about two years ago and there's been a rapid increase in the number of (Japanese) tourists there.

"After tourism comes business," Kitamoto said.

Anchorage International Airport is the Alaska gateway for people crossing between Asia and Europe, he said.

But technology and international politics may reduce the number of people passing through the airport, Kitamoto said in an interview.

"Long-range jets are coming that can fly non-stop between Tokyo and Europe ... Paris," he said. "And already last year we started flying a polar route over Siberia."

"Businessmen are asking for more non-stops, for additional flights. And we're looking at it."

What that means for Anchorage is unclear, but it could cut into the transient traffic from Japan, which for JAL means about 4,500 passengers a year, Kitamoto said.

"There's been almost no change in the number of Anchorage-destined passengers in the last two years," he said. "A lack of promotion here has been one problem."

Kitamoto said JAL has agreed to help promote Alaska to its Japanese passengers this year. Alaska should do the same for overseas visitors, he said, an idea he has been pushing over the past several weeks during speeches before civic groups.

"The state needs some selling. We get the same questions (from Japanese) about Alaska we do about Africa. What kinds of shoes and gear are required? Is there any kind of shopping here?"

"Why should they buy in Europe when they can buy in Alaska? Why not open a corner of the (airport) duty free shop to Alaska crafts?"

"Having resources isn't enough," he said.

**Time to**

# Protecting the future of Anchorage

*Editor's note: this column is excerpted from remarks made by Sheffield Enterprises president Al Parrish to the Dec. 18 membership luncheon of the Anchorage Convention and Visitor's Bureau. Mr. Parrish is chairman of the Anchorage Business Council's airport subcommittee.*

**ANCHORAGE** International Airport, as a state-owned facility, began in the early 60's as a principal transfer point for travelers making connections to points within and outside Alaska. In addition, the airport was a refueling and an entry and exit point for international flights, principally on routes between Europe and the Far East.

Today, 26 years later, Anchorage International still serves those primary functions. The plant, however, has grown to include two passenger terminals encompassing 295,000 square feet of total floor area, three runways, extending up to 10,900 feet, 36 aircraft gates, and six baggage claim areas. All of this is contained within approximately 2,600 acres. The airport is serviced by 16 major carriers, nine of which are international, five commuters and approximately 25 non-scheduled airlines.

According to a Department of Transportation study conducted in 1983, the airport contributes more than \$1.5 billion to the Anchorage economy. Over 13,000 residents counted on the airport's operation for their jobs, earning a total of \$375 million dollars.

**HOW WOULD** you like your business to have a financial statement like this: In FY '86, the airport took in \$45 million dollars, showing a profit of \$21 million. Let's take it one step further: imagine having a business that made a profit of \$21 million a year, and that it achieved this profit without any advertising, any public relations, or any marketing studies whatsoever!

Anchorage's strategic location could easily enable it to serve as a platform for business between Europe and Asia. The possibilities are limitless. For example, if Anchorage were to become a foreign trade zone, goods from around the world could be stored here, processed, used in manufacturing other items, exhibited, repackaged, sold or handled in numerous ways. Imports could be used with domestic parts to manufacture new items within the zones — all without paying any customs duties or excise taxes. It would be a tremendous catalyst for development within our business community.

In addition, by expanding the duty free zone at the airport to allow foreign shoppers a much wider range of retail exposure than just gifts and liquors, we could create, in essence, regional shopping centers for stop-over travelers. They could tour duty free trade complexes and showrooms without the necessity of having to go through customs.

More and more, we're seeing international airports taking an active role in marketing their facili-

## Comments by Al Parrish



ties and services. For example, Seattle-Tacoma Airport, together with the Port of Seattle, which owns the airport, has developed an aggressive campaign to attract the expanding transpacific market, the international tourist market and the air cargo industry.

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

Sea-Tac's programs and policies have helped to establish it as one of the top 20 airports in the United States for passenger-traffic volume. In 1982, over 9.2 million passengers and 148,000 metric tons of air freight were handled by Sea-Tac. By 1985, the number of passengers at Sea-Tac increased to 11.5 million passengers, up 25 percent. Freight went up to 210,000 metric tons, up 42 percent.

**THE NEED**, then, is going to become increasingly critical. And not just in the years ahead. At this time, Anchorage faces a very critical challenge in the development of aviation technology.

