

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5186 HTRA SB 347 - SCR 5

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* DELIVER TO: LHSCT:A
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* ORIGINAL
* SENT: 03/11/88 TIME: 14:29
* FROM: LIOCPSG
* SUBJECT: H TRSP;SB347-MTRBOAT REPR;3-11
* PRINT DATE: 03/15/88 TIME: 17:38
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DATE: MARCH 11, 1988
SITE: PETERSBURG
SPONSOR: (H) TRANSPORTATION
SUBJECT: SB 347 - MOTORBOAT MOTOR REPAIR
MODERATOR: DOROTHY PENTTILA

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FINAL STATS

TESTIFIED:

NAME/REPRESENTING	ADDRESS	PHONE #
1. CYNTHIA FLORA/PSG SHIPWRIGHTS	BOX 378 PSG	772-3596
2. ROCKY FLINT/ROCKY'S MARINE	BOX 690 PSG	772-3949
3. JOHN MURGAS/TONGASS MARINE	BOX 1314 PSG	772-3905

OBSERVED:

NONE

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3 TESTIFIED
0 UNABLE
0 OBSERVED
3 TOTAL

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1:30 PM / 2:15 PM START/END TIME

EOM

SB

421



Official Business

# Alaska State Legislature

House of Representatives

House Transportation Committee

P.O. Box V  
Juneau, Alaska  
99811

Phone:  
(907) 465-4859

April 18, 1988

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## COMMITTEE CALENDAR:

SB 421: "An Act relating to outdoor advertising within highway rights-of-way; and providing for an effective date."

FOR THIS MEETING, YOU HAVE BEEN GIVEN:

a folder on SB 421 that includes:

- item #1: SB 421
- #2: fiscal notes - Senate Labor & Commerce Comm.  
DOT/PF
- #3: sectional analysis/questions and answers
- #4: memo from DOT/PF
- #5: statutes and DOT/PF regulations
- #6: a letter of support

FISCAL NOTE

REQUEST:

Revision Date: 3/9/88  
Title: An Act relating to outdoor  
advertising within highway r-o-w.  
Sponsor: Sen. Fabrenkamp  
Requestor: Senate L & C

Agency Affected: DOT&PF  
BRU: Engineering & operation  
standards  
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL		0	0	0	0	0
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The department has adequate funds in the Governor's budget to cover the cost of implementing regulations.

Prepared by: [Signature] Phone: \_\_\_\_\_  
Division: Senate Labor & Commerce Committee Date: 3/9/88

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

Distribution (by preparer):

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

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: SB 421  
PUBLISH DATE:

MAR 17 1988

REQUEST: FISCAL NOTE

Revision Date:  
Title: An Act relating to outdoor advertising within highway rights-of-way.  
Sponsor: Farenkamp  
Requestor: KELLY

Agency Affected: DOT&PF  
BRU: Engineering & Operations Standards  
Components:

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	10.0	20.0	20.0	20.0	20.0
TRAVEL	0	1.5	0	0	0	0
CONTRACTURAL	0	3.1	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	14.6	20.0	20.0	20.0	20.0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (THOUSANDS OF DOLLARS)

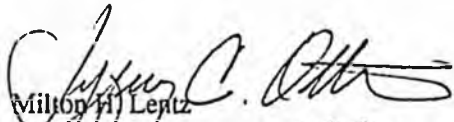
GENERAL FUND	0	4.6	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	10.0	20.0	20.0	20.0	20.0
TOTAL	0	14.6	20.0	20.0	20.0	20.0

POSITIONS:


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

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared by:  Milton H. Lertz  
Division: Engineering and Operations Standards

Phone: 465-2951  
Date: March 4, 1988

Approved by Commissioner:   
Agency: Department of Transportation and Public Facilities

Date: 3-7-88

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

All outdoor advertising has been prohibited within highway rights-of-way by 17 AAC 20.010 since June 25, 1969 (Authority: AS 19.05.020). Recently, the Federal Highway Administration (FHWA) has informed the department that their restrictions under Code of Federal Regulations 23, §1.23 , Right of Way, (e), has been somewhat lessened to allow certain types of outdoor advertising within the rights-of-way of Federal-aid projects.

Consistent with this new federal flexibility this bill would authorize advertising on bus stop benches and bus stop shelters as a public service, properly permitted as an encroachment within the right-of-way, and with FHWA approval. Consistent with other similar encroachments that are now permitted or anticipated, the department would envision a fee to address the initial and on-going administrative costs. Following is an analysis of the resource requirements for implementation and management of the program:

1. Program Development - Changes to the Alaska Administrative Code will be required to both bring it into compliance with this statute change and establish the ground rules for placement of outdoor advertising on bus stop benches and shelters. This requires funds for the contractual legal services, advertising and travel to public hearings required under the Alaska Administrative Procedures Act. Staff provided by the department to write the new regulations would be covered by existing budgets.

<u>Expense Item</u>	<u>Units</u>	<u>Cost</u>	<u>Funds Needed</u>
Legal Staff	25 Hours	\$100.	\$2,500.
Advertising (Pub. Notices)	All	600.	600.
Public Hearings Travel	All	1,500.	1,500.
<b>Total Development Costs:</b>			<u>\$4,600.</u>

2. DOT&PF Administrative Costs and Receipts - The department will be required to process each application for an encroachment permit, maintain an inventory and status of each permit, and provide overall management for the program in each Region. The regional and statewide Right-of-Way staff are adequate to undertake this role (with necessary coordination with Traffic Safety, Maintenance, and FHWA staff) through a fee, as these sections are funded principally from program receipts. A \$250 application fee is contemplated under the level of management involved, with a smaller annual renewal fee. This approach is consistent with the TODS signing proposal that is now being proposed to address another outdoor advertising requirement. The number of anticipated permits can not be accurately determined at this time as the department has no experience with the program. An estimate of 40 or fewer applications was made for 1989, and double thereafter. Funding for these on-going costs are shown as program receipts. However, estimates for the cost of the application fee is based on, in part, the time involved in processing encroachment permits for other activities.

# Alaska State Legislature

SENATOR BETTYE FAHRENKAMP  
CHAIRMAN, LEGISLATIVE COUNCIL  
CHAIRMAN, OIL AND GAS COMMITTEE  
515 7TH AVENUE, SUITE 130  
FAIRBANKS, ALASKA 99701  
OFFICE (907) 452-4882  
HOME (907) 456-2899



WHILE IN JUNEAU  
P.O. BOX V  
JUNEAU, ALASKA 99811  
CAPITOL ROOM 125  
OFFICE (907) 465-3834  
HOME (907) 780-6027

## Senate

### MEMORANDUM

TO: House Transportation Committee Members

FROM: Senator Bettye Fahrenkamp

DATE: April 13, 1988

RE: SB 421 An Act relating to outdoor advertising within highway rights-of-way; and providing for an effective date.

#### What the bill would do

SB 421 would allow advertising on bus benches and bus shelters within a right-of-way by permit. Last year, SB 4 passed and was signed into law. It authorized advertising on bus benches and shelters along rights-of-way. At that time, it was thought that advertising within rights-of-way would be allowable under existing law by permit. However, as DOT/PF implemented SB 4, it came to our attention that advertising that is visible from the roadway would not be allowable.

If this bill passes, DOT/PF would issue an Encroachment Permit under 17 AAC 10.010 as authorized by AS 19.25.200 to allow such advertising.

The bill has the support of DOT/PF and is allowable under federal law. The bill has a zero fiscal note.

