

**Governor's Aviation Advisory Board  
October 10, 2003  
Summary Minutes**

Board Members

Paul Landis  
Ken Lythgoe  
Richard Wien  
Mike Salazar  
Jim Dodson  
Bob Jacobsen  
Felix Maquire  
Dan Klaes  
Bill Fowler

Attendees

Mike Barton, DOT  
Kip Knudson, DOT  
Andrew Niemic, DOT  
Walt Sheridan, DOT  
Carl Siebe, DOT  
Jesse VanderZanden, FIA  
Jim Fiorenzi, FIA  
Byron Huffman, FAA  
Frank Richards, DOT  
Mort Plumb, ANC  
Christine Klein, ANC  
Chris Birch, ANC  
Tom George, AOPA  
Steve Pavish, AACA  
Betty Habza, DOT

Wilbur O'Brien was not able to attend

11:00 am: Welcome by Chair  
Introductions  
Minutes Approved

Commissioner: Gave a summary of his negotiations with the Navy on the proposal for the state to operate Adak. He noted that plans were being laid to centralize rural airport leasing. He mentioned that the state is working up a plan to improve community involvement in state management of airports. Finally, he reminded the Board that when considering proposals to restructure airport management, what goes into the Legislature does not necessarily come out the same way in passed legislation.

Chair: Began discussion on the department's working paper on airport governance. May need two more meetings to complete recommendation on airport governance structures.

Lythgoe: Would like to see any conclusions withdrawn from the working paper at this point.

Chair: Asked that those conclusions be removed.

Jacobsen: Referred to Page 12 and thought that an authority should result in an organization that understands the very complex aviation industry.

Dodson: Felt that the paper offered a smorgasbord of alternatives.

Byron Huffman: Commended the deliberative process of the board on governance topic. He provided an example of a regional authority taken from northern Arkansas.

He stated that generally, his peers in the FAA feel that governance structures more insulated from politics work better.

Chair: Began discussion on “problems” with existing structure.

Landis: Polled signatory carriers. Found consensus that the state-run structure does not produce the best business decisions. For example, the Revenue Department makes decisions on bond sales that may not make allowances for the specifics of the aviation industry. It is also understandable that DoT can be distracted by highways and marine highway issues. The procurement process appears to be flawed, and finally, leasing is not conducive to business.

Klaes: Existing system does a poor job of working with local communities. Lack of consistency between tenants on the same airport. Construction plans are announced to communities, not planned with them.

Dodson: The state has no central advocate for the aviation program, unlike marine highways and highways. Feels that state has an important role in running airports. The fact that some communities want to run airports in order to limit access is troubling. The financial loss experienced in the rural system is tolerable, and the profitable international system wouldn't exist without the rural airports feeding traffic to them. The international system is not too big for the state to run, but it is too big for politics.

Salazar: AIAS is not independent from the rural system – it only succeeds due to its connection to the rural system.

Jacobsen: Governance of AIAS is a 20 year issue – it would be nice to document progress and success so that we can move on. JNU is a hub similar to ANC/FAI and succeeds because of its connection to the region. Politics has much to do with an airport's success. Airport governance should not be dictated by money. For example, JNU has similar passenger activity level as FAI, yet has operated subsidy-free for 20 years.

Maguire: GA is paying more as of 10/10/03 due to new tie-down program. Alaska users have been blessed with low user fees. Minimal fees should be expected. Tanana Valley planning effort seems to be pushing consolidation of airports in close proximity. Economically it takes 7,000 people to support an airport. Money losing operations shouldn't necessarily be shut down. Alaska Aviation Coordination Council has advocated for a minimum airport length of 3,300 feet.

Klaes: Rural airport fees – flow fee, lease fee, concession fee, equate to \$1,400 for three float planes in BTT.

Dodson: Need a chart of fees and a history of those fees. Also, where those fees are credited.

Pavish: Gave a summary of the aviation fuel tax beginning in 1972.

Jacobsen: Board can serve as the historical reference. No single organization has complete history.

Lythgoe: Pre-statehood, communities built their own airports when needed. What is the state responsibility in airports? One option would be to require 50% funding of M&O, with a phase out of state participation over 10 years. Community then has ownership in level of service provided. Suggests that security, safety and development are the criteria for state participation.

Maguire: Village of 100 is too small to support 50% of M&O. Perhaps native corporations could be participants.

Lythgoe: We need to define where and when support should be given.

Landis: Essential Air Service program recently included a 20% match requirement.

