

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

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# Alaska's international airports offer economic opportunity

At a time when the state is struggling with the wrong end of OPEC politics, attempting to be the cornerstone of the international fisheries and hopeful of receiving the nod from the International Olympic Committee, we need to remember the economic opportunities at home. In this writer's view, an important part of the state's economy involves some buildings and some asphalt. That's the Anchorage and Fairbanks airports.

The problem is that technology may doom our airports. If we don't come up with a viable plan, a new generation of aircraft may result in stops at Anchorage and Fairbanks being a vestige of the past. In my estimation, the commercial future of our airports is as important to our economic future as our high profile items.

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



tions were that the airport alone generated employment of 13,472 people. The cost for this is only approximately \$20 million.

There's nothing that says international flights will continue to call at either the Anchorage or Fairbanks airport. Right now, we are the air crossroads of the world, but new long-range Boeing planes may change that. Already some interna-

tional passenger carriers are beginning to fly direct.

The state, the municipality, and those involved with the airport, must concentrate on this issue. The airport may not be the sexiest issue, but it is one area where we haven't experienced a downturn.

For example, there are international carriers, like Korea Airlines, who are unable to pick up or discharge passengers because they do not have landing rights. The reason for this seems to stem from events at the Seoul airport, which have nothing to do with Alaska. We can not accept that.

Visas have been a problem in the past, but the Alaska Congressional delegation has started a program which may solve that. From Alaska's vantage, we need to

have our international friends have the ability to pass a few days in Alaska. We

must market Anchorage and Fairbanks as destination points.

We need Free Trade Zones in order to maximize the opportunities for local businesses to take advantage of our strategic location. Our airports have to provide services competitive with Portland, Seattle, Los Angeles and other gateway locations. We've gone a long way on the services, but we can always do more.

A task force is working on the problem, and that's a start. The downside, however, is such that an all-out effort is called for. It's easy to get people excited about AWWR and the Olympics. We need the same excitement about the continued development and marketing of the Fairbanks and Anchorage airports.

*An Alaskan since 1971, Tony Smith is an attorney in private practice in Anchorage.*

**Municipality  
of  
Anchorage**



OFFICE OF THE MAYOR

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

TONY KNOWLES  
MAYOR

October 9, 1986

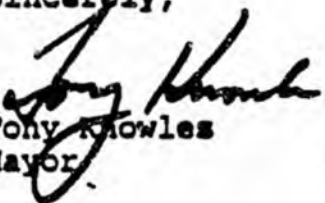
Governor Bill Sheffield  
P.O. Box A  
Juneau, AK 99811


Dear Governor:

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

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

Sincerely,

  
Tony Knowles  
Mayor

  
Dave Walsh  
Chairman of the Assembly

2 Enclosures

cc: Commissioner DOT/FF

A:EJG018.TXT

8-12-86  
D. to:

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

ANCHORAGE, ALASKA  
AR NO. 86-178

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

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

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

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

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

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

WHEREAS, there are sufficient monies in the Airport Fund.

NOW, THEREFORE, the Anchorage Municipal Assembly hereby resolves:

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

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

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

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

  
Chairman

ATTEST:

  
Municipal Clerk

ejg/reso 002



Anchorage-Star of the North  
Chamber of Commerce

RESOLUTION 86-07

ANCHORAGE INTERNATIONAL AIRPORT

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

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

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

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

Elaine Atwood  
Elaine Atwood  
President

Wayne K. Beckwith  
Wayne K. Beckwith  
Executive Vice President

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

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

APPROVED  
Date: 4-8-86

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

ANCHORAGE, ALASKA  
AR NO. 86- 51

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

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

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

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

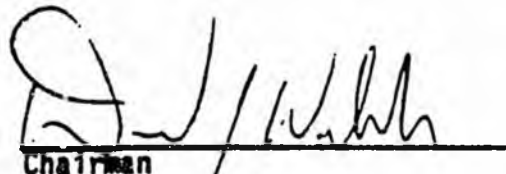
WHEREAS, the Port of Anchorage would be influenced by this change in status and thus is an interested agency.