#### Sectional Analysis

Section 1. AS 19.25.080 Purpose is amended to include outdoor advertising within a right-of-way. Also, it clarifies that outdoor advertising can take place on secondary as well as primary or interstate roads and to conform with new section 2 below.

Section 2. AS 29.25.105 Limitations of outdoor advertising signs, displays and devices. A new section is added to allow outdoor advertising within the right-of-way of an interstate, primary or secondary highway under the authority of a permit issued under the existing encroachment statutes.

Section 3. Provides for an immediate effective date.

## Questions and Answers about SB 421

Why is this bill necessary? Wasn't a similar one passed last year?

Last year, SB 4 passed and was signed into law. It authorized advertising on bus benches and shelters along rights-of-way. At that time, it was thought that advertising within rights-of-way would be allowable under existing law by permit. However, as DOT/PF implemented SB 4, it came to our attention that advertising that is visible from the roadway would not be allowable.

How will this program work?

Typically, an advertising firm will supply and maintain the benches and shelters at no cost to a municipality in return for the privilege of placing them at authorized bus stops and selling advertising space on them. In this manner a public need and convenience is fulfilled at no cost to government.

Is this program allowable under federal law?

Yes. State law is currently more restrictive than federal law.

Will this action enhance or jeopardize federal funds?

Neither. Federal funds will not be jeopardized as long as the federal standards mentioned below are met.

What are the federal standards?

Specific federal requirements are that bus benches and shelter franchises be awarded on the basis of public invitations, and that equal access should be provided to all advertisers at reasonable rates. Further federal requirements are only that "adequate controls" be placed, by the jurisdiction, on items such as location, design, amount of advertising space, and advertising content.

Aren't we weakening the Highway Beautification Act?

No, federal policies permit this type of advertising. There are still strong "anti-billboard" provisions in federal and state law.

Is there a way to keep objectionable advertising off the benches and shelters?

As per above, the feds require adequate controls be placed on advertising content. Also, the contract between the advertising firm and the advertiser could address the issue. Finally, an appeal process to the Commissioner could be established by the department.

How does this legislation affect local advertising ordinances?

The bill does not make legal any activities prohibited by municipalities by local ordinances.

What benefit will the public receive?

It's particularly important that in these times of tight revenues, we find ways to provide desirable government services and programs that otherwise would not be available, such as bus benches and shelters. The private sector is able and willing to assist with easing the burden government faces. Enactment of this bill would create and foster new businesses in Alaska.

How will political signs be affected by this bill?

Political advertising on the bus benches and shelters is not prohibited by this bill. Federal standards would allow, however, DOT/PF to regulate advertising content, so it is conceivable that political advertising could be prohibited.

Is there any relationship to the proposal for Tourist Oriented Directional Signs?

No, there is no relationship.

Prepared by Senator Fahrenkamp's Office

*Memorandum*

DATE: JUL 17 1978

SUBJECT: INFORMATION: Bus Shelters  
with AdvertisingIn reply  
refer to: HOA-3

FROM : Executive Director

TO : All Regional Federal Highway Administrators  
Regions 1-10 and 15

It has come to our attention that many local jurisdictions are seeking to negotiate agreements with private companies for the free installation and maintenance of bus shelters along highways in urbanized areas, in return for the granting of a franchise to sell advertising space on portions of the shelters. We recognize that this is an attractive proposition for local government, both from an economic and fiscal point of view, and in the interest of promoting public mass transportation.

Since some of the roadways along which these shelters would be installed are covered by Federal-aid highway project agreements, the provisions of 23 CFR 1.23 are applicable. In FHWA Order 1-1, the authority to make determinations under that regulation is delegated to the Regional Administrators (with further authority to redelegate to the Division Administrators). The purpose of this memorandum is to provide you with some guidance for the exercise of your discretion under 23 CFR 1.23.

In determining whether a facility installed on the right-of-way of a previously approved Federal-aid highway project is permissible, the mere presence of advertising, which is understood to be the source of profit for a private enterprise, would not always render impermissible an otherwise permissible use of the right-of-way for a highway or other public purpose. However, there should be satisfactory assurance that such use will not impair the highway or interfere with the free and safe flow of traffic thereon. The same advice would apply to the approval of new Federal-aid highway projects when such facilities are in existence on the right-of-way.

We have conducted an informal review of a bus shelter program which has been in effect in New York City for the last three years, and it is our opinion that the presence of shelters of this design, with their limited use for advertising, is not inconsistent with

the purposes of 23 CFR 1.23 in urbanized areas. Since the various jurisdictions interested in these programs should be allowed enough flexibility to resolve competing interests in light of their own particular local conditions, we see little need at the present to impose specific restrictions on the approval of these programs.

At this time, we only require specifically that State or local jurisdictions award bus shelter franchises on the basis of public invitations, and that equal access should be provided to all qualified advertisers at reasonable rates. Proposed bus shelter franchise agreements should be reviewed, however, to assure that adequate controls are provided over items such as, but not limited to, location (site specific), design, amount of advertising space, and advertising content.

The previous advice on this subject from the Office of Traffic Operations, provided in a memorandum dated April 26, 1978, and in an attachment thereto dealing with a Minnesota request, is rescinded and superseded by this memorandum. We are, however, interested in taking a continuing look at bus shelter programs as they are put into operation. Thus, those programs that are approved should be subject to continuing review and informational reports should be prepared for the Office of Traffic Operations. These reports should provide a basis for evaluating the approaches taken at local, State, and Federal levels to exercise control, and determining what appropriate Federal Highway Administration policy should be in this area.

L. P. Lamm

Federal Highway Administration  
HCC-1:PLBrennan:jdb:56545:7-17-78  
cc:

Mr. Bowers - 4218  
Mr. Lamm - 4218  
Mr. Casanova - 4213  
Mr. Anders - 4213  
Mr. Brennan - 4213

Mr. O'Connor - 3213  
Mr. Lindberg - 3212  
Mr. Crowley - 3101  
Mr. Kussy - 4230  
Mr. Rhudy - 4230  
File  
FHWA  
OCC Chron  
OCC Subject

from the engineer in charge of the highway or the work on the highway, or a person who wilfully, knowingly, or maliciously damages the work under construction, is guilty of a misdemeanor. (§ 8 art IV title II ch 152 SLA 1957)

Collateral references. — 40 Am. Jur. 2d, Highways, Streets and Bridges, §§ 604-610.  
40 C.J.S., Highways, §§ 248-282.  
60 C.J.S., Motor Vehicles, §§ 655, 714.  
Liability for damaging highway or

bridge by nature or weight of vehicles or loads transported over it. 5 ALR 768.  
Construction and application of statute or ordinance designed to prevent the use of vehicles or equipment thereof injurious to the highway. 135 ALR 550.

Article 3. Outdoor Advertising.