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

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

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

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

Which revenue stream should be developed?

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

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

insights

# f Anchorage's international airport

**THE NEED**, then, to make our presence known is going to become increasingly important in the years ahead. And not just because others are doing it. At this time, Anchorage International faces a very critical challenge, that being the advancement of aviation technology.

I'm sure most of you have heard about the new Boeing 747-400 series aircraft. This aircraft is an advanced version of the B-747's which have served Anchorage International Airport for the past 15 years. However, the new 400-series requires only a two-person flight crew, compared with the three crew members required on all other 747's. It will be able to carry between 400 and 600 passengers, and will be able to fly approximately 8,000 miles non-stop. This will allow the aircraft to fly between Tokyo and Frankfurt, Singapore and Paris, or Hong Kong and London without refueling in Anchorage.

**OUR WINDOW** of opportunity is slowly closing, and we can't afford to wait. We need to sell Anchorage International as a place the airlines will want on their route schedules — whether it be for passengers, cargo or simply refueling. And the most direct way to go about this task is to mount a marketing campaign, promoting our plant and its services to the world.

Funds for marketing the airport are already available. Revenues from the airport's operation go into a reserve account. The money is there.

Once a line item dedicated to marketing the airport is budgeted by the state, a cooperative effort can be developed, whereby funds from private and public sources would be combined to develop a generic campaign. We believe it will take approximately \$3-\$5 million to develop and implement a comprehensive marketing plan for the airport. This seems like a reasonable amount to launch a program to reach the world's markets.

Which revenue streams need to be protected and developed?

Obvious ones are, of course, those passengers who are stopping over in Anchorage, on their way to or from a primary destination. Our research shows that 84 percent of those on flights stopping over in Anchorage would be interested in a stay of four to seven days. One-half of those would have stopped on the trip they were on if they would have known they could.

One good example of a stopover program was developed by the Port Authority of New York and New Jersey for passengers transitting through the three major airports: Kennedy International, Newark International and LaGuardia. They call it, "On Your Way Over, Stopover." The package includes one-night hotel at a choice of hotels, sightseeing, VIP shopping service at Macy's or Bloomingdales with language assistance, a choice of Broadway theatre tickets, a welcome kit, etc., all at a low

package price. They've advertised this program in periodicals all over Europe.

Other international passengers of great interest to us are those on either end of the transpolar route who could be persuaded to use Alaska as a visitor destination. New research by the state of Alaska shows that the potential for Japanese and German visitors selecting Anchorage as a visitor destination nearly equals the potential for visitors coming from the U.S. If we do our job right in selling our destination, it is possible that we could attract an additional 200,000 visitors a year from Germany and Japan, or a 50 percent increase in vacation or pleasure travel.

**WHILE PASSENGERS** are important, air freight offers even greater potential for growth. By increasing freight handling at AIA, we would see an increase in landing revenues (which are based on the gross takeoff weight of the aircraft) and fuel revenues for the airport.

International air freight is a rapidly growing market. In recent years, international air cargo shipments have increased at twice the rate of passenger travel.

The most cost-effective freight for air transportation is low-volume, high-value, and relatively low-weight products, such as electronic components, mini-computers, and precision instruments. Other less obvious air freight products are those with time-sensitivity, such as high-fashion apparel, pharmaceuticals, animals, produce, seeds and flowers. These markets need to be actively developed.

I mentioned fuel fees, and I'd like to stress that fuel is an important revenue stream. The airport operates a fuel storage farm and many operators have underground storage tanks. On an average day, approximately 1.2 million gallons are pumped. This means approximately \$24,000 a day, or \$9 million annually in fuel flowage fees.

Who is backing the plan to market the International Airport? This idea was further advanced by the Anchorage Business Council's Airport Committee, which I happen to co-chair, and others. The council, by the way, was formed by Mayor Tony Knowles with the mission of spurring economic development in Anchorage. Both the municipality and the Anchorage Business Council have endorsed our committee's recommendation. The Greater Anchorage Chamber of Commerce has since given the idea its full support, along with the Anchorage Convention and Visitors Bureau.

We'd like to invite your support as well, because as residents of Alaska and users of the airport, you have a stake in its future operation. We presently have the lead time to plan for the decade ahead. But we can't afford to wait. We need to plan for the 21st Century now.