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

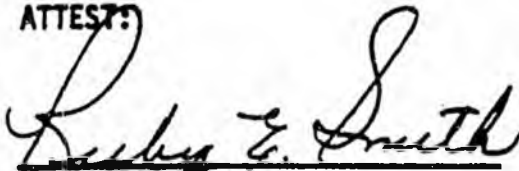
SECTION 1. The Municipality should immediately proceed to assess Anchorage's foreign trade zone potential, and define potential land areas for consideration.

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

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

  
Chairman

ATTEST:

  
Municipal Clerk

FINAL REPORT

EXCERPTS FROM  
THE ECONOMIC IMPACT  
OF  
THE ANCHORAGE INTERNATIONAL AIRPORT

SUBMITTED TO:

STATE OF ALASKA  
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

SUBMITTED BY:

APPLIED ECONOMICS ASSOCIATES, INC.

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

OCTOBER, 1985

### CHAPTER III

#### THE DEVELOPMENT AND GROWTH OF THE ANCHORAGE INTERNATIONAL AIRPORT

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

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

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



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

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

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

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

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

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

#### Passenger Traffic, 1960-1984

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

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

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

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

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

TABLE III.1

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

YEAR	ARRIVING	DEPARTING	TOTAL ARR & DEP	IN TRANSIT	TOTAL
(1)	(2)	(3)	(4)	(5)	(6)
1960	114,557	114,655	229,212	44,564	273,776
1961	119,468	125,955	245,423	71,536	316,959
1962	131,361	137,758	269,119	127,826	396,945
1963	140,049	143,930	283,979	125,501	409,480
1964	164,441	170,448	334,889	205,060	539,949
1965	189,451	195,335	384,786	152,003	536,789
1966	213,380	219,047	432,427	216,646	649,075
1967	268,557	269,459	538,016	414,809	952,825
1968	331,726	357,519	689,242	418,732	1,107,974
1969	391,050	424,314	815,364	648,821	1,464,185
1970	426,248	433,163	859,411	807,722	1,667,133
1971	413,735	420,249	833,984	778,211	1,612,195
1972	451,455	461,777	913,232	654,681	1,567,913
1973	478,895	488,624	967,519	633,111	1,600,630
1974	540,714	551,767	1,092,481	796,045	1,888,526
1975	694,475	706,739	1,401,214	815,116	2,216,330
1976	857,162	870,024	1,727,186	884,762	2,611,948
1977	945,048	962,392	1,907,440	936,032	2,843,472
1978	955,628	979,636	1,935,264	981,315	2,916,579
1979	995,864	1,018,651	2,014,515	1,166,400	3,180,915
1980	990,547	1,007,566	1,998,113	1,267,474	3,265,587
1981	1,059,854	1,073,108	2,132,962	1,456,894	3,589,856
1982	1,165,338	1,177,757	2,343,095	1,503,206	3,846,301
1983	1,283,720	1,295,433	2,579,153	1,425,082	4,004,235
1984	1,328,793	1,335,646	2,664,439	1,372,679	4,037,118
AARG	10.8%	10.8%	10.8%	15.3%	11.9%