Section	Section
80. Purpose	140. Compensation for removal of advertising
90. Outdoor advertising prohibited	150. Unlawful advertising
100. [Repealed]	160. Definitions
105. Limitations of outdoor advertising signs, displays and devices	170. Agreements with the United States; regulations
110. [Obsolete]	180. Interpretation
120. [Obsolete]	
130. Penalty for violation	

Sec. 19.25.080. Purpose. The purposes of AS 19.25.080 — 19.25.180 are

(1) to protect the public safety and the welfare of persons using the highways of the state by having outdoor advertising signs, displays and devices along the highways controlled;

(2) to prevent unreasonable distraction of operators of motor vehicles; to prevent confusion with regard to traffic lights, signs or signals or otherwise interfere with the effectiveness of traffic regulations, and to promote the safety, convenience and enjoyment of travel on, and protection of the public investment in highways in this state; to preserve and enhance the natural scenic beauty or aesthetic features of the highways and adjacent areas; and to attract tourists;

(3) to regulate outdoor advertising signs, displays and devices in areas adjacent to the rights-of-way of the interstate, primary and secondary systems within this state in accordance with this chapter and the regulations adopted under this chapter;

(4) to provide that outdoor advertising signs, displays and devices which are not in conformity with the requirements of this chapter are a public nuisance;

(5) to provide a statutory basis for regulation of outdoor advertising signs, displays and devices consistent with the public policy relating to areas adjacent to a highway of the interstate or primary systems declared by Congress in Title 23, United States Code, "Highways." (§ 1 ch 59 SLA 1949; am § 1 ch 86 SLA 1953; am § 2 ch 233 SLA 1968; am § 1 ch 155 SLA 1970)

**Sec. 19.25.105. Limitations of outdoor advertising signs, displays and devices.** (a) Outdoor advertising may not be erected or maintained within 660 feet of the nearest edge of the right-of-way and visible from the main-traveled way of the interstate, primary, or secondary highways in this state except the following:

(1) directional and other official signs and notices which include, but are not limited to, signs and notices pertaining to natural wonders, scenic and historic attractions, which are required or authorized by law, and which shall conform to federal standards for interstate and primary systems;

(2) signs, displays, and devices advertising the sale or lease of property upon which they are located or advertising activities conducted on the property;

(3) signs determined by the state, subject to concurrence of the United States Department of Transportation, to be landmark signs, including signs on farm structures, or natural surfaces, of historic or artistic significance, the preservation of which would be consistent with the provisions of this chapter;

(4) directional signs and notices pertaining to schools;

(5) advertising on bus benches or bus shelters if the state determines that the advertising conforms to local, state, and federal standards for interstate and primary highway systems.

(b) *[Repealed by § 21 ch 94 SLA 1980.]*

(c) No outdoor advertising may be erected or maintained beyond 660 feet of the nearest edge of the right-of-way of the main traveled way of the interstate primary or secondary highways in this state with the purpose of their message being read from that travel way except those outdoor advertising signs, displays or devices allowed under (a) of this section. (§ 3 ch 155 SLA 1970; am §§ 1, 2 ch 195 SLA 1975; am § 1 ch 30 SLA 1980; am § 21 ch 94 SLA 1980; am § 1 ch 6 SLA 1987)

**Effect of amendments.** -- The 1987 amendment in subsection (a) substituted "outdoor advertising may not" for "No outdoor may" at the beginning of the subsection and added paragraph (5).

#### Article 4. Encroachments In Highways.

##### Section

##### 200. Encroachment permits

**Sec. 19.25.200. Encroachment permits.** (a) An encroachment may be constructed, placed, changed, or maintained across or along a highway, but only in accordance with regulations adopted by the department. An encroachment may not be constructed, placed, maintained, or changed until it is authorized by a written permit issued by the department, unless the department provides otherwise by regula-

the outdoor advertising sign, display or device at the expense of the owner of the land or the person who erected it. (§ 5 ch 233 SLA 1963)

**Sec. 19.25.160. Definitions. In AS 19.25.080 — 19.25.180**

(1) "outdoor advertising" includes any outdoor sign, display or device used to advertise, attract attention or inform and which is visible to a person on the main-traveled way of a highway of the interstate, primary, or secondary systems in this state, whether by printing, writing, painting, picture, light, drawing, or whether by the use of figures or objects, or a combination of these, or any other thing designed, intended or used to advertise, inform or attract attention;

(2) "interstate system" means that portion of the National System of Interstate and Defense Highways located in this state, as officially designated, or as may hereafter be so designated, by the commissioner, and approved by the secretary of transportation (or by the secretary of commerce before the effective date of the transfer of functions under Public Law 89-670 [80 Stat. 931]), under the provisions of Title 23, United States Code, "Highways";

(3) "primary system" or "secondary system" means that portion of connected main highways, as officially designated, or as may hereafter be so designated, by the commissioner, and approved by the secretary of transportation (or by the secretary of commerce before the effective date of the transfer of functions under Public Law 89-670 [80 Stat. 931]), under the provisions of Title 23, United States Code, "Highways";

(4) "department" means the Department of Transportation and Public Facilities. (§ 5 ch 233 SLA 1968; am §§ 46, 47 ch 69 SLA 1970; am §§ 5, 6 ch 155 SLA 1970; am Executive Order No. 39, § 11 (1977))

*Revisor's notes.* — Pursuant to AS 01.05.031, the revisor of statutes has deleted "of transportation and public facilities" following "commissioner" in paragraphs (2) and (3).

*Effect of amendments.* — The 1977 amendment substituted references to the commissioner of transportation and public facilities for references to the commis-

sioner of highways in paragraphs (2) and (3) and a reference to the Department of Transportation and Public Facilities for a reference to the Department of Highways in paragraph (4).

*Legislative history reports.* — For report on ch. 69, SLA 1970 (HB 564), see 1970 House Journal Supplement No. 2, p. 7.

**Sec. 19.25.170. Agreements with the United States; regulations.** The department is authorized to enter into agreements in conformity with the provisions of this title with the United States Secretary of Transportation as provided by Title 23, United States Code, relating to the control of outdoor advertising signs, displays and devices in areas adjacent to interstate and primary systems and to take action in the name of the state to comply with the terms of the agreements, and to promulgate required regulations. (§ 5 ch 233 SLA 1968)

tion. The department may charge a fee for a permit issued under this section. The commissioner of administration shall separately account for encroachment permit fees that the department deposits in the general fund. The annual estimated balance in the account may be used by the legislature to make appropriations to the department to carry out the purposes of this section.

(b) The provisions under (a) of this section do not apply to a mailbox or a newspaper box attached to a mailbox. (§ 2 ch 64 SLA 1971; am § 41 ch 138 SLA 1986; am § 4 ch 142 SLA 1986)

**Effect of amendments.** — The first 1986 amendment added the third, fourth and fifth sentences and made grammatical changes in the second sentence.

The second 1986 amendment designated the existing language as subsection

(a), in the second sentence of subsection (a) deleted "duly" preceding "authorized" and added the language "unless the department provides otherwise by regulation" and added subsection (b).

## Chapter 30. Access Roads.

### Article

2. Roads to State Lands Programmed for Surface Disposal (§§ 19.30.070, 19.30.080)
3. Local Service Roads and Trails (§§ 19.30.127 — 19.30.141, 19.30.161, 19.30.241)
4. Road Maintenance Service Areas (§§ 19.30.260 — 19.30.320)

### Article 2. Roads to State Lands Programmed for Surface Disposal.

#### Section

70. Contracts for construction of roads

#### Section

80. Construction standards and maintenance

**Sec. 19.30.070. Contracts for construction of roads.** The director of the division of lands may contract with private persons for the construction of roads to and on state land programmed for surface disposal that are not more than six miles from existing roads or highways. Contracts under this section are governed by AS 36.30 (State Procurement Code). (§ 1 ch 122 SLA 1961; am § 2 ch 7 SLA 1964; am § 16 ch 106 SLA 1986)

**Effect of amendments.** — The 1986 amendment, effective January 1, 1988, added the last sentence.

**Sec. 19.30.080. Construction standards and maintenance.** An access road constructed under AS 19.30.060 — 19.30.100 shall be of low standard, not necessarily suitable for all weather use. The state is not under obligation to maintain an access road constructed under AS 19.30.060 — 19.30.100. If an access road is constructed outside a municipality that has zoning ordinances, the right-of-way width for the road shall be determined by the division of lands and the Department

