

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9763 SENATE TRANSPORTATION

S B

5 6

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 1/21/97

FURTHER: Finance

Date of 5-Day Notice: 1/23/97
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 1/28/97

Transportation Committee considered SENATE BILL NO. 56

"An Act relating to tourist oriented directional signs that are 90 inches in width and 18 inches in height, relating to penalties for violations related to outdoor advertising, and annulling a regulation of the Department of Transportation and Public Facilities."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Kirk Halford</i>	✓	<i>[Signature]</i>	✓		
<i>Stan Wilken</i> WILKEN	✓				
<i>[Signature]</i>					
<i>[Signature]</i>	✓				
<i>[Signature]</i>					
CHAIR: <i>[Signature]</i>	X	CHAIR:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
DOT/PF	1/28		D ✓

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 56

Revision Date: _____ Dept. Affected: DOT&PF
 Title: Business Signs/Outdoor Advertizing BRU: Engineering and Operations
 Component: Engineering and Operations
 Sponsor: Senator Green
 Requester: Senate Transportation COMPONENT SERIAL NO. 547

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	10.5	10.5	10.5	10.5	10.5	10.5
TRAVEL	1.0	1.0	1.0	1.0	1.0	1.0
CONTRACTUAL	10.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	21.5	11.5	11.5	11.5	11.5	11.5
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	21.5	11.5	11.5	11.5	11.5	11.5
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	21.5	11.5	11.5	11.5	11.5	11.5

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

It is assumed that owners of the businesses will be responsible for sign purchase, installation, permits, easements, other rental agreements and maintenance of the signs should this bill become law. It is also assumed that all administrative and organizational costs will rest with the business erecting the sign.

Currently, no other state allows placement of official directional signs on private property due to the difficulties in controlling and enforcing sign placement on private property

One technical engineer will be required to spend approximately one month to review and administer the state aspects of the program. Estimated cost on \$10,500 plus \$1000 for travel

Writing regulations is estimated to cost \$10,000, \$5,000 to write regulations and \$5,000 for public hearings.

Prepared by: Sam Kito III Phone: 465-3900
 Special Assistant
 Division: Office of the Commissioner Date: 1/28/97
 Approved by: Date: 1/28/97
 Commissioner
 Agency: Department of Transportation and Public Facilities

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 1/21/97

FURTHER: Finance

Date of 5-Day Notice: 1/23/97
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 1/28/97

Transportation Committee considered SENATE BILL NO. 56

"An Act relating to tourist oriented directional signs that are 90 inches in width and 18 inches in height, relating to penalties for violations related to outdoor advertising, and annulling a regulation of the Department of Transportation and Public Facilities."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Rick Halford</i>	✓	<i>Donna Wilken</i>	✓		
<i>Donna Wilken WILKEN</i>	✓				
<i>[Signature]</i>					
<i>[Signature]</i>	✓				
<i>[Signature]</i>					
CHAIR: <i>[Signature]</i>	X	CHAIR:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
DOT/PF	1/28		✓

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

Write a memo concurring

to

See 23.

Decided in caucus

- memo -

- Report back to Body -

Sen. Taylor -

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 56

Revision Date: _____ Dept. Affected: DOT&PF
 Title: Business Signs/Outdoor Advertizing BRU: Engineering and Operations
 Component: Engineering and Operations
 Sponsor: Senator Green
 Requester: Senate Transportation COMPONENT SERIAL NO. 547

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	10.5	10.5	10.5	10.5	10.5	10.5
TRAVEL	1.0	1.0	1.0	1.0	1.0	1.0
CONTRACTUAL	10.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	21.5	11.5	11.5	11.5	11.5	11.5

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	21.5	11.5	11.5	11.5	11.5	11.5
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	21.5	11.5	11.5	11.5	11.5	11.5

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

It is assumed that owners of the businesses will be responsible for sign purchase, installation, permits, easments, other rental agreements and maintenance of the signs should this bill become law. It is also assumed that all admnistrative and organizational costs will rest with the business erecting the sign.

Currently, no other state allows placement of official directional signs on private property due to the difficulties in controlling and enforcing sign placement on private property

One technical engineer will be required to spend approximately one month to review and administer the state aspects of the program. Estimated cost on \$10,500 plus \$*000 for travel

Writing regulations is estimated to cost \$10,000, \$5,000 to write regulations and \$5,000 for public hearings.

Prepared by: Sam Kito III
Special Assistant
 Division: Office of the Commissioner
 Approved by: Joseph L. Puhlin
Commissioner
 Agency: Department of Transportation and Public Facilites

Phone: 465-3900
 Date: 1/28/97
 Date: 1/28/97

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

ALASKA STATE LEGISLATURE



Interim

600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3370
(907) 376-3157 Fax

Session

State Capitol
Juneau, Alaska 99801-1152
(907) 465-6000
Fax (907) 465-3805

SENATOR LYDA GREEN
SENATE DISTRICT N

Sponsor Statement

Senate Bill 56

Senate Bill 56 amends Alaska Statute Title 19 to allow certain restricted exceptions to current outdoor advertising law in order to better serve the traveling public and provide increased opportunity for Alaskan businesses.

SB 56 establishes a category of outdoor advertising for business entities of significant interest to the traveling public and allows their placement in zoned/unzoned commercial or industrial areas along a state highway, subject to stringent restrictions.

SB 56 provides these directional signs be consistent with format and size standards established by the Department of Transportation and limits their placement as to proximity to the business thereby further mitigating any potential impact on the scenery visible from Alaska's highways.

Other provisions of SB 56 would codify in statute the existing DOT Tourist Oriented Directional Signs (TODS) program and clarify language providing municipal authority to enact by ordinance standards for directional signs adopted by the DOT or standards more restrictive than those provided by this measure.

Passage of SB 56 would provide long sought assistance to Alaska businesses dependent on trade with the traveling public as well as enhance the state's ability to be user-friendly for its tourists further promoting a responsive visitor industry. Identical legislation, SB 181 was passed by both bodies (vote was 33-3 in the House, 13-6 in the Senate, an override failed by just one vote) in the 19th Legislature. I respectfully request your support of SB 56.

adway

CHAPTER 20. MAINTENANCE.

al, or
ointed
plant,
nsmitt-
mmu-
light.
drain-
ire and
ectly or
y" also
tion of
er that
nishing
amway,
y other

Section
10. Outdoor advertising
20. Closure and restriction

Section
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, Register 30)

Authority: AS 19.05.020

Editor's note: The source of this section is 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;
- (5) assign a flagman to warn, detour or direct traffic on such highway.

(d) Nothing within the above shall be construed to create any liability upon the state or any officer, employee, agent, or contractor of the state for failure to provide any or all of the above notices; however, willful failure or neglect to provide the notice shall be the subject of disciplinary action.

(e) Except in sudden emergencies, the department shall notify the nearest state police unit before closing or restricting the use of any highway, or before diverting traffic to any other highway or detour, in the manner provided in the preceding sections; whenever possible, such notice shall be in writing.

utility to
pipe that
with the
5);
5.020(7).

165
120
230

Title 19. Highways and Ferries.

Chapter

05. Administration (§§ 19.05.010 — 19.05.125)
10. State Highway System (§§ 19.10.010 — 19.10.270)
15. Financial Provisions (§§ 19.15.010 — 19.15.040)
20. Cooperation by and with the State (§§ 19.20.010 — 19.20.080)
22. Landscaping and Scenic Enhancement (§§ 19.22.010 — 19.22.030)
25. Protection and Use of State Highways and Roads (§§ 19.25.010 — 19.25.250)
27. Junk Yards (§§ 19.27.010 — 19.27.140)
30. Access Roads (§§ 19.30.020 — 19.30.320)
40. James Dalton Highway (§§ 19.40.010 — 19.40.290)
45. Miscellaneous Provisions; Definitions and Penalties (§§ 19.45.001, 19.45.002)
60. Ferry Terminal Facilities
65. Alaska Marine Highway System (§§ 19.65.011 — 19.65.100)

Revisor's notes. — In 1977, "commissioner of transportation and public facilities" and "Department of Transportation and Public Facilities" were substituted for "commissioner of highways" and "Department of Highways" throughout the title in order to implement § 11, Executive Order No. 39 (1977). The provisions of this title were redrafted in 1988 to remove personal pronouns pursuant to § 4, ch. 58, SLA 1982 and in 1988 and 1996 to make minor word changes under AS 01.05.031.

Chapter 05. Administration.

Article

1. Department of Transportation and Public Facilities (§§ 19.05.010 — 19.05.070)
2. Acquisition of Property (§§ 19.05.080 — 19.05.123)
3. General Provisions (§ 19.05.125)

Cross references. — For definitions and penalties applicable to this chapter, see AS 19.45.001 and 19.45.002.

Article 1. Department of Transportation and Public Facilities.

Section

10. Department to supervise highway system
20. Regulations
30. Duties of department
40. Powers of department

Section

50. Roads in tourist and trailer camps
60. Sale of obsolete equipment and material
70. Vacating and disposing of land and rights in land

Sec. 19.05.010. Department to supervise highway system. The department is responsible for the planning, construction, maintenance, protection, and control of the state highway system. (§ 1 art III title I ch 152 SLA 1957)

Cross references. — See note to AS 19.05.030.
Opinions of attorney general. — Although there is no specific grant of authority to the Department of Transportation and Public Facilities to transfer highways to a municipality, the power to effectuate such a

transfer may be considered as implicit through the operation of AS 19.05.040, 19.05.060, 19.05.070, 19.10.020 and this section. January 1, 1987 Op. Att'y Gen.

The Department of Transportation and Public Fa-

Article 3. Encroachments In Highways.

Section

- 200. Encroachment permits
- 210. Relocation or removal of encroachment
- 220. Unauthorized encroachments

Section

- 230. Notice of removal
- 240. Summary removal
- 250. Removal after noncompliance: removal expense

Opinions of attorney general. — Encroachment under this article covers any intrusion into the highway right of way, including signs, or infringement of the limitations on use of the right of way. January 3, 1984 Op. Att'y Gen.

The Department of Transportation and Public Facilities may not collect the cost of removal of a sign or other object unless

the owner has had an opportunity to remove the object and save the cost. The department may use a fee payment schedule instead of figuring the actual removal cost in every case, as long as the schedule is based upon and reflects actual removal costs incurred by the department; and it may charge a reasonable fee for storing the sign. January 3, 1984 Op. Att'y Gen.

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 regulation. 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).

Collateral references. — 3 Am. Jur. 2d, Advertising, §§ 2, 7, 11, 24-26, 39 Am. Jur. 2d, Highways, Streets and Bridges, § 288. 40 C.J.S., Highways, §§ 217-231.

Sec. 19.25.210. Relocation or removal of encroachment. If incidental to the construction or maintenance of a state highway, the department determines and orders that an encroachment previously authorized by written permit must be changed, relocated, or removed, the owner of the encroachment shall change, relocate, or remove it at no expense to the state (except as provided in AS 19.25.020), within a

reason
reloca
partm.
croaci
(§ 2

Sec
rized
depar
ner p

Sec
in AS
owne
any o
servi
encro
plain
Servi
1971)

Sec
time
struc
ch 64

Opin
safety
riding
the in
gally
public
Gen.
An
one's
struct

Se
pens
a no
19.25
caus
croac
(1)
(2)
clair
delay
cateo

reasonable time set by the department. If the owner does not change, relocate, or remove an encroachment within the time set by the department, the encroachment shall be considered an unauthorized encroachment and subject to the provisions of AS 19.25.220 — 19.25.250. (§ 2 ch 64 SLA 1971)

Sec. 19.25.220. Unauthorized encroachments. If an unauthorized encroachment exists in, on, under, or over a state highway, the department may require the removal of the encroachment in the manner provided in AS 19.25.230 — 19.25.250. (§ 2 ch 64 SLA 1971)

Sec. 19.25.230. Notice of removal. Except as otherwise provided in AS 19.25.200, 19.25.210 and 19.25.240, notice shall be given the owner, occupant, or person in possession of the encroachment, or to any other person causing or permitting the encroachment to exist, by serving upon any of them a notice demanding the removal of the encroachment. The notice must describe the encroachment complained of with reasonable certainty as to its character and location. Service of the notice may be made by certified mail. (§ 2 ch 64 SLA 1971)

Sec. 19.25.240. Summary removal. The department may at any time remove from a state highway or road an encroachment that obstructs or prevents the use of the highway or road by the public. (§ 2 ch 64 SLA 1971)

Opinions of attorney general. — The safety of persons using the road is of overriding importance when weighed against the interest of a sign owner who has illegally placed a sign where it threatens public safety. January 3, 1984 Op. Att'y Gen.

An encroachment which obstructs anyone's view of the road is one which "obstructs ... the highway or road" and also

presents a serious danger to the public. January 3, 1984 Op. Att'y Gen.

The Department of Transportation and Public Facilities may summarily remove a sign or other object it determines to be a visual obstruction or a safety hazard; so long as it protects the sign or other object upon removal, the department is protecting the owner's only recognizable interest. January 3, 1984 Op. Att'y Gen.

Sec. 19.25.250. Removal after noncompliance; removal expense. After a failure of the owner of an encroachment to comply with a notice or demand of the department under the provisions of AS 19.25.200, 19.25.210 and 19.25.230, the department may remove, or cause to be removed, the encroachment, and the owner of the encroachment shall pay to the department

- (1) the expenses of the removal of the encroachment;
- (2) all costs and expenses paid by the state as a result of a claim or claims filed against the state by third parties for damages due to delays because the encroachment was not changed, removed, or relocated according to the order of the department; and

TOURIST & BUSINESS ORIENTED

SIGN TASK FORCE

REPORT TO:

JOSEPH L. PERKINS, P.E., COMMISSIONER

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Date of Report

JANUARY 15, 1997

Task Force Members

Mark Kasberg, DOT & PF Headquarters ROW, Chairperson

Linda Anderson, Member Alaska Campground Owners Association

Sandi Anderson, DOT & PF, Statewide Planning Section

James Bryson, Federal Highway Administration

Stephanie Gordor, Kenai Peninsula Tourist and Marketing Council

Margaret Holland, DOT & PF, Central Region Director's Office

John Stein, Member Mat-Su Visitors Association

Ron Tanner, DOT & PF, N. Region Traffic Engineer

Tyson Verse, Haines Visitors Association

Wendy Wolf, Division of Tourism

TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
SUMMARY OF RECOMMENDATIONS.....	2
TOURIST ORIENTED DIRECTIONAL SIGNS.....	3
RECREATIONAL AND CULTURAL INTEREST AREA SIGNS.....	3
LOGO SIGNING.....	4
GENERAL SERVICE SIGNS.....	4
INFORMATIONAL PLAZAS (KIOSK).....	5
SIGN REVIEW.....	5
REVIEW BOARD.....	5
OTHER SUGGESTIONS AND COMMENTS.....	6
FUNDING FOR RECOMMENDATIONS.....	7

INTRODUCTION

A ten member sign task force was appointed by Deputy Commissioner Boyd Brownfield in November of 1996. The membership is comprised of representatives from the tourism industry, various visitors associations, Federal Highway Administration, and Department of Transportation and Public Facilities.