Chair: Reiterated that the AIAS is underwritten by the cargo operators. Big carriers want the purest form of an authority. An authority subject to state budget process, procurement rules, etc. is doomed. On the issue of fees, 100 LL cost and availability need to be considered.

Landis: Gave an overview of the governance structure of the Kenai Municipal. An airport advisory board guides the municipal assembly, and a land bank and land trust fund help stabilize airport funding.

Jacobsen: Gave an overview of the structure in Juneau. The Airport Commission acts on behalf of the assembly, and this arrangement is preferable to a line department. Juneau has had to raise fees to cover costs and those fees are now the highest in the State.

Lundeby: Gave an overview of Merrill Field. The airport is a line department of the Municipality, but all revenue is segregated from the general fund. Governing board and airport manager serve at the pleasure of the Mayor. Leases must be approved by the assembly.

Salazar: Gave an overview of the Ketchikan lease arrangement with the state.

Knudson: Provided a summary of airport insurance conversation with state's risk management section and was asked to provide members with statute outlining state's inability to underwrite other airport sponsors.

George: Provided the Aircraft Owners and Pilots Association perspective on airport governance. Most users don't know who owns and operates the airports they use. He conducted some informal research on Soldotna, Palmer, Wasilla and Nenana. Palmer

is a break-even operation, but the city's fire chief also serves as airport manager, the airport has a large land-base, and is near a very large population. Nenana generates about \$2,000 of income, with the remainder of operations subsidized by the river port.

The state brings expertise to airport management that local communities cannot provide.

Pavish: On airport insurance, another option would be to create a pool.

He then gave an overview of the decade long process to rewrite rural and international regulations. The rewrite began in the early 80's, and the international regulations were promulgated in 2001 and the rural language was effective in 2002. Two objectives in the rewrite: update language created in the 1959, and facilitate uniform application of leasing practices.

Despite improved regulations, lack of consistency will occur due to current organization.

Chair: Were HB543 provisions addressed by new regulations?

Pavish: Yes, although some refinement is required in the international language. That item, plus setting insurance requirements in regulation, and addressing an AACA appeal were still outstanding items that DoT needs to address.

Knudson: Pledged concrete action on the AACA appeal before mid-November, and before December 1 on the remaining two regulatory actions requested by AACA.

Chair: Suggested we begin the evaluation process.

Dodson: Wants to start with ownership, rather than governance. Suggests that a meeting in JNU during the legislative session would be effective.

Also requests a summary of local sponsor and state fees, as well as other data such as community size, revenues and expenses.

Chair: Need to focus on why we would be making a change, especially considering that the "fix" may cost more money.

The Board needs to be unified on a position, and then possibly become a lobbying group.

Dodson: Operating deficits for highways, according to the Commissioner, is \$30 million, \$40 million for marine highways, and \$15 million for aviation. What is the problem we are addressing?

Also wants a breakdown of AIAS cost centers.

Salazar: Feels that discussion of governance structures should also directly address insurance.

Maguire: If the board does not endorse an authority, then a clear explanation should be given.

Pavish: Reiterates that governance and finance are two unique topics.

Also emphasizes that limited hours of operation are not the norm.

Chair: It is agreed that the board wants to be proactive, not reactive, on governance policy. Need to come to conclusion about Cowdery bill at next meeting.

Commissioner: Board members need to examine the legislative carefully, and understand that what goes in does not always come out. Also, emphasized that there is a clear comparison between the department, which optimizes transportation resources, and an authority, which maximizes resources for that transportation facility.

Chair: If there is to be an authority for Anchorage, he believes that FAI would want to be a part of it, otherwise its operation would have to come out of the general fund like the other State-run airports.

Lythgoe: Has not heard anyone discuss authorities for ANC and FAI separately.

Chair: ENA, KTN and JNU might want to weigh in on joining an authority.

Jacobsen: JNU historically took control of its airport to maximize access to the capitol. He would like to see fees brought more in line with the state fee structure. JNU is a tightly run airport, and the enabled commission might be a useful structure for state-run airports.

Chair: Centralizing leasing should address most of the leasing problems. Need to bear in mind the Governor has expressed his concern about the State's ability to run a large operation such as the Anchorage and Fairbanks airports. Airlines are accustomed to dealing with authorities, but are not in favor of them unless they are in pure form that is not subject to political pressure and influence and operate as non-State entities.

Next Meeting: November 24 in Anchorage. To be confirmed.

Meeting Adjourned 5:00 pm.