**CHAPTER 10.  
ENGINEERING: ENROACHMENTS,  
DRIVEWAYS, AND ROAD APPROACHES**

**Section**

- 10. Encroachments
- 20. Driveways and road approaches
- 30. Driveway and road approach permits and utilities
- 40. Facility service roads and trails
- 50. Definitions

**17 AAC 10.010. ENCROACHMENTS.** Encroachments may be installed or permitted within highway lands, or rights-of-way, under certain conditions when they have been the subject of a previously secured written authorization issued by the department and, in respect to all highways acquired or constructed in whole, or in part, with federal-aid funds, in accordance with the federal regulations governing the future use and occupation of such highways. (Eff. 6/25/69, Reg. 30)

Authority: AS 19.05.020

**17 AAC 10.020. DRIVEWAYS AND ROAD APPROACHES.** (a) All driveways or road approaches constructed under permit within any highway lands or rights-of-way shall be the property of the state, but all cost and liability in their connection or in connection with their maintenance shall be at the sole expense of those lands served.

(b) Such facilities shall be constructed and maintained in such a manner that the highway, and all its appurtenances or facilities including, but not limited to, all drainage facilities, pipes, culverts, and ditches, and their safety shall not be impaired or endangered in any way by the construction or maintenance; the permits shall contain express conditions which provide for the enforcement of (a) and (b) of this section.

(c) The permit forms, except the utility permits described in 17 AAC 15, shall contain a clause which provides that the permittee shall adjust or relocate such encroachments without cost or liability to the state if, at any time, or from time to time, the use or safety of the highway within which such encroachment exists requires that the encroachment be adjusted or relocated, and that the permittee shall save and keep harmless the

state, its officers, agents, employees, and contractors in any matters pertaining to the encroachment, and that the permittee shall assume all liability or cost in connection with the encroachment.

(d) Permits may be issued for driveways on any highway not converted to, or originally established as, a controlled access facility, if, in the opinion of the department, the driveways are proposed to be located in a manner which is compatible with the public safety and which will not interfere with the use of the highway; provided, however, that if the highway was financed in whole, or in part, with federal-aid funds, a stipulation in the permit shall provide that the driveway is a portion of the public facility; and further provide, that the permittee or his successors and assigns shall assume all cost and liability occasioned by either the construction or maintenance of the driveway.

(e) If a driveway constitutes the replacement of an existing means of access to privately owned lands, the department, at the time of the construction or reconstruction of the highway, shall cause such driveways to be constructed in a manner and location consistent with the engineering standards proper to the highway, in preference to replacing the existing means of access in kind, and any major improvement in the property thus effected shall be considered to be a special benefit to be offset against any severance damages to the land. Upon the completion of the construction of the highway, the owner of said lands shall be issued a standard encroachment permit containing the provisions described in (d) of this section.

(f) If no means of access, as described in (e) of this section, exist to serve any such private parcel of land, and provided that the owner is resident thereon, or has made improvements to the land, the department shall designate and construct such a driveway at a location which best serves the land, or at a location selected and designated by the owner of the land, to the extent that such driveway locations are consistent with good engineering practice and economy, the standards pertaining to such highway, and the full use and safety of such highway. Upon the completion of the construction of the highway, the owner of the

a segment of the public; "utility" also includes any corporation, company, individual, or association of individuals, or any lessee, trustee, or court-appointed receiver that owns, operates, manages, or controls any system for furnishing transportation of goods or persons by means of a railway, tramway, cableway, conveyer, flume, canal, tunnel, pipeline, or any other similar means;

(55) "utility locate service" means a service provided by a utility to locate its buried utility facilities;

(56) "utility service connection" means the cable, wire, or pipe that connects the utility distribution line to the premises served;

(57) "wet-boring" means the method or process of boring with the use of jets of water or liquid slurry;

(58) "airport" has the same meaning as in AS 02.15.260(5);

(59) "public facility" has the same meaning as in AS 35.25.020(7). (Eff. 5/23/82, Reg. 82; am 10/2/87, Reg. 103)

Authority: AS 02.15.020	AS 19.30.051
AS 02.15.102	AS 19.30.121
AS 02.15.106	AS 19.40.065
AS 19.05.020	AS 35.05.020
AS 19.05.040	AS 35.10.230

CHAPTER 20. MAINTENANCE

Section

- 10. Outdoor advertising
- 20. Closure and restriction
- 30. Transfer of excess equipment
- 40. General

17 AAC 20.010. OUTDOOR ADVERTISING.

It shall be unlawful to place, erect, or maintain any outdoor advertising sign within the right-of-way of any highway or highway lands, nor shall any permit be issued for the placement or erection of the sign. (Eff. 6/25/69, Reg. 30)

Authority: AS 19.05.020

Historical Note: Former 14 AAC 2.391.2.

17 AAC 20.020. CLOSURE AND RESTRICTION.

(a) The department may restrict the use of, or close, any highway whenever the department considers such closing or restriction of use necessary

(1) for the protection of the public; or

(2) for the protection of such highway from damage during storms, floods, thawing conditions or during construction or maintenance operations.

(b) The department will provide traffic guidance in case of restriction or provide suitable detour as soon as possible to minimize traffic delay.

(c) To notify the public that a highway is closed, or its use has been restricted, the department may

(1) erect suitable barriers or obstructions at such locations upon the highway as will best serve the purpose;

(2) post warnings or notices of the condition of any such highway;

(3) post signs for the direction of traffic upon it, or to or upon other highway or detour open to public travel;

(4) place warning devices upon such highways;

Transit Advertising Group

P.O. Box 84662 • Fairbanks, AK 99708  
(907) 479-3281

April 6, 1988

APR 12 1988

Senator Bettye Fahrenkamp  
P.O. Box V  
Juneau, AK 99811

Dear Senator Fahrenkamp,

Referring to Senate Bill 421 An Act relating to outdoor advertising within highway rights of way, and providing for an effective date, I would like to thank you for the work you have done on this legislation.

After reading all available information regarding SB 421, and having been in the outdoor advertising business for the past three years, and having built, placed, and maintained over 50 bench/sign units over the past three years, I have a few questions and comments about the proposed SB 421.

The major concern that I have is the "estimated application fee of \$250.00" for each permit, as described in the March 7, 1988 fiscal note. I understand that the bill now carries a new zero fiscal note. Does that mean that both the expenditures and revenues are now zero.? That new fiscal note is dated March 10th.

Nonetheless, I have some questions about the \$250.00 fee.

How was the \$250.00 fee determined in the first place? The estimated expenditures/revenues show a cost of \$10,000 for "personal services" listed for FY 89. This \$10,000 cost divided by the estimated 40 permit/application fees you expect during FY89 comes out to \$250.00. This seems high. This \$250.00 fee per unit would really make me think about the feasibility of continuing my business, particularly since it would also put me in a position of having to raise about \$12,500. I am the only business that currently has the benches placed. Over a period of time more will come on line. Also, what will be the amount of the "smaller annual renewal fee"? Why is it necessary? How about charging it only if changes are made?

Recently I have discovered that DOT/PF in permitting existing bus shelters in Anchorage, has until this bill, charged significantly less to municipalities for permits for shelters on state right of way. According to the Capital Projects Coordinator for the Municipality of Anchorage Transit Department, they have paid a total of \$2000.00 for the permitting of 50 shelters. Why would my benches and shelters require a \$250.00 fee? Would it be advisable to amend Senate Bill 421 to direct the state to charge the same permitting fee whether the permittee is a private firm or a government entity?