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

NOTE: AARG - Average Annual Rate of Growth

## Freight Traffic, 1960-1984

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

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

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

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

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

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

TABLE III.5

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

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

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

NOTE: AARG - Average Annual Rate of Growth



TABLE III.8

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

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

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

NOTE: AARG - Average Annual Rate of Growth



TABLE IV.2

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

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

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

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

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



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

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

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

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

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

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

#### Airport Related Services

Airport related services consist mainly of concessionaires doing

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

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

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



TABLE VI.10

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

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

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

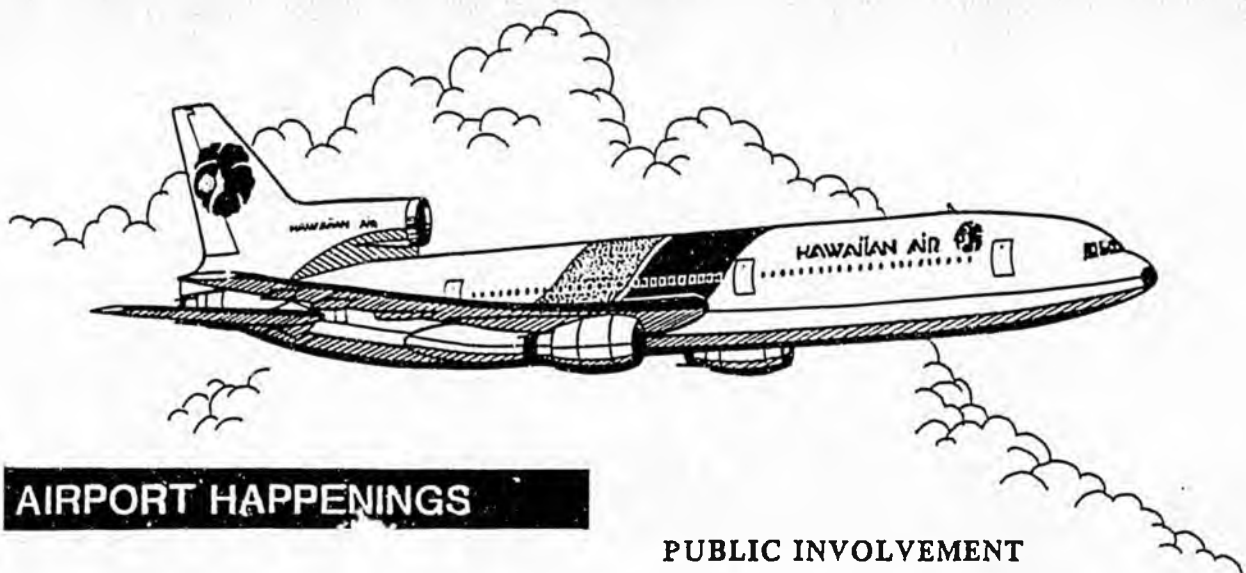


TABLE VII.1  
SUMMARY OF AIRPORT-RELATED ECONOMIC IMPACTS ON THE ANCHORAGE ECONOMY  
1983  
(MILLIONS OF DOLLARS; NUMBER OF EMPLOYEES)