The goal of the task force was to suggest ways of addressing Alaska's tourist and business related signage needs while avoiding sign proliferation. We acknowledge that off-premise advertising sign programs will never address the perceived needs of all business owners. We hope to accomplish our goal by the recommendation of measures that will be beneficial to businesses, residents, and visitors to the State of Alaska.

Members of the task force reviewed the programs currently being used by the Department of Transportation and Public Facilities for tourist related activities and businesses. A matrix was suggested, and a preliminary draft developed showing the programs available for different road classes (controlled access and conventional road) as well as rural and urban environments.

The Current Programs Reviewed Include:

- TOURIST ORIENTED DIRECTIONAL SIGNAGE POLICY (TODS)
 - Individual TODS Signs
 - Community Service Signs
- GENERAL SERVICE SIGNS (Policy for their use is contained in the Alaska supplement to the federal Manual On Uniform Traffic Control Devices [MUTCD])
- RECREATIONAL & CULTURAL INTEREST AREA SIGNS (Draft Policy)
- SEEKER PANEL (Requirements for use are in the Alaska Supplement to the MUTCD)

New Programs Considered:

- A) Specific Service Signs (LOGO) are available for Camping, Lodging, Food, and Gas services. (It is possible that Tourist Activities may be included in the future.) This program is available and in compliance with the federal Manual on Uniform Traffic Control Devices (MUTCD). A Specific Service (LOGO) program is recommended in order to address areas where no policy exists. Guidelines would need to be developed before this signing program could be implemented.
- B) An Informational Plaza (Kiosk) system for the highway system, harbor facilities, and rural airports is one type of program being recommended.

SUMMARY OF RECOMMENDATIONS

- 1 The Department of Transportation and Public Facilities should develop comprehensive sign regulations which will cover existing and proposed tourist and business related signing programs. These programs include:
 - A. Tourist Oriented Directional Signing (TODS)
 - B. Recreational and Cultural Interest Area Signs
 - C. Specific Service Signs (LOGO)
 - D. General Service Signs
 - E. Informational Plazas (Kiosk)
2. Develop and fund a Sign Review, Replacement and Removal program for the National Highway System and those highways designated as State Scenic Highways
3. Create a review board to ensure the consistency of program implementation
4. Other suggestions and comments

COMPREHENSIVE SIGN REGULATIONS

There are five subsections to the proposed comprehensive sign regulations. Many of these subsections have sign programs that overlap each other. The existing and new programs need to be consistent amongst themselves. It will be necessary to review them as a package to insure consistency and priority.

Revise Existing Tourist Oriented Directional Signing (TODS)



TODS has proven itself to be a program that works well in rural environments. Many businesses which may be of interest or service to tourists are not visible from the main through-routes, and federal/state laws severely restrict off-premise outdoor advertising. The TODS program functions as a means to allow signing for businesses in these areas.

Recommendation: When incorporating TODS into the proposed comprehensive sign regulation, the Task Force recommends the following:

- *Adding a cancellation clause to the TODS permit*
- *Establish a duration for the TODS permit (Five years, then reevaluate)*
- *Set annual fees for TODS*
- *Review the Specific Eligibility Requirements*
- *Review the list of areas excluded from TODS participation (i.e., congested areas)*
- *Add further clarification in some areas of the current policy*
- *Better integration of the other programs which will become available*

Recreational and Cultural Interest Area Signs

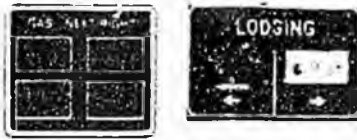


The tourism industry in Alaska has experienced significant expansion over the last several years. This has resulted in both increased development and demand for recreational and cultural facilities along our highway system. A number of current facilities and locations lack adequate directional signing, and can only be located by motorists through word of mouth, highway maps, and travel publications such as The Milepost.

DOT&PF has a "draft" policy for the Recreational and Cultural Interest Area Signs. The task force has reviewed this policy.

Recommendation: DOT&PF adopt and incorporate a Recreational and Cultural Interest Area Sign Policy in the proposed comprehensive sign regulation.

Specific Service Signing (LOGO)



A Specific Service (LOGO) sign consists of a main panel with from one to six individual logo panels. A business logo may consist of the business identification symbol, name, brand, trademark, or combination. The logo should have a blue background with a white legend and border. Where business identification symbols or trademarks are used alone for a logo, the border may be omitted, the symbol or trademark shall be reproduced in the colors and general shape consistent with customary use, and any internal legend shall be in proportionate size. Messages, symbols, and trademarks which resemble any official traffic control device shall not be used.

Currently DOT/PF has no LOGO program. LOGO signing could provide travelers with business identification and directional information for essential motorist services (gas, food, lodging, camping and possibly tourist attractions). **Unlike most other types of programs, LOGO signs may be used on any class of highway and in urban areas under special circumstances.**

Recommendation: DOT/PF develop a LOGO Signing Policy

General Service Signs



General Service Signing is the oldest of the programs utilized to inform motorist of the services that are available. The signs are generally not necessary where the service or facility is readily visible from the roadway; is marked by other signing; or is located within or immediately adjacent to the built-up part of an urbanized area. The signs typically cover the following types of services: Gas, Diesel, Food, Lodging, Camping, Rest Areas, Parking Areas, Scenic Viewpoints, Phone, Hospital, Emergency Services, Police or Troopers, Disposal Sites, and Tourist Information. The signs usually allowed within urban areas are Camping, Hospital, Emergency Medical Services, Disposal Site, and Tourist Information. Currently neither business or location names are allowed with this type of signing.

The Policy for these signs is contained in the Alaska Supplement to the MUTCD.

Recommendation: DOT&PF incorporate the General Service Signing in the proposed comprehensive regulation.

Informational Plazas (Kiosk)

A kiosk system could function in five ways:

1. An inexpensive and practical solution to the problem of providing tourist information at the approaches to built-up areas
2. A single, central information center in areas where there would otherwise be a heavy demand for individual signs
3. Information and orientation devices at harbor facilities, airports, and downtown areas
4. Emergency shelters at rural airports (If designed in such a manner)
5. A possible location for emergency phone service (call boxes)

Recommendation: Develop an informational plaza (Kiosk system) design that could be used statewide. The design should be made available to the public and private sector.

SIGN REVIEW

There are many state and federal sign designations for highways and cultural/recreational locations that have been addressed with sign programs such as Watchable Wildlife, the Forest Service Scenic Highway, State and Federal Parks, etc.. As the Scenic Highway designation is granted/awarded to state highways, DOT&PF should take it upon itself to review all existing signs and those being requested. To preserve the natural beauty of the roadway, DOT&PF will want to consider the elimination of as many unnecessary signs as possible.

Recommendation: Develop and fund a Sign Review, Replacement and Removal program for the National Highway System, and those highways designated as State Scenic Highways.

REVIEW BOARD

Currently the regional traffic sections handle the majority of the sign programs. Regional Right Of Way sections handle TODS and right of way leasing. With six different sections handling the signing functions statewide, there exists a possibility for inconsistency in the interpretation of the signing programs. It was felt that a review board would help to eliminate inconsistencies. It will still be necessary for the Traffic Section to review the application to make sure the existing regulatory, warning, and guide signs are not compromised by the installation of the new signs.

Recommendation: A review board would help ensure statewide consistency of the proposed comprehensive signing regulations.

OTHER SUGGESTIONS AND COMMENTS:

The task force recognizes that there are many sign-related issues that are important, but not necessarily addressed by the recommendations in the preceding pages. The following suggestions and comments may not warrant regulation, but should be addressed nonetheless:

- Signs which identify or designate special routes, areas, or sites such as scenic highways signs, the watchable wildlife logo, and the seeker panel, are exceptions to existing programs. Provisions need to be made to accommodate these non-standard signs within existing programs.
- DOT&PF should inform the traveling public about official business/tourist related signs on official state maps, and in publications such as The Milepost.
- DOT should review existing icons (and possibly logos) which are utilized in the media and literature distributed to Alaskan visitor, and to the extent possible, utilize those established features. When it is necessary to support new programs or signs for visitor activities, the Department should work with the media to facilitate a high recognition of the new programs.
- Many of the milepost markers are missing, and should be reinstalled as the traveling public uses The Milepost and other highway publications as part of their reference system. A separate evaluation should be made of those roads which do not currently have milepost markers, and determine which of them would benefit from having them installed.
- When comprehensive sign regulations are enacted, develop a brochure for businesses which explains (in laymen's terms) the sign programs available and discusses requirements and qualifications for each program.
- Emergency phones (call boxes) are needed along our transportation system. These could be incorporated into the proposed Informational Plazas (Kiosk) wherever possible.
- The task force supports the concept of an "intranet" for the Alaska Marine Highway System (AMHS). The onboard system would allow visitors to preview services and attractions available at the various ports of call. The system would have the look and feel of the internet, but would in fact be an "intranet", a closed system created specifically for the AMHS.

FUNDING FOR RECOMMENDATIONS

Please note that the Task Force has not researched the cost of these recommendations.

Recommendation number 1

"The Department of Transportation and Public Facilities should develop a comprehensive sign regulation which outlines the various existing and proposed tourist and business related signing programs. These programs include: Tourist Oriented Directional Signing (TODS); Recreational and Cultural Interest Area Signs; Specific Service Signs (LOGO); and Informational Plazas (Kiosk)."

Once this proposed comprehensive sign regulation is implemented, the cost of administration, materials, labor and maintenance could be passed on to the applicant who is directly benefiting from the sign.

Recommendation number 2

"Develop and fund a Sign Review, Replacement and Removal program for the National Highway System and those highways designated as State Scenic Highways."

Possible source(s) of funding will have to be identified.

Recommendation number 3

The creation of a review board.

This should consist of existing DOT&PF personnel, who would reserve the option of inviting other individuals with outside expertise into the process.

SB

125

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSSB 125

Revision Date <u>1/8/98</u>	Dept. Affected <u>DOT&PF</u>
Title <u>Airport Duty-Free Concessions</u>	BRU <u>Anch & Frbnks International Airports</u>
Sponsor <u>Senator Ward</u>	Component <u>Airport Operations</u>
Requester <u>Senate Transportation Committee</u>	Component Serial No. <u>1812 1813</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Department of Transportation and Public Facilities anticipates no additional costs associated with passage of CSSB 125.

Prepared by Dennis Poshard
 Division Special Assistant
 Approved by Commissioner
 Agency DOT&PF

Phone 465-3901
 Date 1/8/98
 Date 1/8/98

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSSB 125

Revision Date	<u>1/8/98</u>	Dept. Affected	<u>DOT&PF</u>
Title	<u>Airport Duty-Free Concessions</u>	BRU	<u>Anch & Frbnks International Airports</u>
Sponsor	<u>Senator Ward</u>	Component	<u>Airpct Operations</u>
Requester	<u>Senate Transportation Committee</u>	Component Serial No.	<u>1812 1813</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 0.0

POSITIONS

POSITIONS	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

The Department of Transportation and Public Facilities anticipates no additional costs associated with passage of CSSB 125.

Prepared by	<u>Dennis Poshard</u>	Phone	<u>465-3901</u>
Division	<u>Special Assistant</u>	Date	<u>1/8/98</u>
Approved by	<u>Commissioner</u>	Date	<u>1/8/98</u>
Agency	<u>DOT&PF</u>		

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 125

Revision Date: _____ Dept. Affected: DOT&PF
 Title: Airport Duty-Free Concessions BRU: Anch/Fbks International Airport
 Component: Airport Operations
 Sponsor: Senator Ward
 Requester: Senate Transportation Committee COMPONENT SERIAL NO. 18121813

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

The Department of Transportation and Public Facilities anticipates no additional costs associated with passage of SB 125.

Prepared by: Sam Kito III
 Division: Office of the Commissioner
 Approved by: [Signature]
 Agency: Department of Transportation and Public Facilities

Phone: 465-3900
 Date: _____
 Date: 3-12-97

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

0-LS0633VE
Bannister
4/1/97

CS FOR SENATE BILL NO. 125(TRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE TRANSPORTATION COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR WARD

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the extension of contracts for the sale and delivery of in-**
2 **bond merchandise at international airports."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 02.15.091 is amended by adding a new subsection to read:

5 (g) Notwithstanding the other provisions of this section and the provisions of
6 the contract being extended, the department may extend a contract for the sale and
7 delivery of in-bond merchandise at an international airport if the contractor agrees and
8 if the department determines that the extension will maintain or improve the
9 competitive position of the airport in the marketplace and that during the extension the
10 contractor will increase its sales revenue or maintain its sales revenue at the same
11 level, if acceptable to the department. When determining whether the contractor will
12 increase or maintain its sales revenue during an extension, the department shall
13 consider

14 (1) the amount of sales made during the current term of the contract;

- 1 (2) whether the merchandise is competitively priced;
- 2 (3) whether customer service levels are high;
- 3 (4) whether the contractor offers a wide selection of products made in
- 4 the state and prestigious international brands of merchandise; and
- 5 (5) the level of the contractor's ongoing and planned capital
- 6 investments to improve the appearance, atmosphere, and layout of the sales facility.

Alaska State Legislature

Senate



JERRY WARD

State Capitol
Juneau, AK 99801-1182
Phone (907) 465-2920
Fax (907) 465-2766

716 W 4th Ave., Ste. 450
Anchorage, AK 99501-2153
Phone (907) 258-8183
Fax (907) 258-0820

145 Main Street Loop
Kenai, AK 99611
Phone (907) 283-7996
Fax (907) 283-3075

MEMORANDUM

DATE: April 14, 1997

TO: Senator Bert Sharp, Co-Chair
Senator Drue Pearce, Co-Chair
Senate Finance Committee

FROM: Senator Jerry Ward

RE: REQUEST FOR HEARING

Please consider this request to hear CSSB125 (TRA): Airport Duty Free Concessions at your earliest convenience in the Senate Finance Committee.

Senate Bill 125 is designed to provide the Department of Transportation with the flexibility to extend the term of the duty free concession at the Anchorage International Airport, if deemed in the best interest of the state to do so.

I appreciate your consideration of my request. I have attached a sponsor statement and some backup information for your committee packets. Please let my staff person, Lydia Jones, know if we can provide any additional information.

Alaska State Legislature

Senate



JERRY WARD

State Capitol
Juneau, AK 99801-1182
Phone (907) 465-2940
Fax (907) 465-3766

716 W. 4th Ave., Ste. 450
Anchorage, AK 99501-2133
Phone (907) 258-8183
Fax (907) 258-0820

145 Main Street Loop
Kenai, AK 99611
Phone (907) 283-7996
Fax (907) 283-3075

SPONSOR STATEMENT

SB 125 -- Airport Duty Free Concessions by Senator Jerry Ward

Senate Bill 125 -- "An Act relating to the extension of contracts for the sale and delivery of in-bond merchandise at international airports."