Could a master application be made for all of my present locations to save me money and the state the effort of reviewing individual application? Could the Borough or the City process the application?

Is there any other way to lower the cost of the fee?

Transit Advertising Group

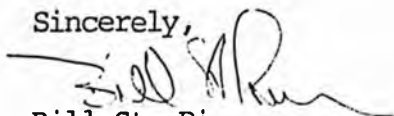
P.O. Box 84662 • Fairbanks, AK 99708

(907) 479-3281

I know you are aware of the difficulties I have had in dealing with the Northern Region office. I would hope that whatever is decided, that it will be uniformly embraced by all the regions and regulations, policies and procedures be carried out in the same way by each right of way section.

Thank you for your consideration.

Sincerely,

  
Bill St. Pierre

cc: Representative Cato  
Commissioner Hickey

Explanation of Proposed Fee  
Senate Bill 421  
April 18, 1988

The proposed administrative fees for processing permits concerning bus benches and bus shelters has been an issue of concern with the department's fiscal note on this bill. In further explanation of the purpose and need for an administrative fee of the proposed magnitude the following is offered.

Each permit will require a substantial degree of analysis and evaluation in order to fulfill a requirement of the Federal Highway Administration (FHWA). Because of federal-aid funding on most state routes, they have the ability to approve or deny a permit program for these benches and shelters and to individually approve or deny applications therefore.

One required aspect will be a careful analysis of safety issues. Safety in general, and removal of roadside obstacles in particular, is an emerging focus of the FHWA. There is now considerable attention and funding directed at removal or mitigation of existing roadside obstacles, including culvert ends, bridge railings, sign posts, illegal mail box installations and similar obstacles. Given this environment, the FHWA will only approve a bus bench and shelter program if an equal degree of attention is paid to safety for these non-essential obstacles. The time involved in analyzing the design of individual requests (bench or shelter) and the proposed location relative to traffic conditions, accident histories and probability of future accidents is substantial.

The staff required to perform these analyses and process the permits have no general fund component to their salary. As such, they must have a funding source to charge to which is the need for the proposed fees. Without the proper level of analysis, FHWA will disallow these installations and legislative action authorizing bus bench advertising will be effectively moot. For a bus bench and shelter advertising program to succeed, a funding mechanism for implementing regulations and individual permit processing is necessary.

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

H. TRANS, 4-18-88 1:30 p.m.

# HOUSE COMMITTEE REPORT

(7)

Date referred: 4/7/88

FURTHER REFERRALS:

Judiciary  
Finance

DATE: 4-18-88

The Transportation Committee has considered SB 421

"An Act relating to outdoor advertising within highway rights-of-way; and providing for an effective date."

**RECOMMENDS:**

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

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

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

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published 3-10-88
- zero with analysis

**SIGNING DO PASS:**

Mike Miller

Heinrich Springer

Bette Cato

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

Steve Bunker (no rec)

Gene Deanez (NO rec)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Bette Cato  
Chairman's signature



SB

463



Official Business

# Alaska State Legislature

House of Representatives

House Transportation Committee

P.O. Box V  
Juneau, Alaska  
99811

Phone:  
(907) 465-4859

April 6, 1988

\*\*\*\*\*

COMMITTEE CALENDAR:

HB 150: "An Act relating to taking a propelled vehicle of another."

SB 463: "An Act relating to unused airline tickets."

FOR THIS MEETING, YOU HAVE BEEN GIVEN:

a folder on HB 150 that includes:

- item #1: HB 150
- #2: fiscal note - Dept. of Public Safety
- #3: petition of support
- #4: statutes

a folder on SB 463 that includes:

- item #1: SB 463
- #2: a statement from Sen. Josephson
- #3: fiscal note - Department of Revenue
- #4: statutes
- #5: support statements - Mark Air  
Reeve Aleutian Airways
- #6: opposition statement - National Association  
of Unclaimed Property Administrators



Official Business

# Alaska State Legislature

## Senate

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

March 31, 1988

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

To: House Transportation Committee members  
From: Sen. Joe Josephson *Joe Josephson*  
Re: SB 463

SB 463 would remove airline tickets from Alaska's unclaimed property statute (AS 34.35.). Existing law requires that sums equal to the price of all "unused" airline tickets be paid over by air carriers to the State five years from the date of ticket issuance. (In theory, these sums, when paid, are received by the State in trust for the passengers who bought the tickets. Under AS 34.35.310, the State is supposed to try to locate these people.)

I believe the law's requirements and procedures are illogical and unreasonable as they apply to airline tickets:

1. In some cases, such so-called "unused tickets" were not used on the flights for which they were issued or within the applicable expiration dates, and so the value of such tickets has been eliminated or reduced under the terms of the passenger-carrier contract. In other cases the tickets were used or redeemed, but through data entry mistakes the use or redemption was not properly recorded.

2. When a person purchases a standard-fare ticket but fails to show up for the flight, the current policy of the major carriers is generous. Although the carrier may have been unable to fill the empty seat, a refund is still given for the full ticket value.

3. If small in-state airlines are compelled to comply with the unclaimed property statute, the additional record-keeping burden could require them to purchase new equipment and suffer additional personnel costs. Those requirements may cause ticket prices to increase. Air carriers suggest that the additional recordkeeping costs they will bear will be greater than the amount of money that would be produced.

4. Airline marketing techniques -- including the introduction of discount and frequent-flyer programs -- have changed radically since airline tickets were included in the uniform law developed in 1981. As interpreted by the Department of Revenue, the Alaska unclaimed property statute would infringe on the airlines' ability to offer limited-duration and special restriction tickets. If a carrier wishes to offer a discounted fare for a ticket, but require that it will be used by a certain date, or on certain flights, it should be able to do so. After all, that was one of the objectives of airline deregulation.

Conceptually, the issue presented is whether airline tickets should be treated the same as such property as bank accounts, stock certificates, or real estate, which are "unclaimed property" under the law, or whether they should be treated the same as tour packages, season theater or sports tickets, and similar items, which are not considered "unclaimed property".

If you have any questions, please contact me at 465-4525. Thank you for your consideration.

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: "An Act relating to unused  
airline tickets."  
Sponsor: Senator Josephson  
Requestor: Senate Transportation

Agency Affected: Revenue  
BRU: Income and Excise Audit  
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
<b>OPERATING</b>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	(100)	(100)	(100)	(100)	(100)

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

(see attached analysis)

Prepared By: John Hansen, Audit Supervisor Phone: 465-2300  
Division: Income and Excise Audit Division Date: 03/02/88  
Approved by Commissioner: Hugh Malone Date: 03/02/88  
Agency: Department of Revenue

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

Prepared by: John N. Hansen  
Department of Revenue  
Income and Excise Audit Division  
Senate 3/3/88

### SB 463 Fiscal Note Analysis

Alaska adopted the Uniform Unclaimed Property Act (AS.34.45) in 1986. This Act is a strong piece of consumer protection legislation. This legislation goes contrary to that act. No other state has excluded airline tickets from being considered unclaimed property. The National Association of Unclaimed Property Administrators (NAUPA) has been opposed to legislation similar to SB 463. The Department of Revenue is opposed to this legislation.

The Fiscal Note reflects an annual anticipated revenue reduction of \$100,000. This is based on an estimate made from our short history with this law. We believe this figure to be quite low, especially as the first report year filed will include all unclaimed tickets to date held by the airlines. To date only one Air Carrier has filed with the department and remitted \$26,000. This air carrier is a local one.