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

SOURCE: Tables VI.5 - VI.9





## AIRPORT HAPPENINGS

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

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

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

## PUBLIC INVOLVEMENT

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

## TRIVIA QUIZ

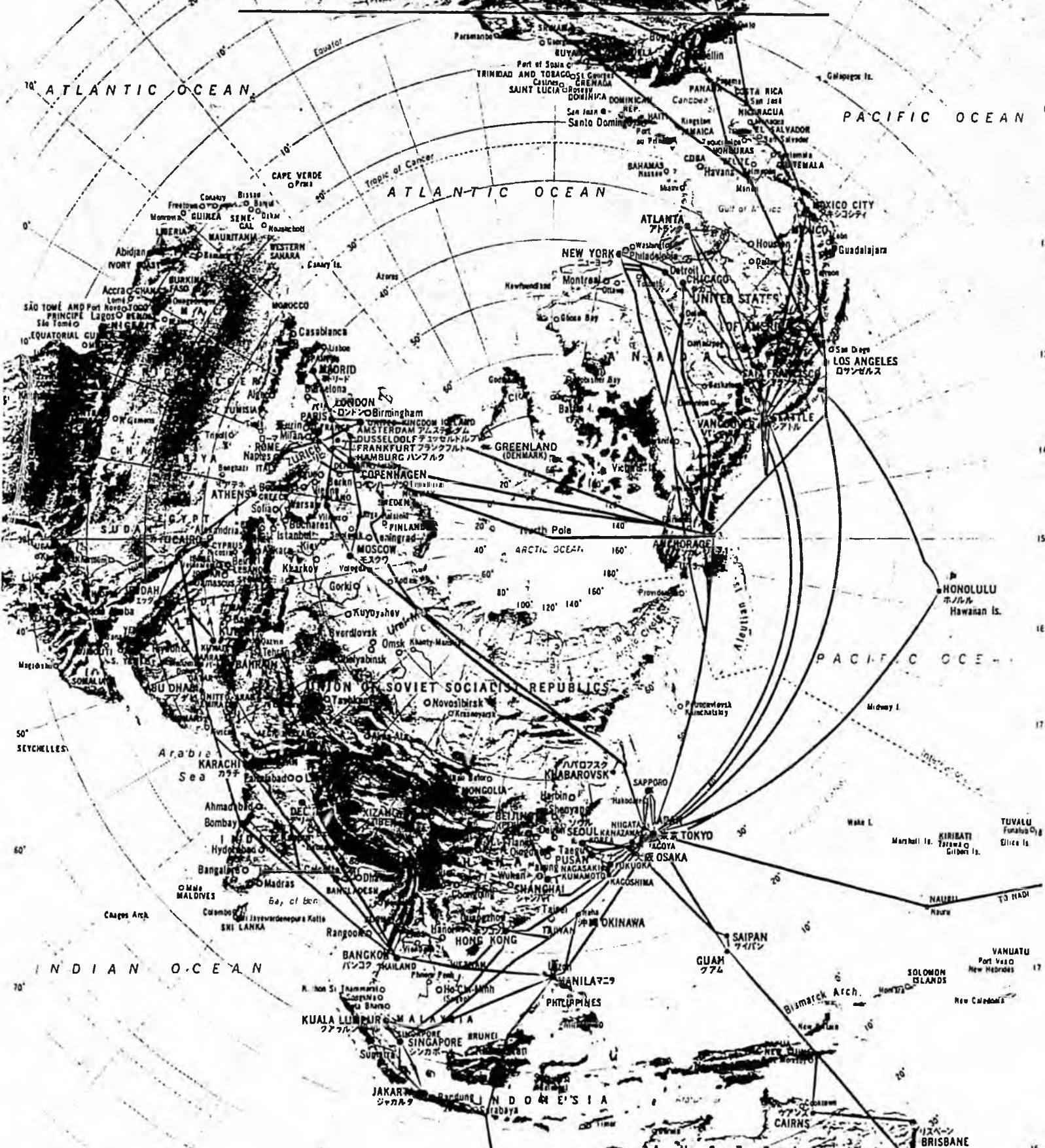
In January, Hawaiian Airlines initiated service between Anchorage and Honolulu, using a Lockheed L-1011 Tri-Jet. The airline has stated that plans are currently being developed to extend the service between Anchorage and Europe, establishing the only through service between Honolulu, Anchorage, and Europe.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

---

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



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



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

© Teikoku Sh.





Representative Betty Cato:

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

Representative Drue Pearce

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

Sec.

- Preamble DOTPF is owner/operator of Anchorage International Airport
- 2.02 Airlines rights to operate are common rights with others to use the airport for air transportation business
- 2.03 Airline leases Exclusive Use Space  
Airline has preferential but non-exclusive use of Apron area  
Airport Director can authorize other airlines to use holdrooms, loading bridges and airline-designated aircraft parking positions when not needed for regular uses.  
Airport Director can close, relocate, etc. after reasonable notice so long as other simultaneous access is provided.
- 3.01 Other Airlines can come in but must first try to deal with Signatory Airlines for space and use of facilities.
- 3.02 Signatory Airlines can be required to provide space or facilities to other airlines but the type of agreement is at the discretion of the Signatory Airlines.  
  
Signatory Airline does not have to comply if it would unreasonably interfere with their use of space and facilities.  
  