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

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

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

# Anchorage International Faces Uncertain Times Ahead

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

By Bruce Johnson

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

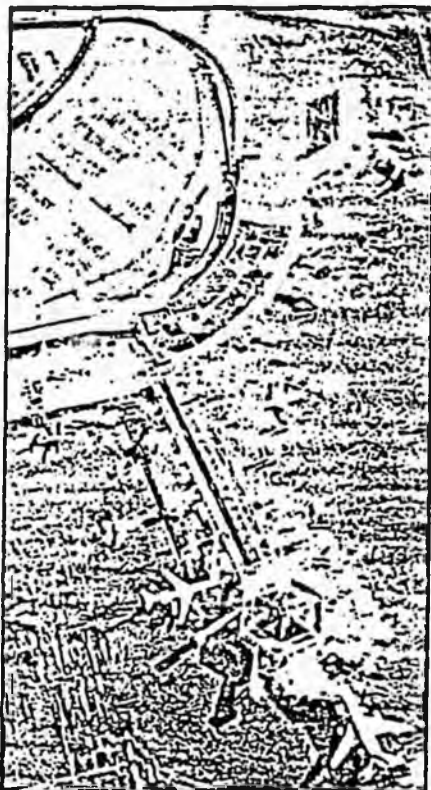
Among the nation's 36 medium-sized air traffic hubs, Anchorage ranks second in number of revenue passengers. Indeed, last year more than 4.6 million passengers were handled at the airport.

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

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

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

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



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

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

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

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

## Extremely air-dependent

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

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

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

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

## Traffic tied to oil

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

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



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

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

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

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

#### Weakening stopovers

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

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

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

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

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

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

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

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

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

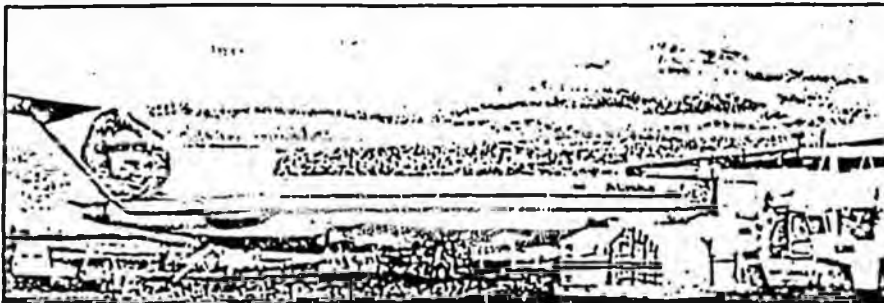
He observed that the 747-400 will be capable of flying 8000 statute miles—enough to fly the plane nonstop between Asia and Europe via the American and Canadian airspace polar route.

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

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

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

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



Alaska Airlines carries highest Alaska-Lower 48 volume.

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

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

### Heavy traffic, plus floats

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

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

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

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

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

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

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

Because the airport is getting close to

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

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

### Extensive changes coming

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

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

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

When this new building—Concourse

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

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

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

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

### Freight—the airport's ace

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

In fact, the facility ranks first (among the nation's 36 medium-sized air traffic hubs) in the amount of revenue freight handled. Last year alone the airport logged nearly 316.8 million pounds of freight. In 1983, the AEA economic impact study noted, Anchorage International handled a half of total tonnage flowing through all of the nation's medium-sized airports and that the air freight volume at Anchorage was only slightly less than that passing through LAX or JFK that year.

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

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

### Milder than Minneapolis

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

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

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

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

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

#### Visitors: VIPs and moose

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANC/FAI AAAC  
2/20/87  
Page Four

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

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

Thank you.

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

STATEMENT OF ANCHORAGE/FAIRBANKS AIRLINES AIRPORT AFFAIRS COMMITTEE

TO STATE OF ALASKA LEGISLATURE, FEBRUARY '20, 1987

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

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

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

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

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

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

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

ANC/FAI AAAC  
2/20/87  
Page Four

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

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

Thank you.