Currently there are 22 domestic and 14 international air carriers operating in Alaska. The department believes the major air carriers operating in Alaska have substantial amounts of unclaimed property. This property should be turned over to the state so we may locate the owners.

# MARKET

## Express

Operated by Hermens Air

Box 7010 • Bethel, Alaska 99559 • (907) 543-4220

March 3, 1988

The Honorable Lloyd Jones  
 The State Senate  
 Alaska State Capitol  
 Senate Transportation Committee  
 Juneau, Alaska 99802

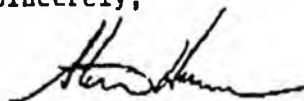
Dear Senator Jones:

I am very much in support of Senator Josephson's legislation to delete unused airline tickets from the state's unclaimed property list.

1. Our company writes around 50,000 tickets per year.
2. Four or five tickets per month are unclaimed but are paid for with a travel voucher. These vouchers are voided by the agency, thus cancelling the ticket value.
3. We have less than one ticket per month that is paid for but not picked up.
4. The average value of our ticket is only \$45.00 and the cost of tracking these unused tickets for five years would far exceed the ticket value.
5. Each time a passenger makes a reservation the airline is charged about \$1.50. Each ticket cost approximately ten cents plus the cost of the agent writing the ticket.

Therefore, we are not making money on unused tickets.

Sincerely,



Stan Hermens  
 President

SH/fc

DISCUSSION ON ABANDONED PROPERTY LAW RE: UNUSED AIRLINE TICKETS

MarkAir's position is that unused airline tickets should not be classified as abandoned property. The main reasons for this position are:

- I Of all the airline tickets sold, very few of these tickets actually result in unused transportation.
- II Of all the tickets sold but not used, most have a de minimus value.
- III Accounting for tickets sold over an extended period carries a significant and burdensome cost.
- IV Tickets are sold with the understanding they are good for travel anytime within the subsequent year unless restrictions are imposed on their use due to special discounted fares.

MarkAir utilizes a computerized system to account for the sale of tickets and passenger revenue. The system matches each sales document with its related tickets based on the ticket and coupon number.

A simplified description of how MarkAir's sales and Match-Use Accounting System works may be helpful at this point.

A passenger ticket or excess baggage ticket is prepared at a MarkAir ticket counter, city ticket office or any of five hundred plus travel agency locations authorized to issue tickets on MarkAir. An accounting copy of the transaction

is submitted to the Anchorage accounting office for recording its value, taxes, routing and other data by ticket number.

The ticket number, along with its value and issue date becomes the basis of a Match-Use file and general ledger transportation liability account. As a flight coupon is used by the passenger, the coupon is processed into the file using its fourteen digit ticket number. The system will then match the coupon to a sales record and reduce the liability value of the file and the general ledger for the amount of the ticket.

The entire sales record for each ticket will remain in the file until one of two events occur: (1) all coupons are matched off or, (2) the record becomes fifteen months old, at which time the remaining open coupons are removed.

The checks and balances in the system include a computerized file which provides an item by item history of transportation coupon values and is the support to the transportation liability account in the general ledger. On a monthly basis, the general ledger account is reconciled to the computer file, with accepted differences resulting in revenue adjustments.

Since the monthly revenue dollars are entirely controlled within the computer system, tickets which are used but are not processed for whatever reason, are excluded from the match process. This results in an overstatement of the transportation liability and understatement of revenue. Unmatched tickets having an issue date in excess of fourteen months from the current month are recorded as revenue.

The major areas which cause revenue to age-off rather than be matched-off are as

follows:  
1496Q-2  
03-01-88

1. Failure to lift flight coupons and excess baggage coupons from passengers makes it impossible to remove them by the match-use process from the sales record.
2. Loss of entire flight envelopes containing the flight coupons lifted from passengers results in used MarkAir flight coupons not being match-used off the sales record.
3. Failure of headquarters accounting personnel and the system to match used flight coupons off the sales record by:
  - a) Failure to process coupons/data.
  - b) Key punch error in fourteen digit ticket number.
  - c) Unable to read the fourteen digit ticket number.
4. Failure for other airlines to bill MarkAir because of similar mishandling problems as mentioned in 3.
5. Tickets which are refunded but are not removed from the sales record because of the absence of applicable ticket and coupon number.
6. Refunds of "Aged" sales. Refunds of tickets over fourteen months in age are made and accounted for in the current accounting period. No adjustments for these refunds can ever be made to a closed record.

7. Unsupported exchange use tickets not being removed from the sales record because the applicable ticket and coupon numbers were not available.

Adjustments to the transportation liability account are also required to adjust the sales record for fare changes, refund fees and commission expense paid to travel agencies.

An analysis of ticket sales and lift processing has been performed to define what accounts for this failure to achieve matched use removal:

About sixty-three percent of use against MarkAir sales is from LIFT use. Passenger coupons can be lifted by MarkAir personnel in several airport locations. For passenger convenience and to relieve congestion, some flight coupons may be lifted at the podium in the gate waiting area and some are lifted by the inflight attendants at the doorway to the plane. All coupons for the same flight are consolidated, put into a flight envelope and sent into the Anchorage accounting office.

The flight envelopes are checked against a flight roster. Coupons issued by other airlines are separated from those issued by MarkAir. The other airline sales coupons are input and processed to the billing system. MarkAir lift coupons are input and processed to be matched to the sales record computer file.

Approximately twenty-nine percent of the tickets sold by MarkAir are used for flights on other airlines. The other airlines then bill MarkAir for these used flight coupons. The billed coupon numbers are entered into our system to match-off use from the computer sales record file. A major problem encountered

here is that many times an airline will bill multiple coupons for the same ticket but indicate only one coupon number with the entire billing on the one coupon. This results in a failure to remove used coupons from the sales record file.

Refunds are made at ticket counters, ticket offices, at travel agencies and in the Anchorage accounting office. When refunds are made, the refunded coupons are batched and sent to data input so that the ticket and coupon numbers can be input to relieve the sales records. There have always been a number of difficulties processing refunded coupons to the computer file. The refunds are made but the coupons may go to storage prematurely without the use (refund) being processed against the sales record file. Some refunds made in the field are missing entire or partial coupon and ticket numbers or we are unable to read them. Other refunds are made to passengers who have lost their flight coupons and we are unable to determine the complete ticket or coupon number.

The exchange of one ticket for another ticket creates a new sales record. When flight coupons are exchanged for new transportation, the exchanged flight coupons are normally attached to the new sales records and sent into the accounting office to process both the "use" on the old sale and to establish a new sale record. Whenever new transportation is issued without receiving the old flight coupon, the necessary ticket and coupon number required to clear the old record is absent and the transportation liability is incorrectly overstated.