SB 125 is a rather simple and straight forward bill designed to give DOT/PF the flexibility, should it be deemed to be in the state's interest, to extend the term of the duty free concession at the Anchorage International Airport. This legislation does not require nor mandate DOT/PF to take any action whatsoever; rather, it simply provides the tools and flexibility that may be necessary to maintain or improve the competitive position of the airport in the marketplace.

Anchorage International Airport's duty free/general merchandise concession at one time generated revenues in excess of \$100 million and fees to the state approaching \$19 million annually. Unfortunately, because of the opening of Soviet air space and a new generation of long-haul jets, the market has drastically declined and with it the revenues and subsequent fees to the state.

Now, for the good news. The incumbent concessionaire, a group of Alaskans known as the David Green Group, have almost doubled revenues in their first year and are equally optimistic in their second year of operations.

Anchorage International Airport Duty Free/General Merchandise Concession

Background:

The duty free/general merchandise concession (DF/GM concession) at the North Terminal of Anchorage International Airport (AIA) is operated by the David Green Group, J.V. (DGG) until its agreement termination in July 2000. DGG is requesting that the State grant an term extension of 40 months to facilitate the expansion and improvement of the retail spaces.

The AIA DF/GM concession at one time produced one of the world's highest revenue per passenger airport operations resulting in an extremely valuable State asset that generated significant revenues for the airport and its operators. In 1988, transit passengers totaled 1.5 million passengers and concession retail sales exceeded \$100 million per year with fees paid to the State approaching \$19 million annually. However, with the opening of Soviet air space and a new generation of long-haul jets coming on-line the market drastically declined by 75% in the number of transit passengers with annual sales plummeting to a low of \$7 million and concessions fees to \$1 million (See attached Charts A through C for passenger traffic, airport concession fees and gross revenue history).

DFS Ltd., the world's largest duty free operator and incumbent AIA concessionaire, did not even submit a bid to the State to retain the concession that it operated for 25 years. It was deemed to have eroded in the value to the point of not worth the effort. In fact, DOTPF had to put the bid proposal out for a fourth time before it even got any interested bidders. At that point, the successful bidder was the David Green Group (DGG).

The DGG was awarded the concession for a term of five years beginning on August 1, 1995. During their first year of operation they increased sales by 50% to over \$10 million with expectations that there will be an additional 50% sales growth in the second year. This has been the result of local management control, a focused marketing strategy, hard work, passenger growth and appropriate investment. The recent increases in international transit passengers present a narrow window of opportunity to revitalize the standing of the DF/GM concession. The increase enhances the credibility of the DF/GM concession opportunity, so that it is once again to viably market the facility to high-end merchandise suppliers. Many of these suppliers expect the surrounding company of other prestige brands. World class brands such as Hermes, Cartier, Coach and Christian Dior have expressed renewed interest in Anchorage, but only if a high-end retail environment is created.

Because of the highly competitive nature of the duty free business globally and the changes occurring in the Asian, European and North American economic market, airports and concessionaires are making significant investments to attract retail sales growth. Consequently, if AIA is to maintain their position in the marketplace or to expect any growth it is essential that the necessary investment(s) be made to insure a competitive presence. DGG believes that additional investment in the infrastructure of their concession would yield a significant increase in retail sales and fees to AIA. However, not enough time remains under the current concession agreement to adequately amortize the investment.

The State directs the airport and its AIA Revenue Fund to be self-sustaining to maximize revenue opportunities where feasible, as is the case with most airports in the world. There is a limit on the amount airports can derive through increased landing fees before discouraging air carriers using their facilities. Increasing competition between airlines has meant that airports have turned to retailing as an alternative source of revenue. A London Financial Times study stated, "the portion of income derived from landing fees fell from 27% in 1983 to 25% in 1993. This reflects pressures from both airlines and regulatory bodies to keep these charges low." In the case of AIA, the State fees derived from the DF/GM concession sales enhances the attractiveness of the international terminal, better serves the traveling public and enables the State to mitigate other operational costs currently borne by the air carriers. While DGG certainly intends to work aggressively to enhance the duty-free concession to the extent economically prudent under the existing agreement, the regrettable reality is that it is not commercially feasible for DGG to undertake the necessary proposed scope of investments under the current contract term.

Other Airport Duty Free Concessions:

AIA competes with selected major Asian and North American airports for the discretionary spending of both transit and destination travelers. This international competition for the sale of duty-free/general merchandise has entered a new era of competition, particularly in these airports across the Pacific Rim (See Chart D from trade press, Datamonitor). Other existing airports, such as Los Angeles, New York and Vancouver are also investing capital to improve their passenger facilities. The retail opportunities available to the international travelers are thus being continually elevated. Progressive leasing authorities recognize that to remain competitive they must work with their concessionaire(s) to viably compete for discretionary travel retail sales. For example, at JFK in New York, a group of four major international airlines, i.e., Korean Air, JAL, Lufthansa and Air France, are constructing a world class terminal facility by 1998 to complement the high standard level of passenger service expected of them. This competing facility will contain over 17,000 square feet of retail space, as compared to AIA's current 8,000 sq. ft. of retail space. This is a significant increase of their existing retail areas and improves their competitiveness for air travelers spending on this major route transiting Anchorage.

Examples of Asian airport investments are noted in Chart D (attached) through the year 2000 for new or improved airport operating and retail facilities. The new Chek Lap Kok Airport opening in 1997 will dramatically increase retail shopping space by 15,000 sq. ft. over the current congested facility in Hong Kong. Many of these airports are direct competitors to AIA and its international merchandise concession.

Major international airports in the U.S., such as Sea-Tac, Portland and Las Vegas work with their concessionaires to grant them term extensions when substantial investments and efforts are made to improve merchandise facilities. The airports recognize the necessity to compete for customer spending in order to receive additional fees from cooperative concession agreements as this to operate and upgrade their facilities for expected future growth.

Legislative Need:

Conversations with the AIA's staff demonstrate a recognition of the competitive nature of the retail business and a belief that additional investment(s) would yield greater financial and competitive returns. However, they feel that they need the broadened authority under existing statutes to extend the term of the agreement for the benefit of the airport.

The introduction of the proposed amendment would allow the State and DOTPF to extend the term of the duty free concession agreement for 10 months if deemed to be in the best interest of the State and designed to improve AIA's competitive position in the marketplace. Absent this amendment, AIA would be constrained from having the flexibility to react to the already changing competitive environment. Giving DOTPF this flexibility both enhances the value of the concession and the State asset by generating additional fees to AIA, lowers operating costs and rates which would attract further new international air carriers to this airport.

Anchorage International Airport - North Terminal

Chart "A" - Transit Passengers

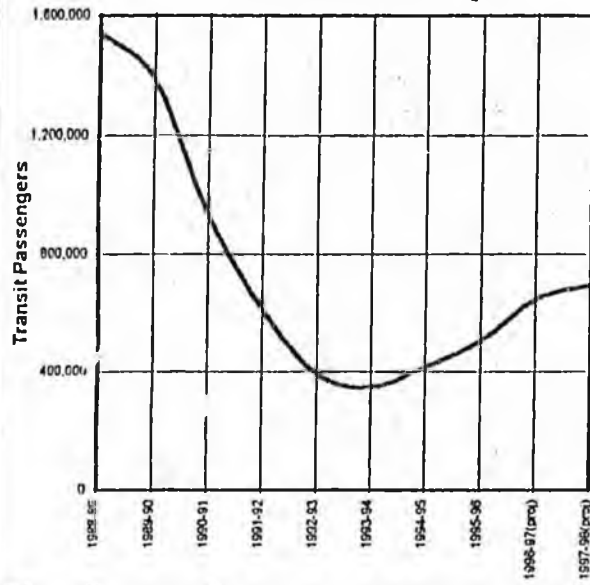


Chart "B" - Gross Revenues

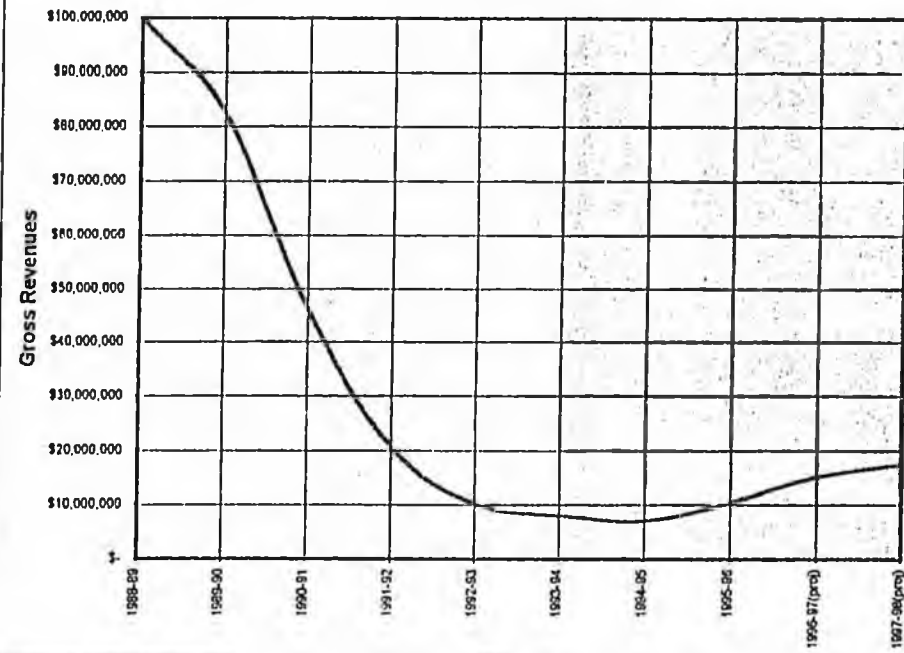
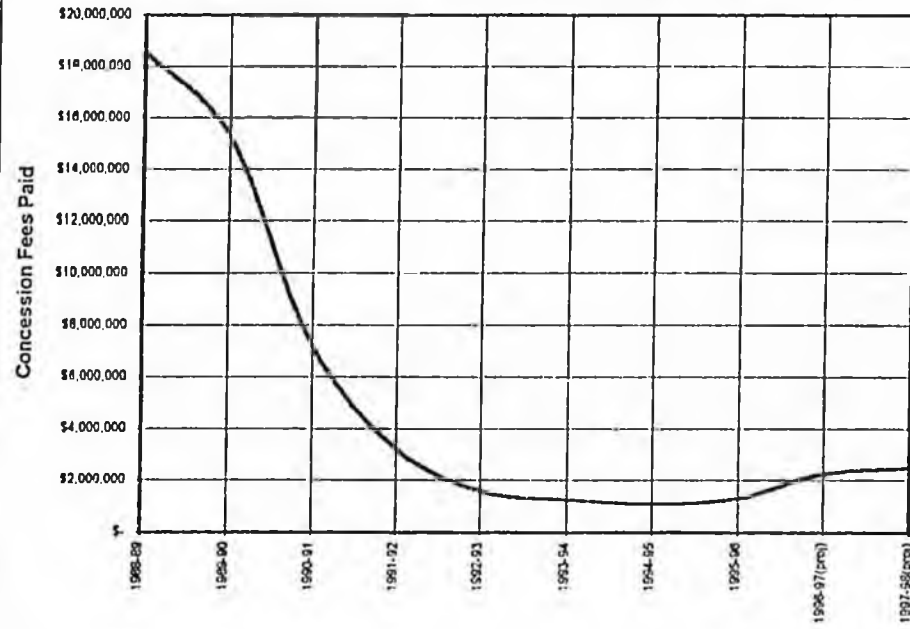


Chart "C" - Concession Fees Paid



▲
DGG acquires concession (Aug 1995)

It is estimated that spending on airport infrastructure in Asia will amount to \$75bn by the end of the century, with the new airports in Hong Kong, Seoul and Kuala Lumpur accounting for half of this, and China for a further \$10bn. Development is also taking place in the developed countries of the region: in 1995, the new Osaka/Kansai airport was opened in Japan. The region's major airport investment programmes for the rest of the decade are shown in Table 4.4. Beyond this, perhaps another \$50bn of investment will be needed in the period 2000-10.

Table 4.4: Investments in major Asian airports, 1995-2000

Airport	Country	Opening date	Investment \$m
Hong Kong Chek Lap Kok	Hong Kong	1997	21,000
Kansai	Japan	1995	15,000
Seoul Kimo International	South Korea	1997	13,000
Kuala Lumpur	Malaysia	1998	7,500
Bangkok	Thailand	2000	3,200
Shanghai	China	1999	2,800
Kobe	Japan	1998	2,800
Guangzhou	China	1997	1,760
Narita	Japan	2002	1,360
Macao	Macao	1995	913
Taipei	Taiwan	1996	700
Ho Chi Minh	Vietnam	2000	558
Beijing	China	2002	500
Manila	Philippines	2003	484
Singapore	Singapore	1996	300

Source: trade press, Datamonitor

There is also evidence that growth is not only occurring in these large regional airports, but is also spreading to a host of secondary cities such as Kota Kinabalu (Malaysia) and Cebu (Philippines). This growth is being driven by tourism and government programmes to reduce congestion in the largest cities and spread the benefits of industrialisation to other parts of the country. The key countries experiencing this growth are China, India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan and Thailand. A third phase of development will occur later in Cambodia, Laos, Mongolia and Vietnam.

China's airports

This section focuses on China, one of the key growth areas on the continent. Not only is China a rapidly expanding air travel market, it has a huge airport expansion programme and has been a major destination for foreign retailers over recent years. Over the 25-year period to 1993, the growth in air passengers in China averaged 21% per annum to reach 53m passengers.

Chart "D"

FAXDate 3-27-97Number of pages including cover sheet 3TO: *Lydia Jones*
To Senator Ward's Office

Phone:

Fax Phone: 907-465-3766FROM: *Lynn Klassert*
DAVID GREEN GROUP, JV
PO BOX 220687
ANCHORAGE, AK 99522-0687

Phone: (907) 249-7229

Fax Phone: (907) 245-0190

CC:

REMARKS: Urgent For your review Reply ASAP Please Comment*RE: Amendment to SB125**Here is our draft to SB125 amendment
and the answers to Senator Wilkins questions.*

Senator Wilkins' questions and answers:**1) What is the revenue to the state from sale and delivery of in-bond merchandise?**

Answer: Fees paid to the airport from this concession are the greater of the monthly minimum guarantee currently at \$142,058 or a percentage of sales volume in increasing levels starting at 12% up to \$2 million to 19% over \$24 million in sales. At present David Green Group is paying at the 16% of sales level. In year one of the contract David Green Group paid to the state \$1.48 million in revenues and is projecting to pay the state \$2.25 million for year 2.

2) What is the customer service history of David Green Group?

Answer: David Green Group has built its reputation on providing quality services to its customers with: a) bilingual speaking staff for Korean, Chinese and Japanese customers, b) stocking prestige brands and Alaskan products, c) value priced merchandise, d) acceptance of all major credit cards, e) acceptance of major foreign currencies, f) airline crew member discounts, g) staff training in selling techniques and product knowledge.