ANCHORAGE CONVENTION & VISITORS BUREAU  
INTERNATIONAL AIRPORT MARKETING

1987

ACVB LEGISLATIVE & COMMUNITY RELATIONS PRIORITIES

Governmental

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

Community

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

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

**Problem**

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

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

**Solution**

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

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

**Marketing Partners**

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

## Programs

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

## Funding

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

## PROTECTING THE AIRPORT'S FUTURE

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

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

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

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

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

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

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

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

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

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

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

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

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

Bearing that perspective in mind, let's return to our topic today. Anchorage International Airport, as a state-owned facility, began in the early 60's as a principal transfer point for travelers making connections to points within and outside Alaska. In addition, the airport was a refueling and an entry and exit point for international flights, principally on routes between Europe and the Far East.

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

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

According to a DOT/PF study conducted in 1983, the airport contributes more than \$1.5 billion to the Anchorage economy. Over 13,000 residents counted on the airport's operation for their jobs, earning a total of \$375 million dollars.

How would you like your business to have a financial statement like this: In FY '86, the airport took in \$45 million dollars, showing a profit of \$21 million. Let's take it one step further: imagine having a business that made a profit of \$21 million a year, and that it achieved this profit without any advertising, any public relations, or any marketing studies whatsoever! In today's competitive marketplace, it's nearly impossible to believe, but that is precisely the situation at Anchorage International.

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

As I pointed out earlier, Anchorage's strategic location could easily enable it to serve as a platform for business between Europe and Asia. The possibilities are limitless. For example, if Anchorage were to become a foreign trade zone, goods from around the world could be stored here, processed, used in manufacturing other items, exhibited, repackaged, sold or handled in numerous ways. Imports could be used with domestic parts to

manufacture new items within the zones -- all without paying any customs duties or excise taxes. It would be a tremendous catalyst for development within our business community.

In addition, by expanding the duty free zone at the airport to allow foreign shoppers a much wider range of retail exposure than just gifts and liquors, we could create, in essence, regional shopping centers for stop-over travelers. They could tour duty free trade complexes and show rooms without the necessity of having to go through customs.

More and more, we're seeing international airports taking an active role in marketing their facilities and services. For example, Seattle Tacoma Airport, together with the Port of Seattle, which owns the airport, has developed an aggressive campaign to attract the expanding transpacific market, the international tourist market and the air cargo industry.

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

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

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

Sea-Tac's programs and policies have helped to establish it as one of the top twenty airports in the United States for passenger-traffic volume. In 1982, over 9.2 million passengers and 148,000 metric tons of air freight were handled by Sea-Tac. By 1985, the number of passengers at Sea-Tac increased to 11.5 million passengers, up 25%. Freight went up to 210,000 metric tons, up 42%.

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

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

The need, then, to make our presence known is going to become increasingly important in the years ahead. And not just because others are

doing it. At this time, Anchorage International faces a very critical challenge, that being the advancement of aviation technology.

I'm sure most of you have heard about the new Boeing 747-400 series aircraft. This aircraft is an advanced version of the B-747's which have served Anchorage International Airport for the past fifteen years. However, the new 400-series includes some remarkable advancements in engine performance and aerodynamics.

The 400-series requires only a two-person flight crew, compared with the three crew members required on all other 747's. It will be able to carry between 400 and 600 passengers, depending on configuration, and will be able to fly approximately 8,000 miles non-stop. This will allow the aircraft to fly between Tokyo and Frankfurt, Singapore and Paris, or Hong Kong and London without refueling in Anchorage. Boeing received its first order in late 1985 from Northwest Orient Airlines. The first production model of the aircraft is expected in late 1988.

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

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

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

Our window of opportunity is slowly closing, and we can't afford to wait. We need to sell Anchorage International as a place the airlines will want on their route schedules -- whether it be for passengers, cargo or simply refueling. And the most direct way to go about this task is to mount a marketing campaign, promoting our plant and its services to the world.

Funds for marketing the airport are already available. Revenues from the airport's operation go into a reserve account. The money is there. From those funds, we now need to dedicate a line item in the airport's budget to marketing.

Once a line item dedicated to marketing the airport is budgeted by the State, a cooperative effort can be developed, whereby funds from private and public sources would be combined to develop a generic campaign. This program would be modeled after cooperative efforts which have been highly successful in marketing Alaska seafood and tourism.