Approximately ninety-nine percent of use is properly applied in the normal routine manner to the computer sales record file. The other one percent is

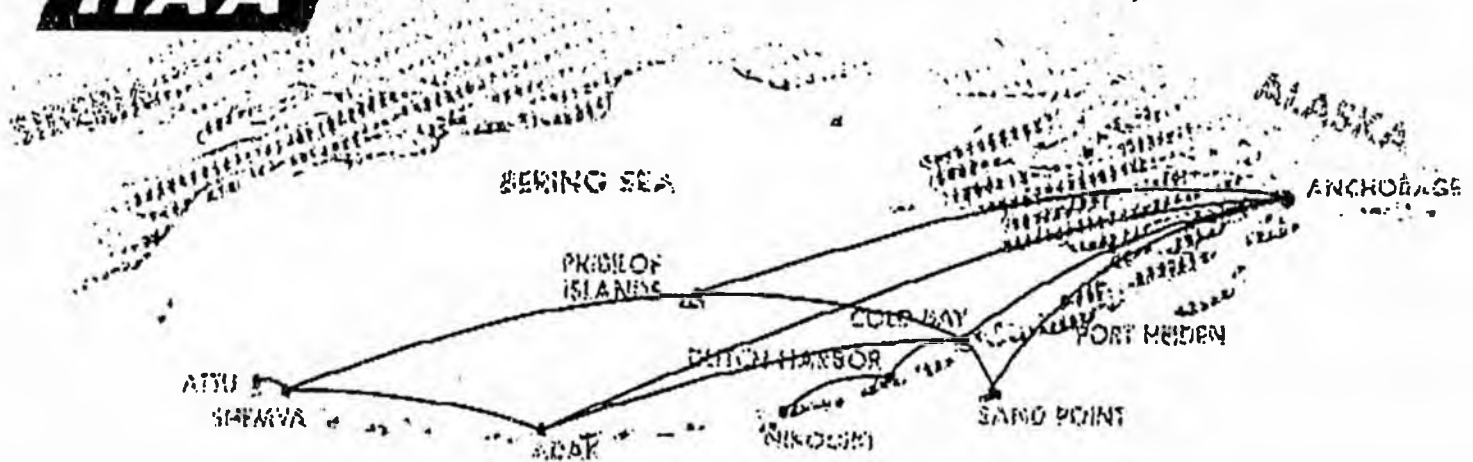
taken as aged revenue because we know the problems and errors which exist in the handling of used tickets. MarkAir has always been concerned about use processing errors, but it has never been economically justifiable to seek a hundred percent accuracy from the many employees handling transactions many times.

While nearly all tickets sold are used by the passenger, some very small percentage remain unused. Since we refund expired tickets as well as lost tickets, unused and unrefunded tickets are most likely of little value. We have found people generally seek refunds on unused tickets of almost any value, however, refund fees and adjustments for breaking restrictions on discounted tickets e.g., weekender or supersaver fares, make the nuisance of applying for the refund of certain tickets not worth the value of these promotional tickets.

Accounting for sold tickets over an extended period carries significant costs. These costs arise from record keeping, research, auditing and storage. For a carrier like MarkAir, this cost today would involve adding additional personnel, record storage space and computer processing and storage capability. These costs would continue to rise over the years as additional sales records continue to be added to historical files. Small carriers without a computerized match-use system would be forced to add personnel and computer hardware and software to develop a similar capability. The result would be the eventual resolution of most unused tickets as misprocessed or mishandled or unused discounted tickets which through the passage of time may have no refund value.

Finally, since tickets are generally valid for one year after purchase, being forced to refund unused tickets many years after they are sold infringes on the contract made between the airline and the ticket purchaser. The airline will

have provided the availability of transportation for the year after purchase and incurred the costs associated with producing the service and schedule. Whether the tickets are used or not, airlines will have held up their side of the contract and one year later if the ticket has expired they deserve to retain the value of the ticket and not be required to incur the costs to track, audit and research old tickets for years.

**RAA****REEVE ALEUTIAN AIRWAYS, INC.**

March 7, 1988

Honorable Lloyd Jones  
Chairman  
Senate Transportation Committee

Dear Senator Jones:

Reeve Aleutian Airways would like to comment on the Uniform Unclaimed Property Act (AS 34.45) that your committee is reviewing.

Reeve Aleutian Airways did remit \$25,109 in miscellaneous open accounts with credits due pursuant to Uniform Unclaimed Property Act. The accounts varied in dollar value with a vast majority less than \$50.00. I also wish to note that the time period Reeve researched and made remittance for exceeded 5 years. Accordingly, any subsequent remittances pursuant to this act would be substantially less.

Reeve did protest and assert to the Dept. of Revenue that AS 34.45 created a conflict with filed tariff rules regarding refunds by individuals or claims by other airlines. Reeve also argued that with respect to tickets, revenues and liabilities were earned. Please note that a credit may be claimed within a time frame of two years for an individual and two and one half years by an airline for unused ticket coupons.

Reeve charges a passenger the appropriate amounts for travel including taxes. Unless the passenger can prove that he did not travel by presenting an unused coupon Reeve does not refund money. Reeve does however set up credits by passenger name/airline until the entire package of ticket coupons is received to debit against credits. Coupons are lost, misplaced, not matched, misfiled, not submitted, etc., etc. Accordingly, there are credits that are not cleared during the tariff time period. That certainly does not mean that Reeve should issue a credit nor consider the credits abandoned property. Until the expiry of the tariff time period all liabilities and revenues are considered earned income.

4700 W. INTERNATIONAL AIRPORT RD. • ANCHORAGE, ALASKA 99502

**RAA**

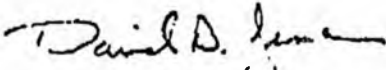
Honorable Lloyd Jones  
March 7, 1988  
Page 2

Reeve believes that a significant portion of the sum remitted to the State is earned revenue belonging to Reeve. The Dept. of Revenue considers unmatched coupons as miscellaneous intangible property that is abandoned and thus reportable. Reeve disputes that position. The fact that Reeve remitted sums does not mean that Reeve concurs nor agrees with the Department's position.

Please consider the various points and arguments before you carefully. I would like to urge the committee to exempt airline ticket coupons from AS 34.45.

Thank you.

Sincerely,



David A. Jensen  
Administrative Vice President

DAJ/kd

ANN W. RICHARDS  
TREASURER

RECEIVED  
ALASKA DEPARTMENT OF REVENUE

MAR 10 1988



OFFICE OF THE COMMISSIONER

TREASURY DEPARTMENT  
PO BOX 12608, CAPITOL STATION  
AUSTIN, TEXAS 78711

STATE OF TEXAS

LIJ STATE OFFICE BUILDING  
CONGRESS AT 17TH ST  
(512) 463-6000

March 7, 1988

The Honorable Hugh Malone  
Alaska Department of Revenue  
P. O. Box SA  
Juneau, Alaska 99811-0400

Re: SB 463

Dear Commissioner Malone:

The Unclaimed Property Administrator for the State of Alaska, Patty LaPierre, has brought to my attention a bill now pending in Alaska which could have substantial impact on other states. SB 463 apparently excludes unused airline tickets from the reporting and remitting requirements of the Alaska unclaimed property laws.

No other states exclude unused airline tickets from their laws. In addition, most states have encountered, either through legislation or litigation, attempts to carve out exceptions to the unclaimed property laws. In the southwest, oil and gas companies long resisted unclaimed property requirements. In other states, co-ops have attempted to avoid turning over abandoned property.

Ordinarily, both the State and its citizens suffer as a result of any exceptions to the unclaimed property laws -- the State, because of a diminution in revenue, and its citizens, because they probably will not be notified about their abandoned accounts.

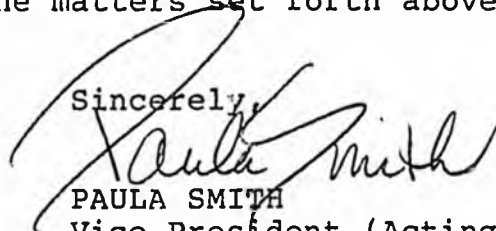
Another impact to the kind of exception the Alaska legislature is considering is that under the United States Supreme Court case of Texas v. New Jersey, 379 U.S. 674 (1965), any property excepted from coverage by Alaska law may then be subject to reporting and remitting under the laws of the state of incorporation of the holder (in this instance, the airline). Thus, if the property (unused airline tickets) is not covered by the law of the state of the passenger's last-known address, it will probably be covered by the law of the state of incorporation of the airline (for example, Delaware).