3) What are the lease payments compared to other concessions at the airport?

Answer: The duty free/general merchandise concession is the number one contributor of concession fees to the airport. By comparison, the next highest contractors, Host Marriott and WH Smith paid \$804,000 and \$793,000 respectively in 1995/96.

4) Has there been any other expression of interest in the duty free/general merchandise concession?

Answer: As stated previously, the airport put this contract to bid four times before getting any interested and qualified bidders. On the fourth time three companies bid. One bid was from a German joint venture (second highest bidder), Host Marriott (submitted minimum bid) and the David Green Group. The incumbent operator, DFS Group, did not bid due to declining traffic.

Office of the Secretary of Transportation

§ 23.107

(3) Any consideration given by the sponsor, when practical, to structuring contracting procedures so as to encourage and facilitate DBE participation. For example, a sponsor may consider using competitive means to award a concession that would otherwise be renegotiated without competition.

(4) If appropriate, an explanation why the nature of a particular concession makes DBE participation through a sublease, joint venture, partnership, or other arrangement not economically feasible.

(b) The FAA regional civil rights officer approves a plan which does not contain any overall goals of at least 10 percent if he or she determines that based on the information submitted by the sponsor under paragraph (a) of this section and any other available information:

(1) The sponsor is making all appropriate efforts to increase DBE participation in its concessions to a level of 10 percent; and

(2) Despite the sponsor's efforts, the goals submitted by the sponsor represent the reasonable expectation for DBE participation, given the availability of DBE's.

§ 23.103 Obligations of concessionaires and competitors.

(a) Sponsors may impose requirements on competitors for concession agreements as a means of achieving the DBE goals or a portion of the goals established under paragraph (a) of § 23.91 of this subpart, provided that the DBE participation specified in the solicitation or other request is an eligible arrangement, as defined in this subpart.

(b) Nothing in this subpart shall require any sponsor to modify or abrogate an existing concession agreement (one executed prior to the date the sponsor became subject to this subpart) during its term. When options to renew such agreements are exercised or when a material amendment is made to the agreement, the sponsor shall assess the potential for DBE participation and include any opportunities in the goals established under paragraph (a) of § 23.95.

§ 23.103 Privately-owned terminal buildings.

(a) Awards of concession agreements that are made by private owners of terminal buildings are covered by this subpart. Airport sponsors subject to this subpart shall levy the applicable requirements on the terminal owner through the agreement with the owner or by other means, except that certification shall, in the case of primary airports, be performed by the airport sponsor. The sponsor shall ensure that the terminal owner complies with these requirements.

(b) If the terminal building is at a primary airport, the sponsor shall obtain from the terminal owner the overall goals and other elements of the DBE concession plan required under § 23.95. This information shall be incorporated into the concession plan and goals established by the sponsor and submitted to the FAA in accordance with this subpart.

(c) If the terminal building is at a commercial service airport (except primary), general aviation, or reliever airport, the sponsor shall ensure that the owner complies with the requirements in paragraph (c) of § 23.93.

§ 23.107 Prohibition on long-term, exclusive concession agreements.

(a) Except as provided in paragraph (b) of this section, sponsors shall not enter into long-term, exclusive agreements for the operation of concessions. For purposes of this section, a long-term agreement is one having a term in excess of five years. Guidelines for determining whether an agreement is exclusive, as used in this section, have been included in the FAA's "DBE Program Development Kit for Airport Grant-in-Aid Recipients." This publication can be obtained from any FAA Regional Civil Rights Officer or from the FAA Office of Civil Rights, 900 Independence Avenue, SW., Washington, DC 20591, Attention: ACR-4.

(b) A long-term, exclusive agreement is permitted under this subpart, provided that:

(1) Special local circumstances exist that make it important to enter such agreement and

- §23.109

(2) The responsible FAA regional civil rights officer approves of a plan for ensuring adequate DBE participation throughout the term of the agreement.

(c) Approval of the plan referenced in paragraph (b)(2) of this section relieves the sponsor of the need to obtain an exemption under the procedures of §23.41(f) and the Notice of Policy (45 FR 45281, July 3, 1980). The Notice of Policy can be obtained from the FAA Office of Civil Rights at the address given in paragraph (a) of this section.

(d) Sponsors shall submit the following information with the plan referenced in paragraph (b)(2) of this section:

(1) A description of the special local circumstances that warrant a long term, exclusive agreement, e.g., a requirement to make certain capital improvements to a leasehold facility.

(2) A copy of the draft and final leasing and subleasing or other agreements. The long-term, exclusive agreement shall provide that:

(i) One or more DBE's will participate throughout the term of the agreement and account for at least 10 percent of the annual estimated gross receipts.

(ii) The extent of DBE participation will be reviewed prior to the exercise of each renewal option to consider whether an increase is warranted. (In some instances, a decrease may be warranted.)

(iii) A DBE that is unable to perform successfully will be replaced by another DBE, if the remaining term of the agreement makes this feasible.

(3) Assurances that the DBE participation will be in an acceptable form, such as a sublease, joint venture, or partnership.

(4) Documents used by the sponsor in certifying the DBE's.

(5) A description of the type of business or businesses to be operated, location, storage and delivery space, "back-of-the-house facilities" such as kitchens, window display space, advertising space, and other amenities that will increase the DBE's chance to succeed.

(6) Information on the investment required on the part of the DBE and any unusual management or financial ar-

49 CFR Subtitle A (10-1-96 Edition)

rangements between the prime concessionaire and DBE.

(7) Information on the estimated gross receipts and net profit to be earned by the DBE.

§23.109 Compliance procedures.

In the event of noncompliance with this subpart by a sponsor, the FAA Administrator may take any action provided for in section 519 of the Airport and Airway Improvement Act of 1982, as amended.

§23.111 Effect on §23.43(d).

Except for commitments made prior to issuance of this subpart as a condition of receiving an exemption from §23.43(d)(1), which prohibits certain long-term, exclusive agreements, the provisions of §23.43(d) shall not apply to any airport, its lessees, concessionaires, or other organizations, if the airport sponsor is covered by the requirements in this subpart. Leasing goals established in accordance with §23.43(d)(2) and approved by the FAA prior to the effective date of this subpart shall terminate as set forth below:

(a) For primary airports, upon FAA approval of a DBE concession plan required under §22.93(b).

(b) For nonprimary airports, at the conclusion of the period to which the leasing goal applies.

APPENDIX A TO SUBPART F—SIZE STANDARDS FOR AIRPORT CONCESSIONAIRES

MAXIMUM AVERAGE ANNUAL GROSS RECEIPTS IN PRECEDING 3 YEARS
(in millions of dollars)

Commodity	Amount
Food and beverage	30.00
Foot stores	30.00
Auto rental	40.00
Flowers	100.00
Hotels and motels	30.00
Insurance machines and counters	30.00
Gift, novelty, and souvenir shop	30.00
Newspapers	30.00
Shoe shine stands	30.00
Barber shops	30.00
Automobile parking	30.00
Jewelry stores	30.00
Liquor stores	30.00
Travel agencies	30.00
Drug stores	30.00
Fruit and baked goods	30.00
Luggage cart rental	30.00
Coin-operated T.V.'s	30.00

It is estimated that spending on airport infrastructure in Asia will amount to \$75bn by the end of the century, with the new airports in Hong Kong, Seoul and Kuala Lumpur accounting for half of this, and China for a further \$10bn. Development is also taking place in the developed countries of the region: in 1995, the new Osaka/Kansai airport was opened in Japan. The region's major airport investment programmes for the rest of the decade are shown in Table 4.4. Beyond this, perhaps another \$50bn of investment will be needed in the period 2000-10.

Table 4.4: Investments in major Asian airports, 1995-2000

Airport	Country	Opening date	Investment \$m
Hong Kong Chek Lap Kok	Hong Kong	1997	21,000
Kansai	Japan	1995	15,000
Seoul Kimo International	South Korea	1997	13,000
Kuala Lumpur	Malaysia	1998	7,500
Bangkok	Thailand	2000	3,200
Shanghai	China	1999	2,800
Kobe	Japan	1998	2,800
Guangzhou	China	1997	1,760
Narita	Japan	2002	1,360
Macao	Macao	1995	913
Taipei	Taiwan	1996	700
Ho Chi Minh	Vietnam	2000	558
Beijing	China	2002	500
Manila	Philippines	2003	484
Singapore	Singapore	1996	300

Source: trade press, Datamonitor

There is also evidence that growth is not only occurring in these large regional airports, but is also spreading to a host of secondary cities such as Kota Kinabalu (Malaysia) and Cebu (Philippines). This growth is being driven by tourism and government programmes to reduce congestion in the largest cities and spread the benefits of industrialisation to other parts of the country. The key countries experiencing this growth are China, India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan and Thailand. A third phase of development will occur later in Cambodia, Laos, Mongolia and Vietnam.

China's airports

This section focuses on China, one of the key growth areas on the continent. Not only is China a rapidly expanding air travel market, it has a huge airport expansion programme and has been a major destination for foreign retailers over recent years. Over the 25-year period to 1993, the growth in air passengers in China averaged 21% per annum to reach 53m passengers.

DRAFT

SPONSOR STATEMENT
SB 125 -- Airport Duty Free Concessions
by Senator Jerry Ward

Senate Bill 125 -- "An Act relating to the extension of contracts for the sale and delivery of in-bond merchandise at international airports."

SB 125 is a rather simple and straight forward bill designed to give DOT/PF the flexibility, should it be deemed to be in the state's interest, to extend the term of the duty free concession at the Anchorage International Airport. This legislation does not require nor mandate DOT/PF to take any action whatsoever; rather, it simply provides the tools and flexibility that may be necessary to maintain or improve the competitive position of the airport in the marketplace.

Anchorage International Airport's duty free/general merchandise concession at one time generated revenues in excess of \$100 million and fees to the state approaching \$19 million annually. Unfortunately, because of the opening of Soviet air space and a new generation of long-haul jets, the market has drastically declined and with it the revenues and subsequent fees to the state.

Now, for the good news. The incumbent concessionaire, a group of Alaskans known as the David Green Group, have almost doubled revenues in their first year and are equally optimistic in their second year of operations.

Rather than taking you through the specifics myself, two representatives of the David Green Group are here and with the Committee's indulgence, I would like for them to come to the table and give us a brief historical review of this concession; their current operations and plans; and their position in the global marketplace and why they feel that this legislation is necessary.

Anchorage International Airport Duty Free/General Merchandise Concession

Background:

The duty free/general merchandise concession (DF/GM concession) at the North Terminal of Anchorage International Airport (AIA) is operated by the David Green Group, J.V. (DGG) until its agreement termination in July 2000. DGG is requesting that the State grant an term extension of 40 months to facilitate the expansion and improvement of the retail spaces.

The AIA DF/GM concession at one time produced one of the world's highest revenue per passenger airport operations resulting in an extremely valuable State asset that generated significant revenues for the airport and its operators. In 1988, transit passengers totaled 1.5 million passengers and concession retail sales exceeded \$100 million per year with fees paid to the State approaching \$19 million annually. However, with the opening of Soviet air space and a new generation of long-haul jets coming on-line the market drastically declined by 75% in the number of transit passengers with annual sales plummeting to a low of \$7 million and concessions fees to \$1 million (See attached Charts A through C for passenger traffic, airport concession fees and gross revenue history).

DFS Ltd., the world's largest duty free operator and incumbent AIA concessionaire, did not even submit a bid to the State to retain the concession that it operated for 25 years. It was deemed to have eroded in the value to the point of not worth the effort. In fact, DOTPF had to put the bid proposal out for a fourth time before it even got any interested bidders. At that point, the successful bidder was the David Green Group (DGG).

The DGG was awarded the concession for a term of five years beginning on August 1, 1995. During their first year of operation they increased sales by 50% to over \$10 million with expectations that there will be an additional 50% sales growth in the second year. This has been the result of local management control, a focused marketing strategy, hard work, passenger growth and appropriate investment. The recent increases in international transit passengers present a narrow window of opportunity to revitalize the standing of the DF/GM concession. The increase enhances the credibility of the DF/GM concession opportunity, so that it is once again to viably market the facility to high-end merchandise suppliers. Many of these suppliers expect the surrounding company of other prestige brands. World class brands such as Hermes, Cartier, Coach and Christian Dior have expressed renewed interest in Anchorage, but only if a high-end retail environment is created.

Because of the highly competitive nature of the duty free business globally and the changes occurring in the Asian, European and North American economic market, airports and concessionaires are making significant investments to attract retail sales growth. Consequently, if AIA is to maintain their position in the marketplace or to expect any growth it is essential that the necessary investment(s) be made to insure a competitive presence. DGG believes that additional investment in the infrastructure of their concession would yield a significant increase in retail sales and fees to AIA. However, not enough time remains under the current concession agreement to adequately amortize the investment.

The State directs the airport and its AIA Revenue Fund to be self-sustaining to maximize revenue opportunities where feasible, as is the case with most airports in the world. There is a limit on the amount airports can derive through increased landing fees before discouraging air carriers using their facilities. Increasing competition between airlines has meant that airports have turned to retailing as an alternative source of revenue. A London Financial Times study stated, "the portion of income derived from landing fees fell from 27% in 1983 to 25% in 1993. This reflects pressures from both airlines and regulatory bodies to keep these charges low." In the case of AIA, the State fees derived from the DF/GM concession sales enhances the attractiveness of the international terminal, better serves the traveling public and enables the State to mitigate other operational costs currently borne by the air carriers. While DGG certainly intends to work aggressively to enhance the duty-free concession to the extent economically prudent under the existing agreement, the regrettable reality is that it is not commercially feasible for DGG to undertake the necessary proposed scope of investments under the current contract term.

Other Airport Duty Free Concessions:

AIA competes with selected major Asian and North American airports for the discretionary spending of both transit and destination travelers. This international competition for the sale of duty-free/general merchandise has entered a new era of competition, particularly in these airports across the Pacific Rim (See Chart D from trade press, Datamonitor). Other existing airports, such as, Los Angeles, New York and Vancouver are also investing capital to improve their passenger facilities. The retail opportunities available to the international travelers are thus being continually elevated. Progressive leasing authorities recognize that to remain competitive they must work with their concessionaire(s) to viably compete for discretionary travel retail sales. For example, at JFK in New York, a group of four major international airlines, i.e., Korean Air, JAL, Lufthansa and Air France, are constructing a world class terminal facility by 1998 to complement the high standard level of passenger service expected of them. This competing facility will contain over 17,000 square feet of retail space, as compared to AIA's current 8,000 sq. ft. of retail space. This is a significant increase of their existing retail areas and improves their competitiveness for air travelers spending on this major route transiting Anchorage.