Based on past experience with those successful cooperative programs, we believe it will take approximately \$3 - 5 million dollars to develop and implement a comprehensive marketing plan for the airport. This seems like

a reasonable amount to launch a program to reach the world's markets. Once the groundwork has been laid, we'll have a better feel for what it will take to maintain an on-going marketing program.

Which revenue streams need to be protected and developed?

Obvious ones are, of course, those passengers who are stopping over in Anchorage, on their way to or from a primary destination. Our research shows that 84% of those on flights stopping over in Anchorage would be interested in a stay of 4 -7 days. One-half of those would have stopped on the trip they were on if they would have known they could. Once we tell them they are able to stopover, we need offer an irresistible incentive for them to do so.

One good example of a stopover program was developed by the Port Authority of New York and New Jersey for passengers transitting through the three major airports: Kennedy International, Newark International and LaGuardia. They call it, "On Your Way Over, Stopover". The package includes one-night hotel at a choice of hotels, sightseeing, VIP shopping service at Macy's or Bloomingdales with language assistance, a choice of Broadway theatre tickets, a welcome kit, etc., all at a low package price, depending on the visitor's selections. They've advertised this program in periodicals all over Europe.

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

Other international passengers of great interest to us are those on either end of the transpolar route who could be persuaded to use Alaska as a visitor destination. New research by the State of Alaska shows that the potential for Japanese and German visitors selecting Anchorage as a visitor destination nearly equals the potential for visitors coming from the U.S. If we do our job right in selling our destination, it is possible that we could attract an additional 200,000 visitors a year from Germany and Japan, or a 50% increase in vacation/pleasure travel.

While passengers are important, air freight offers even greater potential for growth. By increasing freight handling at AIA, we would see an increase in landing revenues (which are based on the gross takeoff weight of the aircraft) and fuel revenues for the airport. In the private sector, we would see an increase in business and land development surrounding the Anchorage International, as well as crew expenditures at hotels, restaurants, car rental, and retail and service businesses.

International air freight is a rapidly growing market. In recent years, international air cargo shipments have increased at twice the rate of passenger travel. The main reason for this growth has been the overall increase in the importance of speed in international transactions. This is particularly true in Alaska when large volumes of perishables, such as fish, are shipped to outside markets.

The most cost-effective freight for air transportation is low-volume, high-value, and relatively low-weight products, such as electronic

components, mini-computers, and precision instruments. Other less obvious air freight products are those with time-sensitivity, such as high-fashion apparel, pharmaceuticals, animals, produce, seeds and flowers. These markets need to be actively developed.

I mentioned fuel fees, and I'd like to stress that fuel is an important revenue stream. The airport operates a fuel storage farm and many operators have underground storage tanks. On an average day, approximately 1.2 million gallons are pumped. This means approximately \$24,000 a day, or \$9 million annually in fuel flowage fees.

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

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

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

Who is backing the plan to market the International Airport? This idea was further advanced by the Anchorage Business Council's Airport Committee, which I happen to co-chair, and others. The council, by the way, was formed by Mayor Tony Knowles with the mission of spurring economic development in Anchorage. Both the Municipality and the Anchorage Business Council have endorsed our committee's recommendation. The Greater Anchorage Chamber of Commerce has since given the idea its full support, along with the Anchorage Convention and Visitors Bureau.

We'd like to invite your support as well, because as residents of Alaska and users of the airport, you have a stake in its future operation. We presently have the lead time to plan for the decade ahead. But we can't afford to wait. We need to plan for the 21st century now.

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

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

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

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

# Crosswinds at the Crossroads



PHB David Predeger

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

BY JUDITH FUERST

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

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

than a decade ago.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



© 1986 David Pradeger

# CERTIFICATE PROGRAMS

(from 3 months to 24 months):

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

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

**WHERE  
SUCCESSFUL  
CAREERS BEGIN**

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

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

**CALL TODAY:**  
**562-4669**

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## The smart way to Tokyo.



TOKYO

ANCHORAGE

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

Who can fly you nonstop to Tokyo

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

**SAS**  
The Business Airline

United Mileage Plus credit all across the Pacific.

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



# Editorials

## Unlocking the gates

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

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

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

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

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

second half of a long journey between continents.

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

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

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

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

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



# Editorials

## The new tourist season

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

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

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

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

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

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

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