March 7, 1988

Moreover, it will be only the citizens of Alaska who suffer from this law, because the laws of the other states will apply when their residents have unused tickets for Alaskan airlines. For example, the unused ticket of a Texas resident travelling on an Alaskan airline would still be subject to Texas unclaimed property laws.

In the past few years, the National Association of Unclaimed Property Administrators has worked closely with corporations required to report in many states. A goal of both the states and corporations has been to make the unclaimed property laws more uniform -- not complicate corporate reporting by state exceptions. On behalf of the Association, we hope you and legislators considering SB 463 will consider carefully the matters set forth above in your deliberations.

Sincerely,



PAULA SMITH

Vice-President (Acting President)  
National Association of Unclaimed  
Property Administrators  
Director  
Unclaimed Property Division  
Texas State Treasury

PS/na

cc: Ms. Patty LaPierre  
Administrator  
Alaska Unclaimed Property Division

MALONE

PS

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

H. TRANS.

4-6-88

1:30 p.m.

# HOUSE COMMITTEE REPORT

(7)

Date referred: 3/24/88

FURTHER REFERRALS:

Finance -

DATE: 4-6-88

The Transportation Committee has considered SB 463

"An Act relating to unused airline tickets."

## RECOMMENDS:

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

ADOPTS: [ ] \_\_\_\_\_ letter of intent

## ATTACHES NEW FISCAL NOTE(S):

- [ ] fiscal impact [ ] same as previous fiscal note published \_\_\_\_\_  
[ ] zero fiscal note [ X ] same as previous zero fiscal note published 3-3-88  
[ ] zero with analysis

## SIGNING DO PASS:

Bill Hudson  
W. G. [unclear]  
Butte Cat

## SIGNING OTHER RECOMMENDATIONS:

Mike Miller No Rec  
Gene [unclear] - No Rec

Butte Cat  
Chairman's signature



Official Business

**COMMITTEE:**

House Transportation Committee

**DATE:** April 6, 1988

**SIGN-IN**

**Subject of meeting:**

\* HB 150: "An Act relating to taking a propelled vehicle of another."

SB 463: "An Act relating to unused airline tickets."

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

NAME Please include title	ADDRESS Please use full address. Please include zip.	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY? <i>which bill</i>
✓ Mike Cerkovnik	UP Finance and Controller PO Box 196769 Anchorage AK 99502	243-1444	Mark Air	SB 463
✓ Steve Klett	DOR P.O. Box SA JUN	465-2320	Dept of Revenue	SB 463
Sen. Josephson				SB 463
Stephanie Joannides	Law - PO Box K	5-3428	Dept of Law	HB 150 ✓
✓ Reed Stoops	Box 1211 Juneau	6-3340	AACA	SB 463

\* indicates first public hearing

SCR

5

# Alaska State Legislature



SENATOR  
ARLISS STURGULEWSKI

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

2957 SHELDON JACKSON STREET  
ANCHORAGE, ALASKA 99508

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

APR 14 1987,

Senate

MEMORANDUM

April 13, 1987

TO: Representative Bette Cato, Chairman  
House Transportation Committee

FROM: Senator Arliss Sturgulewski *AS*  
Senate District F

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

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

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

# Alaska State Legislature

## House of Representatives

### Committee on Transportation



Rep. Bette Cato, Chairman

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

*may 4*  
~~April 24~~, 1987

#### COMMITTEE CALENDAR:

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

#### FOR THIS MEETING YOU HAVE:

##### A folder on HJR 33 that includes:

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

##### A folder on SCR 5 that includes:

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

##### A folder on HB 213 that includes:

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE SENATE

BILL VERSION: SCR 5

PUBLISH DATE: 2/3/87

REQUEST

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

FISCAL DETAIL

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

EXPENDITURES/REVENUES : (Thousands of Dollars)

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

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

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

FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

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

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

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

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

Distribution (by Agency preparing fiscal note):

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

# Alaska State Legislature



SENATOR  
ARLISS STURGULEWSKI

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

2957 SHELDON JACKSON STREET  
ANCHORAGE, ALASKA 99508

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

## Senate

MAR 23 1987

March 20, 1987

MEMORANDUM

TO: Representative Bette Cato, Chairman  
House Transportation Committee

FROM: Senator Arliss Sturgulewski (A)  
Senate District F

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


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

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

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

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

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



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

EXHIBIT I  
ADDITIONAL INFORMATION

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

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

BASIS OF ALLOCATION

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

APR 27 1987

# Alaska State Legislature



**SENATOR  
ARLISS STURGULEWSKI**

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

2957 SHELDON JACKSON STREET  
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While in Juneau  
P. O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3818


## Senate

APR 27 1987

MEMORANDUM

April 24, 1987

**TO:** Representative Bette Cato, Chairman  
House Transportation Committee

**FROM:** Senator Arliss Sturgulewski   
Senate District F

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

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

Attachment

# Municipality of Anchorage



OFFICE OF THE MAYOR

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

TONY KNOWLES,  
MAYOR

April 22, 1987

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

Dear Senator *Arliss* Sturgulewski:

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

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

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

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

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

\$100,000 less in miscellaneous spending by crews

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

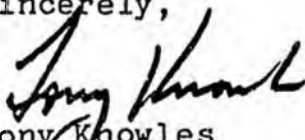
Total average loss in a year to the community, the airport and the State from the loss of just one overseas flight per week is more than \$1M.

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

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

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

Sincerely,



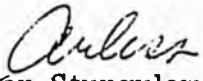
Tony Knowles  
Mayor

 Anchorage Convention & Visitors Bureau

Our Community's Way of Attracting and Serving Visitors

Dana Brockway  
President

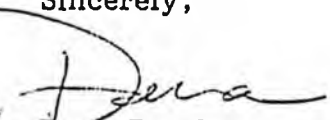
February 6, 1977

  
Dear Senator Sturgulewski,

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

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

Sincerely,

  
Dana Brockway  
President

1987

ACVB LEGISLATIVE & COMMUNITY RELATIONS ~~PRIORITIES~~

Governmental

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

Community

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

## Programs

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

## Funding

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

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

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

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

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

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

# **CORRECTION**

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

**Anchorage!**  
**Convention & Visitors**  
**Bureau**

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

**INTERNATIONAL AIRPORT MARKETING**



1987

ACVB LEGISLATIVE & COMMUNITY RELATIONS ~~PRIO~~RITIES.

Governmental

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1. \$8.2 Million Alaska Division of Tourism Budget.
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ANCHORAGE BUSINESS COUNCIL  
AIRPORT COMMITTEE  
MARKETING PROPOSAL  
January 14, 1987

#### Problem

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

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

#### Solution

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

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

#### Marketing Partners

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

## Programs

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

## Funding

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## PROTECTING THE AIRPORT'S FUTURE

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

Speech Prepared for the ACVB Membership Luncheon  
December 18, 1986

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Which revenue streams need to be protected and developed?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Crosswinds at the Crossroads



Photo: David Partridge

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

BY JUDITH FUERST

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

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

than a decade ago.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Anchorage have seats available by turning to Missoula, Montana, district manager. Consequently nonstop flights that bypass Anchorage are the area expected to grow.

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

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

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

The carrier will route five flights per week in its new Tokyo-Portland service. The economic impact is based on 1979



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