Examples of Asian airport investments are noted in Chart D (attached) through the year 2000 for new or improved airport operating and retail facilities. The new Chek Lap Kok Airport opening in 1997 will dramatically increase retail shopping space by 15,000 sq. ft. over the current congested facility in Hong Kong. Many of these airports are direct competitors to AIA and its international merchandise concession.

Major international airports in the U.S., such as, Sea-Tac, Portland and Las Vegas work with their concessionaires to grant them term extensions when substantial investments and efforts are made to improve merchandise facilities. The airports recognize the necessity to compete for customer spending in order to receive additional fees from cooperative concession agreements as this to operate and upgrade their facilities for expected future growth.

Legislative Need:

Conversations with the AIA's staff demonstrate a recognition of the competitive nature of the retail business and a belief that additional investment(s) would yield greater financial and competitive returns. However, they feel that they need the broadened authority under existing statutes to extend the term of the agreement for the benefit of the airport.

The introduction of the proposed amendment would allow the State and DOTPF to extend the term of the duty free concession agreement for 40 months if deemed to be in the best interest of the State and designed to improve AIA's competitive position in the marketplace. Absent this amendment, AIA would be constrained from having the flexibility to react to the already changing competitive environment. Giving DOTPF this flexibility both enhances the value of the concession and the State asset by generating additional fees to AIA, lowers operating costs and rates which would attract further new international air carriers to this airport.

Anchorage International Airport - North Terminal

Chart "A" - Transit Passengers

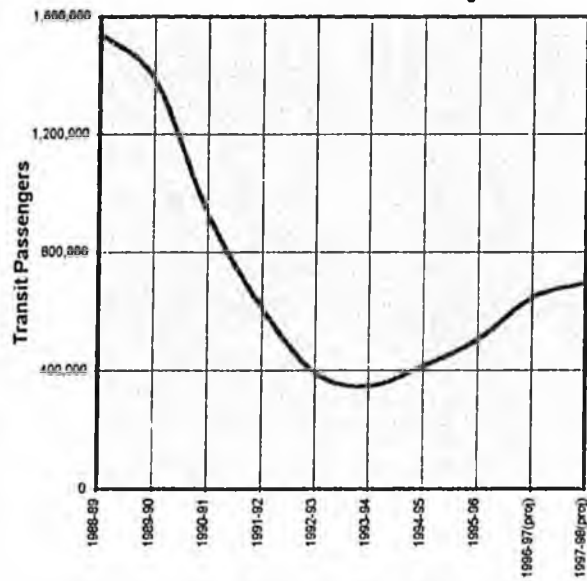


Chart "B" - Gross Revenues

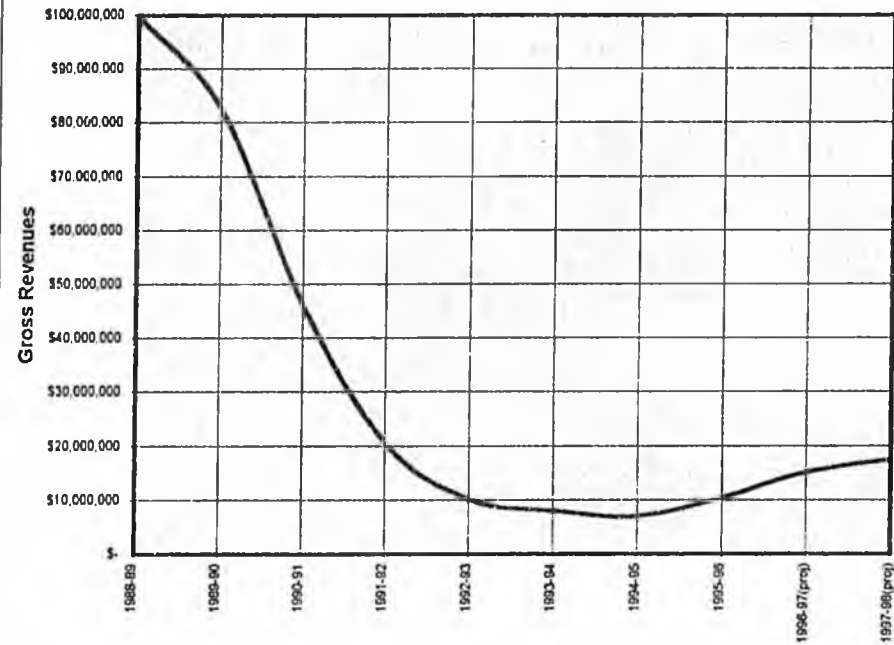
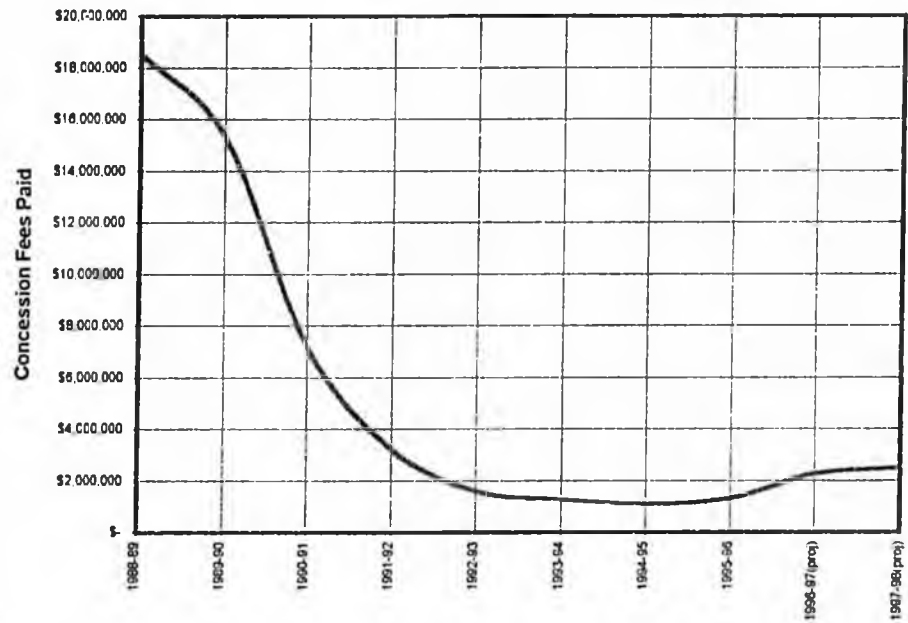


Chart "C" - Concession Fees Paid



▲
DGG acquires concession(Aug 1995)

DRAFT

3/31 Fayed to
Leg Legal.

SENATE BILL NO. 125

**"An Act relating to the extension of contracts for the sale and deliv
merchandise at international airports."**

*** Section 1. AS 02.15.091 is amended by adding a new subsection to read:**

**(h) Accordingly to define "in the best interest of the state" referenced in new
subsection (g) the international airports would establish high standards for the
contractor to maintain or to improve revenues and review prior to a contract
extension consideration. Standards would include : 1) continuing schedule and level
of investments in capital improvement program for appearance, atmosphere and
layout of the stores, and data capture systems, 2) passenger spending productivity,
3) competitive priced merchandise, 4) high quality customer service levels, and 5)
wide selection of prestige international brands and made in Alaska products offered.**

Senate Transportation Committee

Please prepare a CS for SB125 incorporating
the above language adding a new subsection "H."

Thank you.

Any questions, call Lydia at 6641.

KNOWLES WINS CHALLENGE TO FEDERAL IMMIGRATION POLICY Keeps Jobs, Economic Development on Track at Anchorage International

Gov. Tony Knowles announced today that Alaska's efforts have been successful in delaying full implementation of a new federal immigration law affecting international passengers passing through Anchorage International Airport. The proposed solution will prevent what might have been a loss of jobs and millions of dollars in revenue at the Airport.

"Alaska has secured commitments from the U.S. Immigration Service for a passenger inspection procedure beginning April 1 that will result in little disruption to the short, intransit stops made by international flights," Knowles said. "Our concerted efforts in Washington have changed the Immigration Service's direction and resulted in a policy which creates far less impact on airport operations and revenues. We will now work with Congress and the Immigration Service to change the law and develop viable inspection procedures that are workable for Alaska and other affected states."

*→ The proposed law would have required all international passengers to go through an immigration check even if their flight is only stopping in Anchorage to refuel. Currently, such passengers are required to stay within a secure facility at the airport while they are on the ground, but are not required to pass through immigration. At Anchorage International Airport, they are able to visit the duty free shop, which generates significant sales to Alaska businesses and additional revenue to the Airport and the State of Alaska.

"Cathay Pacific Airways is very pleased by the efforts of Gov. Knowles and Airport Director Mort Plumb to delay implementation of the federal immigration law," said Russ Fortson, Airport Services Manager for Cathay Pacific. More than 116,000 Cathay Pacific passengers stop over in Anchorage every year en route between Toronto and Hong Kong. "We are delighted our passengers will continue to enjoy a smooth and hassle free transit through Anchorage as they have since we began service in July 1994," Fortson said.

Alaska Attorney General Bruce Botelho, along with attorneys general from other impacted states, met with U.S. Attorney General Janet Reno last week to present the airports' case. "This has been an effective cooperative effort between Alaska's Governor and Attorney General and our counterparts in the other affected states," Botelho said.

The Immigration Service will initiate rulemaking and public comment procedures on additional procedures next month, but will not make any changes to the interim policy until the rulemaking process concludes later this year.

Return to the March listing of Press Releases.

Posted by: R. Orford, 3/26/97, Alaska State Library

Alaska State Legislature

Senate



JERRY WARD

State Capitol
Juneau, AK 99801-1182
Phone (907) 465-3930
Fax (907) 465-3766

716 W. 4th Ave., Ste. 450
Anchorage, AK 99501-2133
Phone (907) 258-8183
Fax (907) 258-0820

145 Main Street Loop
Kenai, AK 99611
Phone (907) 283-7996
Fax (907) 283-3075

SPONSOR STATEMENT **SB 125 -- Airport Duty Free Concessions** **by Senator Jerry Ward**

Senate Bill 125 -- "An Act relating to the extension of contracts for the sale and delivery of in-bond merchandise at international airports."

SB 125 is a rather simple and straight forward bill designed to give DOT/PF the flexibility, should it be deemed to be in the state's interest, to extend the term of the duty free concession at the Anchorage International Airport. This legislation does not require nor mandate DOT/PF to take any action whatsoever; rather, it simply provides the tools and flexibility that may be necessary to maintain or improve the competitive position of the airport in the marketplace.

Anchorage International Airport's duty free/general merchandise concession at one time generated revenues in excess of \$100 million and fees to the state approaching \$19 million annually. Unfortunately, because of the opening of Soviet air space and a new generation of long-haul jets, the market has drastically declined and with it the revenues and subsequent fees to the state.

Now, for the good news. The incumbent concessionaire, a group of Alaskans known as the David Green Group, have almost doubled revenues in their first year and are equally optimistic in their second year of operations.

Anchorage International Airport Duty Free/General Merchandise Concession

Background:

The duty free/general merchandise concession (DF/GM concession) at the North Terminal of Anchorage International Airport (AIA) is operated by the David Green Group, J.V. (DGG) until its agreement termination in July 2000. DGG is requesting that the State grant an term extension of 40 months to facilitate the expansion and improvement of the retail spaces.

The AIA DF/GM concession at one time produced one of the world's highest revenue per passenger airport operations resulting in an extremely valuable State asset that generated significant revenues for the airport and its operators. In 1988, transit passengers totaled 1.5 million passengers and concession retail sales exceeded \$100 million per year with fees paid to the State approaching \$19 million annually. However, with the opening of Soviet air space and a new generation of long-haul jets coming on-line the market drastically declined by 75% in the number of transit passengers with annual sales plummeting to a low of \$7 million and concessions fees to \$1 million (See attached Charts A through C for passenger traffic, airport concession fees and gross revenue history).

DFS Ltd., the world's largest duty free operator and incumbent AIA concessionaire, did not even submit a bid to the State to retain the concession that it operated for 25 years. It was deemed to have eroded in the value to the point of not worth the effort. In fact, DOTPF had to put the bid proposal out for a fourth time before it even got any interested bidders. At that point, the successful bidder was the David Green Group (DGG).

The DGG was awarded the concession for a term of five years beginning on August 1, 1995. During their first year of operation they increased sales by 50% to over \$10 million with expectations that there will be an additional 50% sales growth in the second year. This has been the result of local management control, a focused marketing strategy, hard work, passenger growth and appropriate investment. The recent increases in international transit passengers present a narrow window of opportunity to revitalize the standing of the DF/GM concession. The increase enhances the credibility of the DF/GM concession opportunity, so that it is once again to viably market the facility to high-end merchandise suppliers. Many of these suppliers expect the surrounding company of other prestige brands. World class brands such as Hermes, Cartier, Coach and Christian Dior have expressed renewed interest in Anchorage, but only if a high-end retail environment is created.

Because of the highly competitive nature of the duty free business globally and the changes occurring in the Asian, European and North American economic market, airports and concessionaires are making significant investments to attract retail sales growth. Consequently, if AIA is to maintain their position in the marketplace or to expect any growth it is essential that the necessary investment(s) be made to insure a competitive presence. DGG believes that additional investment in the infrastructure of their concession would yield a significant increase in retail sales and fees to AIA. However, not enough time remains under the current concession agreement to adequately amortize the investment.

The State directs the airport and its AIA Revenue Fund to be self-sustaining to maximize revenue opportunities where feasible, as is the case with most airports in the world. There is a limit on the amount airports can derive through increased landing fees before discouraging air carriers using their facilities. Increasing competition between airlines has meant that airports have turned to retailing as an alternative source of revenue. A London Financial Times study stated, "the portion of income derived from landing fees fell from 27% in 1983 to 25% in 1993. This reflects pressures from both airlines and regulatory bodies to keep these charges low." In the case of AIA, the State fees derived from the DF/GM concession sales enhances the attractiveness of the international terminal, better serves the traveling public and enables the State to mitigate other operational costs currently borne by the air carriers. While DGG certainly intends to work aggressively to enhance the duty-free concession to the extent economically prudent under the existing agreement, the regrettable reality is that it is not commercially feasible for DGG to undertake the necessary proposed scope of investments under the current contract term.

Other Airport Duty Free Concessions:

AIA competes with selected major Asian and North American airports for the discretionary spending of both transit and destination travelers. This international competition for the sale of duty-free/general merchandise has entered a new era of competition, particularly in these airports across the Pacific Rim (See Chart D from trade press, Datamonitor). Other existing airports, such as, Los Angeles, New York and Vancouver are also investing capital to improve their passenger facilities. The retail opportunities available to the international travelers are thus being continually elevated. Progressive leasing authorities recognize that to remain competitive they must work with their concessionaire(s) to viably compete for discretionary travel retail sales. For example, at JFK in New York, a group of four major international airlines, i.e., Korean Air, JAL, Lufthansa and Air France, are constructing a world class terminal facility by 1998 to complement the high standard level of passenger service expected of them. This competing facility will contain over 17,000 square feet of retail space, as compared to AIA's current 8,000 sq. ft. of retail space. This is a significant increase of their existing retail areas and improves their competitiveness for air travelers spending on this major route transiting Anchorage.