Signatory Airline may charge costs plus a 15% administrative fee.
- 4.01 DOTPF will provide a Captial Improvement report to Signatory Airlines by NLT the beginning of

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

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

4.02

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

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

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

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

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

4.03

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

5.01

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

fuel.

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

Records must be kept for these cost centers:

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

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

- 6.03 IARF financial statements to be audited

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

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

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

7.03

Landing Fee Rate is recalculated each year.

-- reductions are allowed by subtracting the following amounts:

- revenue derived by DOTPF from all sources other than Signatory Airlines
- Signatory Airlines terminal rent
- all fuel flowage fees paid by Signatory Airlines
- the amount transferred from the Prepaid Airline Revenue Account to the Revenue Account net of any overpayment or underpayment from operation of the Airport System.

7.04

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

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

8.01

This agreement subordinate to all present IARF Bond resolutions.

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

8.02

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

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

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

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

9.01

Airline Responsibilities

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

9.02

DOTPF's Responsibilities

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

10.01

Indemnification

10.02

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

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

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

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

10.03

Waiver of Subrogation

10.04

Additional Insured

10.05

Notice of Claim

10.06

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

11.01

Assignment and sublease allowed with advance written approval

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

2/10/87 - JLF

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

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

February, 1986

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

EXHIBITS

Exhibit

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

ARTICLE 1  
DEFINITIONS

Section 1.01. Definitions

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

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

# **CORRECTION**

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

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

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

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

DOT&PF and AIRLINE agree as follows:

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

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

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

ARTICLE 1  
DEFINITIONS

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8. "Annual Budget" means the capital and operating budgets for the Anchorage and Fairbanks International Airports as signed by the Governor of the State of Alaska.
9. "Annual Debt Service" means the total amount required as deposits in a Fiscal Year to any interest, principal, or sinking fund account established by the Bond Resolution for any Bonds issued for any Airport System purpose and

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

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

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

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

ARTICLE 2  
USE OF AIRPORT FACILITIES

Section 2.01. Term

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

Section 2.02. Uses of the Airport

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

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

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

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

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

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

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

Section 2.03. Exclusive and Common Use Space

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

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

ARTICLE 3  
ACCOMMODATION OF OTHER AIRLINES

Section 3.01. Accommodation Procedures

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

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

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

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

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

ARTICLE 4  
CAPITAL IMPROVEMENTS

Section 4.01. Capital Improvement Report

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

Section 4.02. Approval of Capital Improvements

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

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

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

#### Section 4.03. Capital Improvement Exceptions

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

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

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

Section 4.04. Approved Capital Improvements

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

ARTICLE 5  
RENTS AND FEES

Section 5.01. Consideration

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

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

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

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

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

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

Section 5.02. Certified Activity Reports Required

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

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Section 5.03. Interest on Overdue Payments

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

Section 5.04. Additional Rent

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

ARTICLE 6  
RECORDS AND REPORTS

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

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

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

Section 6.02. DOT&PF Financial Reports

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

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

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

Section 6.03. IARF Annual Audit

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

ARTICLE 7  
RECALCULATION OF RENTS AND FEES

Section 7.01. Annual Adjustments

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

Section 7.02. Recalculation of Terminal Building Rental Rate

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

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centers or any other amount required by the Bond Resolution.

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

Section 7.03. Recalculation of Landing Fee Rate

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

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

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

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

Section 7.04. Extraordinary Adjustments of Landing Fee Rate

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

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ARTICLE 8  
BOND RESOLUTION AND FLOW OF FUNDS

Section 8.01. Subordination to Bond Resolution

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

Section 8.02. Flow of Funds

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

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

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

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

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

ARTICLE 9  
ADDITIONAL RESPONSIBILITIES OF PARTIES

Section 9.01. AIRLINE Responsibilities

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

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

D. Disabled or Abandoned Aircraft

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

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

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

Section 9.02. DOT&PF's Responsibilities

A. During this Agreement, DOT&PF will:

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

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

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

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

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

Section 9.04. Alterations and Improvements

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

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

Section 9.05. DOT&PF Modification and Relocation

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

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

ARTICLE 10  
INDEMNIFICATION, INSURANCE, AND SUBROGATION

Section 10.01. Indemnification

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

Section 10.2. Insurance

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

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Insurance Coverages

Minimum Limits

Airline/Aircraft/Airport Public Liability Insurance or Equivalent Insurance	\$1 million per seat*
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With the following minimum limits regardless of seat capacity or cargo configuration:

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

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

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

Section 10.03. Waiver of Subrogation

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

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Section 10.04. Additional Insured

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

Section 10.05. Notice of Claim

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

Section 10.06. Insurance Rates

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

ARTICLE 11  
ASSIGNMENT OR SUBLEASE

Section 11.01. Assignment or Sublease

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

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

Section 11.02. Merger

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

ARTICLE 12  
DEFAULT AND TERMINATION

Section 12.01. Reentry and Reletting After Default

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

Section 12.02. Partial Termination Due to Damage or Destruction

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

Section 12.03. Events Permitting Termination by AIRLINE

AIRLINE may terminate this Agreement if:

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

Section 12.04. Events Permitting Termination by DOT&PF

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

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

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

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

Section 12.05. Surrender of the Premises

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

Section 12.06. Ownership of Improvements

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

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

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

Section 12.07. Holdover

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

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ARTICLE 13  
COMPLIANCE WITH LAW, TAXES, POLICIES AND NONDISCRIMINATION

Section 13.01. Compliance With Law

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

Section 13.02. Taxes

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

Section 13.03. Policies

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

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

Section 13.04. Nondiscrimination

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

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ARTICLE 14  
AGREEMENT NOT TO GRANT MORE FAVORABLE TERMS

Section 14.01. Agreement Not to Grant More Favorable Terms

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

ARTICLE 15  
GENERAL PROVISIONS

Section 15.01. Delivery of Notices

- A. Required notices must be hand delivered or sent by registered or certified mail to the addresses below:
1. DOT&PF:
  
  2. AIRLINE:
- B. If notice is given in any other manner or at any other place, notice must also be given in writing at the place and in the manner specified in this section in order to be effective under this Agreement. All notice periods begin on the date of receipt of written notice at the address listed in Section 15.01.A except as provided elsewhere in this Agreement.
- C. Either party may change the address in this section by written notice to the other party.

Section 15.02. Severability

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

Section 15.03. Quiet Enjoyment

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

Section 15.04 Officers, Agents, and Employees

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

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

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

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

Section 15.06. Incorporation of Required Provisions

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

Section 15.07. Nonwaiver of Rights

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

Section 15.08 Force Majeure

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

Section 15.09. Contract Interpretation

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

Section 15.10. Federal Aviation Act, Section 308

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

Section 15.11. Radio Interference

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

Section 15.12. Obtaining Federal and State Funds

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

Section 15.13. Management Audits

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

Section 15.14. Project Management

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

Section 15.15. Passenger Facility Charges

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

Section 15.16. Governing Law

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

Section 15.17. Inspection of Books and Records

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

Section 15.18. Generally Accepted Accounting Principles

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

Section 15.19. Modification Necessary for Grant of FAA Funds

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

Section 15.20. Consent Not to be Unreasonably Withheld

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

Section 15.21. Prudent Operations

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

Section 15.22. Independent Contractor

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

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Section 15.23. Entire Agreement

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

Section 15.24. Condemnation

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

Section 15.25. Incorporation of Exhibits

Exhibits A through K are a part of this Agreement.

Section 15.26. Preexisting Agreements

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

DOT&PF FILE NO.

SPACE OR PROPERTY LEASED

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

DOT&PF FILE NO.

SPACE OR PROPERTY LEASED

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





- May's desk copy  
Do not remove -

THE POTENTIAL FOR JAPANESE  
TRAVEL TO ALASKA

NOVEMBER, 1986

NIKKEI RESEARCH INC.

TOKYO, JAPAN