Examples of Asian airport investments are noted in Chart D (attached) through the year 2000 for new or improved airport operating and retail facilities. The new Chek Lap Kok Airport opening in 1997 will dramatically increase retail shopping space by 15,000 sq. ft. over the current congested facility in Hong Kong. Many of these airports are direct competitors to AIA and its international merchandise concession.

Major international airports in the U.S., such as, Sea-Tac, Portland and Las Vegas work with their concessionaires to grant them term extensions when substantial investments and efforts are made to improve merchandise facilities. The airports recognize the necessity to compete for customer spending in order to receive additional fees from cooperative concession agreements as this to operate and upgrade their facilities for expected future growth.

Legislative Need:

Conversations with the AIA's staff demonstrate a recognition of the competitive nature of the retail business and a belief that additional investment(s) would yield greater financial and competitive returns. However, they feel that they need the broadened authority under existing statutes to extend the term of the agreement for the benefit of the airport.

The introduction of the proposed amendment would allow the State and DOTPF to extend the term of the duty free concession agreement for 40 months if deemed to be in the best interest of the State and designed to improve AIA's competitive position in the marketplace. Absent this amendment, AIA would be constrained from having the flexibility to react to the already changing competitive environment. Giving DOTPF this flexibility both enhances the value of the concession and the State asset by generating additional fees to AIA, lowers operating costs and rates which would attract further new international air carriers to this airport.

Anchorage International Airport - North Terminal

Chart "A" - Transit Passengers

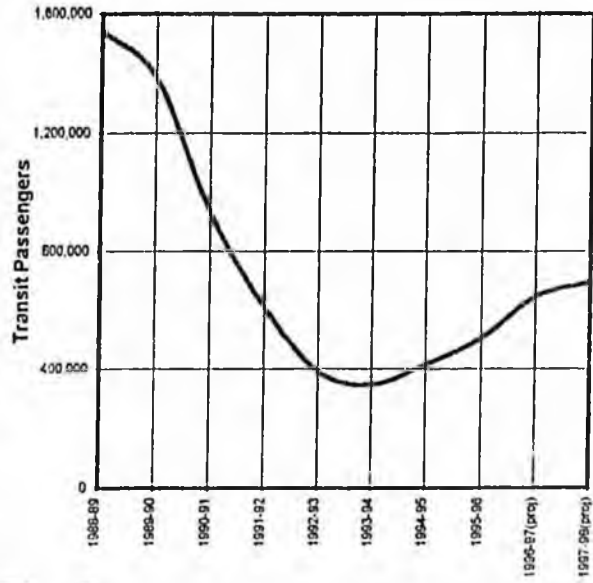


Chart "B" - Gross Revenues

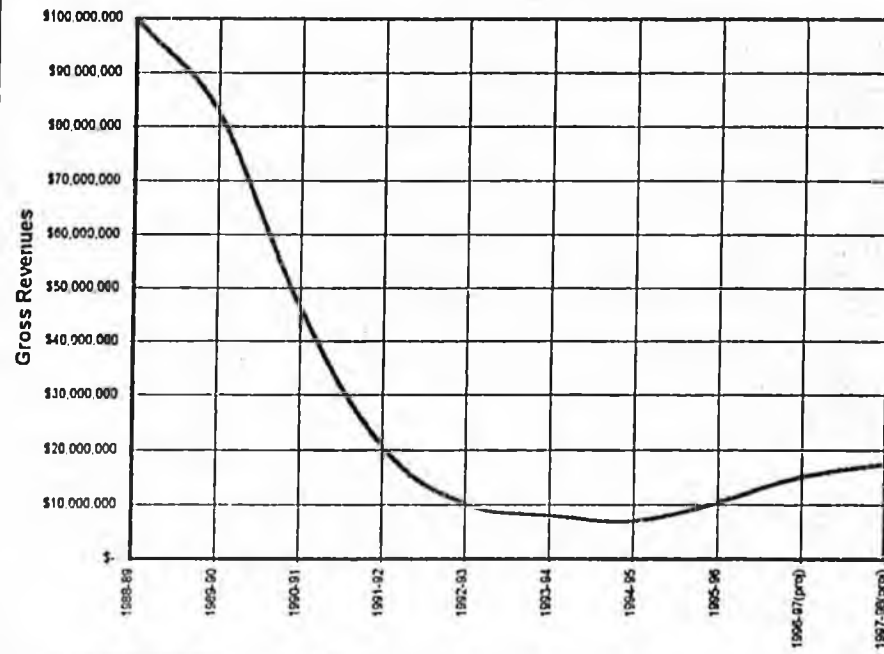
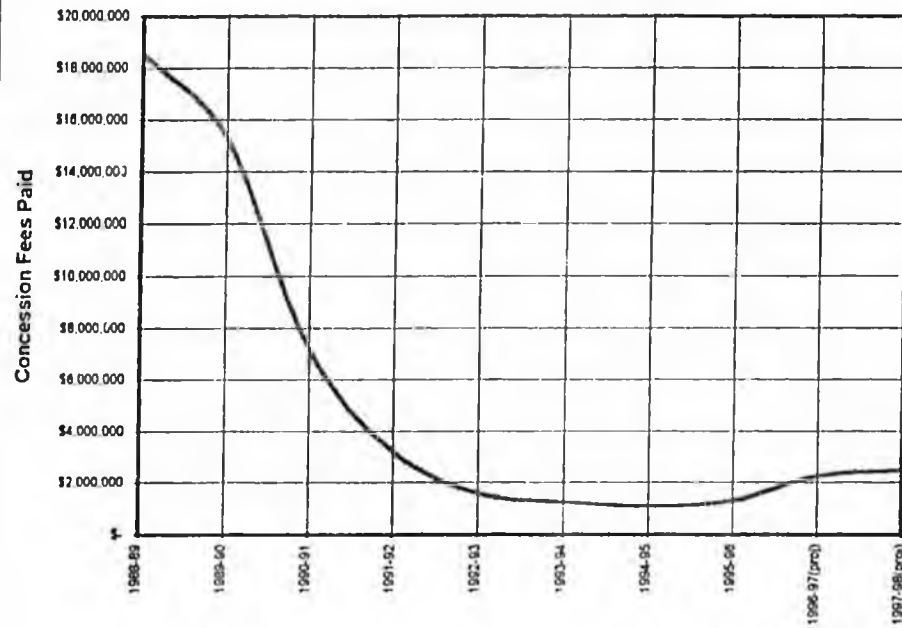


Chart "C" - Concession Fees Paid



▲
DGG acquires concession (Aug 1995)

It is estimated that spending on airport infrastructure in Asia will amount to \$75bn by the end of the century, with the new airports in Hong Kong, Seoul and Kuala Lumpur accounting for half of this, and China for a further \$10bn. Development is also taking place in the developed countries of the region: in 1995, the new Osaka/Kansai airport was opened in Japan. The region's major airport investment programmes for the rest of the decade are shown in Table 4.4. Beyond this, perhaps another \$50bn of investment will be needed in the period 2000-10.

Table 4.4: Investments in major Asian airports, 1995-2000

Airport	Country	Opening date	Investment \$m
Hong Kong Chek Lap Kok	Hong Kong	1997	21,000
Kansai	Japan	1995	15,000
Seoul Kimo International	South Korea	1997	13,000
Kuala Lumpur	Malaysia	1998	7,500
Bangkok	Thailand	2000	3,200
Shanghai	China	1999	2,800
Kobe	Japan	1998	2,800
Guangzhou	China	1997	1,760
Narita	Japan	2002	1,360
Macao	Macao	1995	913
Taipei	Taiwan	1996	700
Ho Chi Minh	Vietnam	2000	558
Beijing	China	2002	500
Manila	Philippines	2003	484
Singapore	Singapore	1996	300

Source: trade press, Datamonitor

There is also evidence that growth is not only occurring in these large regional airports, but is also spreading to a host of secondary cities such as Kota Kinabalu (Malaysia) and Cebu (Philippines). This growth is being driven by tourism and government programmes to reduce congestion in the largest cities and spread the benefits of industrialisation to other parts of the country. The key countries experiencing this growth are China, India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan and Thailand. A third phase of development will occur later in Cambodia, Laos, Mongolia and Vietnam.

China's airports

This section focuses on China, one of the key growth areas on the continent. Not only is China a rapidly expanding air travel market, it has a huge airport expansion programme and has been a major destination for foreign retailers over recent years. Over the 25-year period to 1993, the growth in air passengers in China averaged 21% per annum to reach 53m passengers.

Chart "D"

SB

127

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 127

Revision Date: April 1, 1997 Department: Commerce and Economic Development
 Title: An Act relating to the confidentiality of personnel records of employees of the Alaska Railroad Corporation BRU: Alaska Railroad Corporation
 Component: Alaska Railroad Corporation
 Sponsor: Legislative Budget and Audit
 Requestor: Senate Transportation Committee COMPONENT SERIAL NO. (NA)

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES						
---------------------------	--	--	--	--	--	--

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 97) cost: \$ _____

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
 No fiscal impact is anticipated if this bill is enacted.

Prepared by: Guy Bell, Director Phone: (907)465-2505
 Division: Division of Administrative Services Date: April 1, 1997
 Approved by Commissioner William L. Hensley Date: April 1, 1997
 Agency: Commerce and Economic Development

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

CS FOR SENATE BILL NO. 127(TRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE TRANSPORTATION COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND
AUDIT COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the confidentiality of personnel records of employees of the
2 Alaska Railroad Corporation."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 42.40.170(b) is amended to read:

5 (b) Only the following subjects may be discussed in an executive session:

6 (1) matters, the immediate knowledge of which would clearly have an
7 adverse effect upon the finances of the corporation;

8 (2) unless the person has requested to have the subjects discussed in
9 public, subjects that tend to prejudice the reputation and character of a person;

10 (3) matters that, by law or municipal charter or ordinance, are permitted
11 to be kept confidential from public disclosure;

12 (4) matters pertaining to personnel, other than matters available for
13 public inspection under AS 42.40.710(b);

14 (5) matters pertaining to the corporation's legal position;

1 (6) land acquisition or disposal; and

2 (7) proprietary or other information of a type treated as confidential
3 under the standards and practices of the United States Interstate Commerce
4 Commission, including practices that protect information associated with specific
5 shippers, divisions, and contract rate agreements.

6 * Sec. 2. AS 42.40.220(b) is amended to read:

7 (b) The corporation may by rule designate and withhold public disclosure of
8 matters of a privileged or proprietary nature. Those matters include [PERSONNEL
9 RECORDS,] communications with and work product of legal counsel [,] and,
10 consistent with the standards and practices of the United States Interstate Commerce
11 Commission for the protection of these matters, other information including proprietary
12 information associated with specific shippers, divisions, and contract rate agreements.

13 * Sec. 3. AS 42.40.710 is amended by adding a new subsection to read:

14 (b) Except as provided in this subsection, personnel records of employees of
15 the corporation are confidential and are not open to public inspection. The following
16 information is available for public inspection, subject to reasonable rules on the time
17 and manner of inspection:

18 (1) the names and position titles of all employees of the corporation;

19 (2) the position held by an employee of the corporation;

20 (3) prior positions with the corporation held by an employee of the
21 corporation;

22 (4) the dates of appointment and separation of an employee of the
23 corporation; and

24 (5) the compensation paid or authorized for an employee of the
25 corporation.

Senator Randy Phillips
Chairman
Rep. Terry Martin
Vice-Chairman
Sen. Al Adams
Sen. Dave Donley
Sen. Rick Halford
Sen. Drue Pearce
Sen. John Torgerson
Rep. Con Bunde
Rep. Eric Croft
Rep. Mark Hanley
Rep. Jeanette James
Rep. Gene Therriault

State of Alaska



Session
Rm 103
State Capitol
Juneau, AK 99801
(907) 465-4949

Interim
P.O. Box 142
Eagle River, AK 99577
(907) 694-4949

Legislative Budget and Audit Committee

MEMORANDUM

TO: Senator Jerry Ward
Chair, Senate Transportation Committee

FROM: Senator Randy Phillips
Chair, Legislative Budget and Audit Committee

DATE: April 2, 1997

RE: SENATE BILL 127, "An Act relating to the confidentiality of personnel records of employees of the Alaska Railroad Corporation."

Senate Bill 127 provides for public inspection of personnel records of employees of the Alaska Railroad. Through a combination of current statute and corporation rules, the compensation paid to a railroad employee is confidential and therefore cannot be disclosed to the public. Current statute provides that the corporation may, by rule, designate and withhold public disclosure of matters of a privileged or proprietary nature. Statute goes on to describe matters as including personnel records. Corporation rules include salary as a personnel record.

There is no other state government agency that, at a minimum, will not disclose basic employee information such as the name, position, compensation, and dates of appointment and separation.

Senate Bill 127 makes the necessary public policy changes in statute to place the Alaska Railroad Corporation under substantially equivalent language that every other state agency operates.

egL

BS

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO: SB 153

Revision Date: _____ Dept. Affected: Administration
 Title: An Act relating to issuance of special license BRU: Motor Vehicles
plates to commemorate the arts. Component: Field Services
 Sponsor: Senate Finance
 Requestor: (S) TRAN COMPONENT SERIAL NO. 0502

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	2.2					
TRAVEL						
CONTRACTUAL	17.7					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	19.9	0	0	0	0	0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES (1005)	135.0
Revenue Code						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	19.9	0	0	0	0	0
1006 GF/MHTIA						
Other						
TOTAL	19.9	0	0	0	0	0

Estimate of current year (FY 97) impact: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

See Attached

Prepared By: Juanita Hensley Phone: 465-2650
 Division: Motor Vehicles Date: 04/01/97
 Approved by Commissioner: Mark Boyer *[Signature]* Date: 4/3/97
 Agency: Administration

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO: SB 153

Revision Date: _____ Dept. Affected: Administration

ANALYSIS CONTINUED:

This bill establishes a special license plate commemorating the arts. Under this proposed legislation the fee for purchasing the special plate is \$150 per set of plates. The license plate manufacturer requires a minimum of 900 sets of plates for the purchase of a new design plate. This bill requires the Commissioner of Administration, after consulting with the Alaska State Council on the Arts, determine the design and color of plates commemorating the arts. It will require a new design for the license plate.

The fiscal analysis assumes that all 900 sets of plates will be sold at \$150. The projected revenue is estimated at \$135.0. The personal services estimates the cost associated with reissue of the existing license plate for the new license plate depicting the arts. At this time we are not able to project future revenues.

SUMMARY OF EXPENSES

FY98

TRANSACTION COSTS

Personal Services cost associated with reissue of new plate 900 sets of plates at \$2.43 per set of plates =	2.2
Overhead cost associated with program and includes; forms, license tabs, DP chargeback, shipping/freight, etc. 900 sets of plates at \$3.05 per transaction =	2.7

NEW DESIGN COSTS

Set-up cost for new sheeting	10.0
------------------------------	------

Design cost for design of new plate	5.0
-------------------------------------	-----

TOTAL	\$19.9
-------	--------



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SB 153 Sponsor Statement

Sponsored by Senate Finance Committee

As we have worked to shrink state government and close our fiscal gap, the funding for the State Arts Council has been dramatically reduced. Alaska is facing a dilemma. Finding funds for the arts is becoming more and more difficult with a population increasingly averse to public arts funding. We need to look for innovative ways to fund our existing arts programs if we want public funding to continue. This bill provides us with one tool to use in this effort.

License plates are an increasingly popular revenue source for states facing budget constraints. In Alaska we currently have a number of specialty plates that support various organizations. The intent behind adding another specialty plate is to provide the State Arts Council a revenue source to supplement decreasing general fund appropriations to the Arts.

It has been the position of the Legislature to decrease funding for arts programs in the state and have private individuals and organizations monetarily support these programs. The specialty plate funding mechanism will do exactly this, providing Alaskans a way to voluntarily support the funding of the arts and show their pride in doing so.

The plate will be designed in consultation with the State Arts Council and it will be the primary responsibility of the Council to promote the program to success.

SB153 Bill Analysis

Prepared by the Alaska State Council on the Arts

It is the recommendation of the Alaska State Council on the Arts that SB153 be amended to reduce the special fee for the arts license plate from \$150 to \$75 for the original plate, and that there be a biennial renewal fee of not more than \$40.

The California Arts Council recently released a detailed business review of the California arts license plate program. This fifty-two page report offers in depth analysis of sales trends, market size and pricing. The Alaska State Council furnished a copy of the full report to Senator Pearce, and the executive summary is attached. Here are a few highlights from that report.

California Target Market

California's population is 31,250,000 (1993). The California Arts Council has identified a target market of **men, 25+**, college graduates, employed in executive, professional, and managerial positions (especially entertainment or information/technology companies); and **women, 35+**, college graduates, employed in executive, professional, and managerial positions, and who are arts patrons and supporters. Size of California target market: 10 million.

Sales

Since October 1994, the California arts plate has had original sales of 27,546, and total gross sales of \$2 million. Renewals run very strong-- about 98 percent of all original purchases. In 1994, the arts plate sold 11,943 units. It sold 5,118 units in FY96. Renewals accounted for 54 percent of total sales in FY96. Since its inception, the program has generated \$650,000 in revenues to the California Council. The California Council's FY97 budget is \$13,640,200. As for market penetration, the California plate sells about 2.7 units per 1000 targeted customers.

Pricing

The California arts plate is available in sequential (alphanumeric) and personalized versions. The sequential plate costs \$30 for the original and \$15 for renewal (plus the standard registration fees). The personalized plate sells for \$70, and \$40 for renewal. Personalized plates account for 54 percent of all original sales.

Alaska Market

If we apply some target market assumptions used in California, we may begin to get a rough estimate of Alaska's potential market for the arts plate. According to the Alaska Department of Labor's *Alaska Population Overview* (1995), there are 305,000 Alaskans between the ages of 25 and 54 (CA's prime market by age). In the *Alaska Population Overview* (1991) the Alaska Department of Labor estimates that 23 percent of Alaskans have a college education. To extrapolate, the arts plates have a potential market of 70,150 individuals (23 percent of 305,000). In order to make any significant contribution to the arts, Alaska must far exceed California's arts plate penetration of 2.7 units per 1,000 potential customers. If Alaska can generate sales of 5 units per 1,000 potential customers, we will sell 350 original plates (over a period of several years). At \$75 per plate, gross sales will total \$26,250. There after renewals may generate as much as \$14,000 every two years.

COASTLINE BUSINESS REVIEW EXECUTIVE SUMMARY
CALIFORNIA ARTS COUNCIL

"We knew that we needed better market information if we were going to be successful selling more Arts license plates and exceeding early expectations for local arts programming and education-funding success. Thus the need to conduct a business review of plate sales was identified and made a priority of the Marketing & Communications Officer. Armed with this critical data, a more thoughtful marketing plan is being developed."

What the Arts License Plate Program Means to the California Arts Council

Since 1976 the California Arts Council (CAC) has been a consistent funder of arts education in the state. Despite this major commitment to bring art into the lives of children who are at all socio-economic levels of our economy, arts programming in California has been hit harder than other public services. Yet the arts play a critical role in advancing cross-cultural understanding and in bolstering education, thus preparing a skilled workforce and developing our economy. It was because of this critical need that the CAC joined forces with ten Assembly and Senate members in 1992 to introduce AB 3632. Now citizens can make direct contributions to arts education in our schools and to communities by purchasing the Coastline license plate for their vehicles.

About the Market

> DMV has records on approximately 26 million registered vehicles, and there are four plate categories comprising 45 different plate types with various designs and color combinations. Of the seven graphic design specialty plates available through the DMV, Arts plate sales represent 24% of the total 101,387 plates in use (June 1996).

> This marriage of function and beauty returned to the California Arts Council, by June 1996, over \$650,000 in plate revenues for regranting through the State-Local Partnership and Local Arts Education Programs.

> Definition of primary target market:

Men, 25+, college graduates +, employed in executive, professional, and managerial positions most likely with entertainment-related or information-based companies. Interested in promoting a relationship with their cars and identification with status/success. Price is less of a concern than image.

Women, 35+, college graduates +, employed in executive, professional, and managerial positions, who are patrons of the arts, interested in supporting the arts, arts education, and/or community arts programs as well as having an attractive image on their license plates.

> Size of primary target market: 10 million

Sales Analysis

> Sequential and personalized plate sales are growing due to implementation of new plate programs.

> Personalized plates account for 54% of all original sales.

> Renewals continue to trend very strong (98% of total original purchases).

> In 1996, aggregate renewals accounted for 62% of fund revenues.

Specialty License Plates by Geographic Breakout

> Arts market is predominately Los Angeles, Orange, and San Diego (55% of total sales).

> Yosemite plate market is predominately northern California with significant sales in the San Francisco Bay area, Central Coast, Central Valley, and Gold Country regions (17,242 plates/48% of sales).

> Yosemite plate purchases in Los Angeles, Orange, and San Diego represent 37% of total sales.

> In general, the specialty plate market exists in the urban areas of the state where individuals are more concerned about image and status.

Buying Habits

> Existing and potential customers principally own high-end vehicles (sports car, sports utility, and luxury).

> 80% of recent market survey respondents indicated they would purchase the plate for an existing car, and only 10% for a new car.

> 45% of market survey respondents indicated they would purchase an additional license plate if they purchased another car, while 37% might, and 10% would not.

Chesapeake Tags Are Hot Plates

*136,000 Purchased
In First 5 Months*

Week Post 6-10-91
Associated Press

Maryland's "Treasure the Chesapeake" commemorative license plates are selling six times faster than expected and after five months have raised \$1.3 million for environmental projects, state motor vehicle officials said.

The amount raised so far is more than officials expected for the entire two years of the plate project.

The tags, depicting a great blue heron among stalks of marsh grass, cost at least \$20.

It was expected to take two years to sell 100,000 of the artistic plates when they went on sale Christmas Eve. Instead, it took four months to reach that figure. As of June 1, almost 136,000 had been sold.

"We have never experienced anywhere near the sales volume that we have with this plate," said W. Marshall Rickert, administrator of the state Motor Vehicle Administration.

Sales show no signs of slacking, particularly at motor vehicle offices in the affluent Washington suburbs and Annapolis. Figures show fewer are being sold in offices serving lower-income areas, such as Baltimore's Mondawmin office.

But Ellie Falk, of the governor's Chesapeake Bay Communications Office, said buyers are a diverse group. "We've seen these on all kinds of vehicles, from pickup trucks right down to yuppie Volvos," she said.

The tags were designed by Earle Palmer Brown Public Relations Inc. of Bethesda. Falk said the tranquil tidewater scene helps draw attention to the bay cleanup and to "restoring and preserving marshlands." But the state basically is in it for the money.

Half the \$20 fee goes to the Chesapeake Bay Trust, a nonprofit state foundation that hands out small grants for environmental efforts. The other \$10 goes to pay for the higher cost of printing the color artwork, motor vehicle officials say. Various custom bay plates, such as those ending with "BAY," cost more.

As Revenue Boosters, Plates Keep On Truckin'

Personalized license plates offer drivers the opportunity to display a wide variety of individual messages to their fellow travelers, such as "GR8MOM," "NUTBUS" or "IMLUVN."

Drivers can choose special license plates that raise money and show support for various causes. Colleges, professional sports teams, club membership or employment status also may be identified on license plates.

The trend toward more personal and unique plates continued in 1995; 33 states passed more than 80 special license plate bills.

So what new messages will we begin to see as we travel along our nation's highways?

In the spirit of the 1996 Olympic Games, states have been enacting legislation allowing commemorative plates. The sale of Olympic plates helps support the U.S. Olympic Committee and state athletic programs. In New Jersey, the Olympic plates cost \$50 in addition to the regular registration fees. After administrative expenses, the funds will be divided equally between the U.S. Olympic Committee and the Garden State Games, a sports festival for amateur athletes.

Plates designed to raise money for causes or projects bring in dollars for everything from the manatee to Chesapeake Bay to children's charities. In Massachusetts, "Preserve the Trust" plates have raised more than \$1 million for environmental projects.

License plates are an increasingly popular revenue source for states facing budget constraints. In fact, these efforts have become so successful that special plates are even receiving their own recognition.

The California Assembly went so far as to declare last June 23 as Yosemite License Plate Day. California set aside the day to recognize the

license plate as the greatest selling special plate in the history of the state. Since October 1993, sales raised more than \$1.2 million for preservation and conservation efforts in Yosemite National Park.

Assemblyman Richard Rainey, who introduced the Yosemite plate resolution, said that the plates brought in "money not otherwise available for special projects in the park."

Designs for special plates vary widely from state to state. The plates may display slogans, emblems or unique pictures. The Delaware General Assembly invited residents of the state to enter animal drawings in a contest to choose the design for new animal welfare plates.

License plates commemorating retirement proved to be popular this year. Retired Superior Court clerks in North Carolina gained approval for

their own plates. At least 11 states considered or added license plate programs for retirees or veterans of the armed forces including special recognition for recipients of the Purple Heart. Mississippi passed a bill that makes the spouse of a deceased retiree of the armed forces eligible for the same distinctive tag as the retiree.

Louisiana passed the most bills dealing with special plates. The Legislature decided to promote child safety, raise awareness of the black bear, recognize school teachers, and remember retired law officers and Marine Corps veterans. It also approved prestige plates for the Knights of Peter Claver and the Knights of Peter Claver Ladies Auxiliary. Unfortunately, fraternities and sororities lost out this year as the Legislature deleted a provision for their special plates.

HIV Testing of Pregnant Women Gets Go-Ahead

California is one of a number of states that has passed legislation requiring HIV counseling and encouraging voluntary testing of pregnant women.

The Golden State bill, sponsored by Senator Tim Leslie and signed into law in October, requires health care providers to offer HIV testing, risk assessment and counseling to every pregnant woman as part of her prenatal care.

Leslie proposed the legislation in response to recent studies showing HIV-positive preg-

nant women could cut by two-thirds their chances of transmitting the virus to their unborn children if AZT therapy is begun during pregnancy.

Similar legislation has been passed in Connecticut, New Jersey, Texas and Virginia.

In New York, Governor George Pataki has announced that the results of HIV tests given to newborns will be available to mothers. The "blind" state tests in which results were not made available to parents have been highly controversial.

SB

156

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 156

Revision Date: _____
Title: An Act relating to limitation on studded tires and on the use of certain studded tires:....
Sponsor: Senate Transportation
Requestor: S. TRAN

Department Affected: Administration
BRU: Motor Vehicles
Component: Driver Services
COMPONENT SERIAL NO. 0501

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 97) cost: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill does not impact the Division of Motor Vehicles.

Prepared by: Juanita M. Hensley
Division: Motor Vehicles

Phone: 465-2650
Date: 4/21/97

Approved by Commissioner: Mark Boyer
Agency: Department of Administration

Date: 4/21/97

DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 156

Revision Date: _____ Dept. Affected: DOT&PF
 Title: Studded Tires BRU: Commissioner's Office
 Component: Office of the Commissioner
 Sponsor: Senate Transportation By Request
 Requester: Senate Transportation COMPONENT SERIAL NO. 530

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

DOT&PF estimates significant savings in pavement resurfacing costs through mandated sales of lightweight studs. While not providing additional funding for the department, the legislation would all use of existing Federal Aid Highway funds for other purposes.

The legislation may also result in prolonged life of pavement marking materials which would allow more operating funds to be used for maintenance.

Prepared by: Sam Kito III Phone: 465-3900
 Division: Office of the Commissioner Date: 4/22/97
 Approved by: [Signature] Date: 4/22/97
 Agency: Department of Transportation and Public Facilities

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office



OPTIONS FOR REDUCING STUD-RELATED PAVEMENT WEAR

SEPTEMBER 1996

prepared by
The Alaska Department of Transportation and Public Facilities

1. Report No. AK - RD - 96 - 1		2. Government Accession No.		3. Recipient's Catalog No.	
4. Title and Subtitle Options for Reducing Stud-Related Pavement Wear				5. Report Date August 30, 1996	
				6. Performing Organization Code	
7. Author(s) David M. Sterley Tony D. Barter, Eric G. Johnson				8. Performing Organization Report No. AK - RD - 96 - 1	
9. Performing Organization Name and Address Headquarters Materials Alaska Department of Transportation & Public Facilities 5800 East Tudor Road, Anchorage, AK 99507-1225				10. Work Unit No. (TRAVIS)	
				11. Contract or Grant No.	
12. Sponsoring Agency Name and Address Alaska Department of Transportation & Public Facilities 3132 Channel Drive Juneau, Alaska 99802-5550				13. Type of Report and Period Covered	
				14. Sponsoring Agency Code	
15. Supplementary Notes Performed in cooperation with and funding from the Federal Highway Administration.					
16. Abstract This report summarizes the findings of a literature search, previous Alaska Department of Transportation & Public Facilities (DOT&PF) research, and a fact finding trip to Norway, Finland and Sweden to meet Scandinavian researchers to learn how they minimize pavement wear due to studded tires. The report includes findings: (1) Research shows that lightweight studs (studs that weigh less than 1.1 grams) provide approximately the same stopping protection as older, heavier studs and last just as long; (2) Requiring the use of lightweight studs can reduce pavement wear by up to 50 percent; (3) The use of stone mastic asphalt concrete mix, which contains a high percentage (70%) of coarse aggregate, can reduce pavement wear by 25 to 50 percent; (4) Using harder durable aggregate in the pavement mix resisted studded tire wear much better than aggregates found in local material sources. The harder aggregate as measured by the "Nordic Ball Mill Tester" can reduce studded tire wear by a factor of three to five. The results of "Nordic Ball Mill" testing correlate much better with stud related pavement wear than do traditional aggregate quality tests.					
17. Key Words Studded Tires, SMA, Stone Mastic Asphalt, Rutting, Aggregates				18. Distribution Statement	
19. Security Classif. (of this report) Unclassified		20. Security Classif. (of this page) Unclassified		21. No. of Pages 37	22. Price

Options for Reducing Stud-Related Pavement Wear

September 12, 1996

prepared by
The Alaska Department of
Transportation & Public Facilities

DISCLAIMER

The contents of this report reflect the view of the authors, who are responsible for the facts and accuracy of the data presented herein. The document is disseminated through the Transportation Research Center, Institute of Northern Engineering, University of Alaska Fairbanks, under the sponsorship of the Alaska Cooperative Transportation and Public Facilities Research Program (CTPRP). This program is funded by the Alaska Department of Transportation and Public Facilities (AKDOTPF) and the Federal Highway Administration (FHWA). The contents do not necessarily reflect the view or policies of the AKDOTPF, the FHWA, or any local sponsor. This report does not constitute a standard, specification or regulation.

CONTENTS

EXECUTIVE SUMMARY	1
ISSUE STATEMENT	3
STUDED TIRE USE & HIGHWAY SAFETY	5
Socioeconomic Costs of Studded Tire Use	
Regulation vs. Banning	
Comparative Safety of Winter Tire Options	
DYNAMICS OF STUD-RELATED ROAD WEAR	11
Speed as a Factor in Pavement Wear	
Stud Weight as a Factor in Pavement Wear	
Other Factors in Pavement Wear	
WEAR-RESISTANT PAVEMENT TECHNOLOGIES	18
DOT&PF ACTIVITIES	21
CONCLUSION	23
ATTACHMENT	
"More Durable Than One Would Expect: Studs in a 50,000 km Driving Test"	

Prepared by Tony Barter, P.E., and Eric Johnson, P.E.,
Alaska Department of Transportation & Public Facilities

EXECUTIVE SUMMARY

The purpose of this paper is to present specific information regarding the state's options for reducing stud-related road wear.

The Alaska Department of Transportation & Public Facilities has reviewed current technical and scientific materials, and reached the following conclusions:

- Alaska spends \$5 million annually to repair stud-related pavement damage.
- The majority of "rutting" on high-volume roads is caused by studded tires on passenger vehicles rather than heavy trucks.
- Twenty percent of Alaskan pavement wear is caused by a small number of vehicles (3 to 6 percent) that continue to use studs during the summer. These vehicles are directly responsible for \$1 million per year in pavement rehabilitation projects.
- Lightweight studs (≤ 1.1 grams) can reduce pavement wear by 50 percent, compared with conventional studs (≥ 1.9 grams).
- Remaining pavement wear can be reduced an additional 30 percent with wear-resistant Stone Mastic Asphalt (SMA) using high-quality aggregates.
- Lightweight studs and conventional studs offer virtually identical handling characteristics and stopping distances. Both lightweight and conventional studs use the same tungsten carbide pin for traction.
- There is no difference in retail cost between conventional and lightweight studs, and both stud types offer a service life of three to four winters.
- The mountainous terrain typical of Juneau and Anchorage provides a strong reason to continue allowing the use of studded tires.

Recommendations:

The Alaska Department of Transportation & Public Facilities (DOT&PF) will continue to work in partnership with the driving public and tire retailers to encourage voluntary compliance with existing stud regulations. This can be accomplished, in part, through public information campaigns, direct contacts with tire retailers, and presentations of technical information already initiated by the Department. In addition, the DOT&PF will continue ongoing efforts to locate deposits of wear-resistant aggregate rock, continue to test new wear-resistant paving mixes, and continue to work in partnership with contractors and suppliers to develop cost-effective pavement improvements.

The Department further recommends that consideration be given to mandating the use of lightweight studs (≤ 1.1 grams) for passenger vehicles. Lightweight studs are capable of cutting annual pavement repair costs by 50 percent, offering a cost-effective method for significantly reducing stud-related road wear.

Subsequent mandates could include measures to:

- control stud quality at the retail level,
- limit the number of studs per tire,
- require that the number of studs per tire not vary by more than 25 percent on a given vehicle,
- encourage mandated use of studded tires on more than one axle,
- shorten the season for studded tire use.

ISSUE STATEMENT

Many drivers use studded tires as an aid to winter driving because studs are associated with improved traction and safety when pavement surfaces are icy or slippery. While a variety of Alaskan and international studies have demonstrated that traction on ice or snow can be improved with studs, an analysis of Alaskan winter driving conditions shows that primary roads are covered by snow or ice approximately 5 percent of the time. During the remaining 95 percent of the "studded tire season" pavements are bare and/or dry.

Drivers also feel that studded tires provide an increase in winter-driving mobility, and an associated decrease in travel times. However, these are matters of perception and convenience, rather than safety. In fact, by providing a feeling of heightened safety, studded tires may actually encourage dangerous driving behaviors. A Finnish study¹ placed video cameras in vehicles to monitor driver performance. The study found that drivers without studs drive more carefully than those with studs.

On the other hand, Alaska spends \$5 million a year to repair ruts caused by studded tire use. State studies indicate that approximately 20 percent of the rutting and \$1 million in annual road damage is caused by vehicles that continue to use studs throughout the summer. Approximately 3 to 6 percent of all Alaskan vehicles use studded tires during the summer.

Alaskan pavement wear rates average 0.13 inches per million studded-tire passes (approximately 22 tons of lost road materials per million passes). To put it another way: if 250,000 cars with conventional studs on all four tires pass over a single mile of road, the studs will tear up enough pavement to fill a large dump

¹ "Effects of Studded and Unstudded Winter Tyres on Driver Behavior," Tapani Mäkinen, Technical Research Centre of Finland, findings summarized in FinnContact, published by Finnish Highway Transportation Technology Transfer Center, September 1995; Vol. 3, no. 3, p. 3.

truck. This per-mile pavement loss applies to each lane of a road; figures should be doubled for two-lane roads, quadrupled for four-lane routes, etc.

While this is a severe problem, the situation in Scandinavia was at least as serious when those nations began to address the problem of stud-related pavement wear. Studs were introduced to Scandinavia in the 1970s, and prior to studying the problem, Norway's road surfaces were lasting for approximately 8 months before ruts had to be repaired.

However, following a \$30-million, multi-year program of intensive study, the Scandinavian nations have developed a set of preventive measures with proven success. Now heavily trafficked roads in Scandinavia that are 4 to 5 years old show pavement wear comparable to heavily trafficked Alaskan roads after just one year.

By taking steps to reduce the loss of road surface, Alaska could also reduce the quantity of airborne asphalt particulates, and reduce construction detours and/or delays on heavily traveled roadways.

STUDED TIRE USE AND HIGHWAY SAFETY

Given the state's limited resources, administrators must concentrate expenditures on the highway projects that offer the highest yield in terms of public safety. At present, excessive funds are being used to repair stud-induced road wear, with the consequence that the state cannot afford other improvements throughout the highway system.

When studded tires were introduced, they were undoubtedly the most effective winter-driving aid. However, other innovations have dramatically increased winter driving safety, including:

- ABS (anti-lock braking systems),
- radial all-season tires,
- increased availability of all-wheel-drive vehicles, and
- increased availability of front-wheel (vs. rear-wheel-drive) vehicles.
- aggressive maintenance programs
- chemical de-icing
- siped tires
- blizzak tires
- early storm detection

Socioeconomic Costs of Studded Tire Use

On one side of the equation, studded tires provide the driving public with a valued safety measure and increased mobility. On the other hand, road damage results in ongoing state expense, an increase in airborne particulates, a decrease in the effective service life of traffic markings, and undesirable driving conditions.

Deep pavement ruts are among the most visible signs of road wear produced by studded tires. Pavement ruts can result in:

- hydroplaning, which occurs primarily at higher speeds, when the tires "float" on water trapped in the ruts; as a result, tires lose contact with the pavement surface, reducing the driver's braking ability and steering control,
- "channeling" of the tires, which can cause the driver to lose steering control when making lane changes,
- poor visibility, due to splash and spray from water accumulated in the ruts,
- increased costs to vehicle maintenance.

Despite the abundance of motorist complaints and anecdotal information regarding these problems, there is very little quantified evidence regarding decreased road safety due to ruts.

Furthermore, there is widespread scientific disagreement regarding the overall effectiveness of studded tires as a safety measure, due to the sheer number and complexity of variables that are usually involved in road accidents. There is some evidence of an *increase* in accidents due to a studded tire ban, unless the ban is accompanied by a comprehensive, high-intensity road maintenance program. For more information, see the graphic on page 8.

During the first year that the Studded Tire Dust Reduction Law was implemented in Japan, skidding accidents increased by 150 percent, and injuries and fatalities increased; statistics leveled off after the first year.

Statistical data also shows that the *severity* of accidents is reduced by the use of studded tires.² However, overall traffic safety may be reduced as a direct result of Alaskan motorists' faith in studded tires as a safety measure. Motorist overconfidence can lead to dangerous driving behaviors according to a 1995 study conducted by the Finnish Road Administration (FinnRa). This study indicated that the leading cause of accidents on ice was the driver's loss of directional

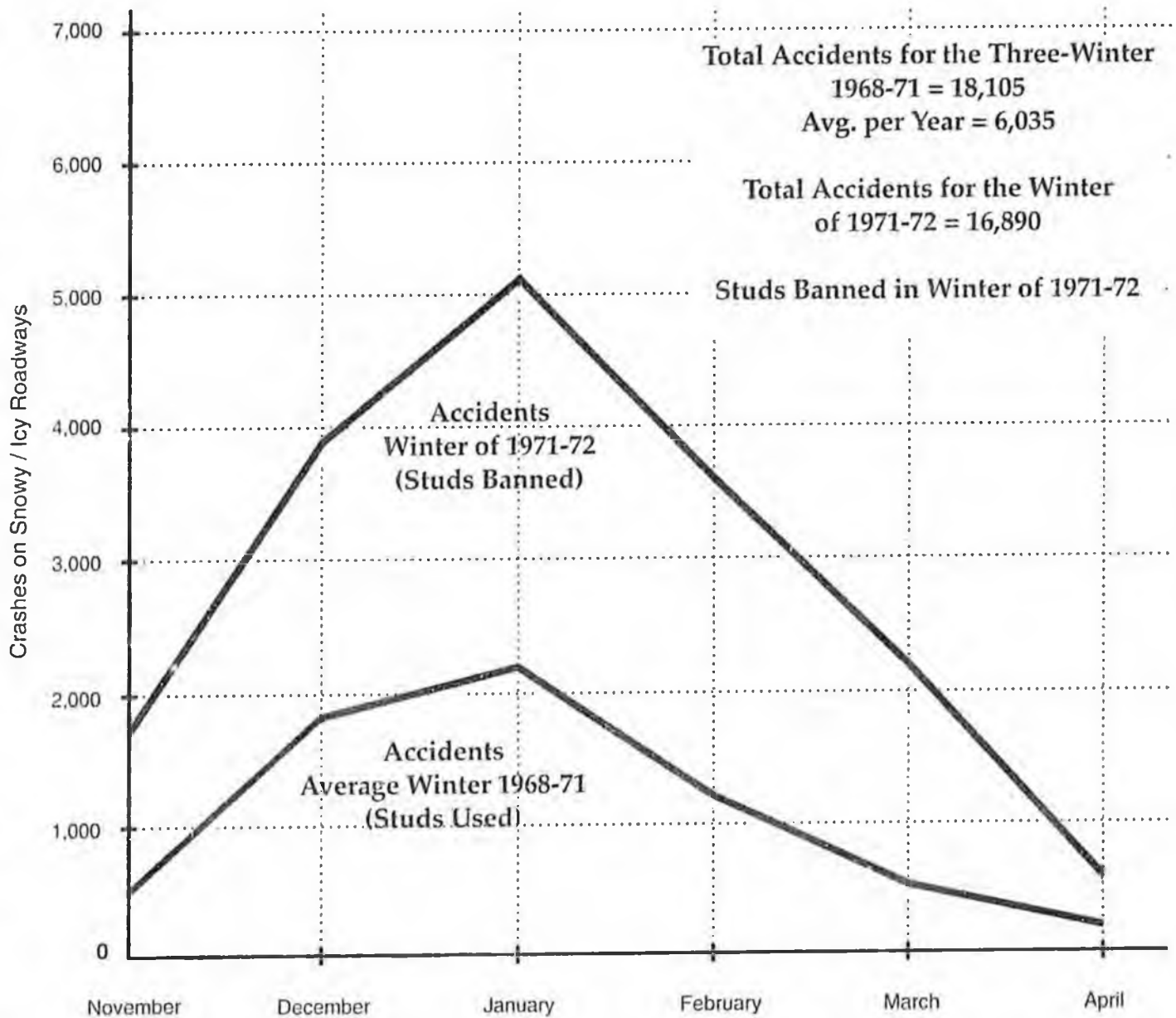
² "Influence of Regulation of Studded Tire Use in Hokkaido, Japan," N. Konagai, M. Asano, N. Horita, Transportation Research Board, Highway Research Record N1387, 1993.

control, *not* lack of stopping ability. In other words, motorists were driving too fast for the road conditions.

Swedish studies have also determined that steering ability decreases, and the risk of violent skidding increases, when only tires on one axle are studded.³ In Scandinavia, studs are required on all four wheels to enhance directional control.

³ Study synopsis by Olle Nordström, Swedish Road and Transport Research Institute, September 1995.

Accidents on Snowy/Icy Minnesota Roadways for the Three-Winters of 1968-71 and the Winter of 1971-72



Regulation vs. Banning

In 1995, Oregon passed a law promoting the use of lightweight studs (studs weighing less than 1.5 grams).

As of September 1995, all types of tire studs are banned in:

California	Louisiana	Wisconsin**
Florida	Minnesota**	
Hawaii	Mississippi	**limited use by out-of-state motorists is permitted
Illinois	Texas	

There are no prohibitions or restrictions on the use of studded tires in:

Alabama	Nevada	South Dakota
Colorado	New Hampshire	Tennessee
Georgia	New Mexico	Vermont
Kentucky	North Carolina	Wyoming
Missouri	South Carolina	

In Alaska, the condition of road surfaces and the extremity of terrain are key factors in the decision to regulate or ban the use of studded tires. Because studs offer improved traction on ice, continued use of studs must receive serious consideration, especially in areas with mountainous terrain and high population density such as Juneau and Anchorage.

It has been demonstrated that banning studs and going to an all-season radial results in the polishing of highway ice, while studded tires roughen the surface and improve traction for all vehicles. Alaska does not use chemicals to implement its "clear pavement" policy, with the exception of limited use in Southeast Alaska. Instead we plow snow accumulations of 2 inches or more, and rely on traffic to cut through icy layers, thereby reducing the burden on the state's maintenance program. Roads are sanded as slippery conditions develop. If studded tires are prohibited without a complete change in maintenance activities, a significant increase in accidents can be anticipated.