

**Governor's Aviation Advisory Board
November 24, 2003
Summary Minutes**

Board Members

Jim Dodson
Bill Fowler
Bob Jacobsen
Paul Landis
Ken Lythgoe
Wilbur O'Brien
Mike Salazar
Richard Wien

Attendees

Kip Knudson, DOT
Andrew Niemic, DOT
Walt Sheridan, DOT
Carl Siebe, DOT
Jesse VanderZanden, FIA
Frank Richards, DOT
Mort Plumb, ANC
Chris Birch, ANC
Tom George, AOPA
Mike Kean, AEDC
Larry Crawford, AEDC
Rebecca Hultberg, Governor's
Office (teleconference)

Felix Maguire and Dan Klaes were not able to attend

10:30 am: Welcome by Chair

Introductions

Minutes Approved with one correction on Page 3. Landis clarified that Congress had debated including a 20% match requirement in the Essential Air Service program, but that provision was not included in the approved legislation.

Knudson: Relayed that the Commissioner was unable to attend the meeting due to illness. Summarized discussions with the FAA regarding the continued funding of the contract tower at King Salmon. The Galena School District is currently working with the Denali Commission to provide training to DoT's rural airport contractors. The next Aviation Project Evaluation Board meeting will be held in ANC on 12/8 and 9. A brief summary of the Adak negotiations with the Navy was also provided.

Sheridan: Included in the working paper all the comments provided during the 10/10 meeting regarding challenges faced by the existing system, and did not necessarily combine like points. The Chair's list of alternatives were included beginning on page 10.

Jacobsen: Suggested that a fifth alternative allowing communities to assume control of their airport be added.

Dodson: That alternative should be added if a board member clearly advocated for it, otherwise, limit the options to the four outlined by the Chair. Specifically on that alternative, community control must be exercised under access guidelines accepted by the aviation community.

Salazar: Urged staff to include local sponsor information on the Part 139 comparison worksheet. Public agencies should be urged to locate on airport land to free up other community land for taxable uses.

Lythgoe: Local control should be addressed by the Board. The interest in local control continues to be driven by funding issues. Changes to existing governance model must be made. Aviation Division should be re-created. Business development at the AIAS is hampered by bureaucracy. One individual needs to be responsible for aviation issues.

Chair: Asked that members continue this discussion, providing their opinion on the existing governance structure.

Fowler: A slide in service has occurred over the last 25 years. A new structure needs to guard against wasteful duplication. A new structure needs to develop missions unique to the various types of airports in the system.

Dodson: Aviation does not currently have an advocate. Current benefits from the aviation system outweigh the costs. System needs a clear mission to direct policy and actions.

Salazar: Bureaucratic impediments are exemplified by local sponsors not being able to participate in the state's purchase of liability insurance for airports operations.

Jacobsen: Supports an authority approach. In the long-term, alternative 3C is preferred, with alternative 4 a good transitional approach.

O'Brien: Prefers alternative 3C, and perhaps alternative 4. Best to keep the solution simple with the least amount of bureaucracy.

Landis: Use root-cause analysis to determine action. A flaw in the current governance system is indicated by the ability of unsatisfied parties appealing to the Governor and Legislature. Would an authority structure solve that flaw? Signatory carriers want a structure that eliminates the political influence.

Chair: Alternatives 3C and 4 are the groups' general consensus? Special attention needs to be paid to M&O operations at rural airports – current joint use of personnel for highways and aviation is a benefit. Alternative 3C requires close attention to the details. Alternative 4 uses a commission to vet policy decisions of Department.

Crawford: AIAS competes with international airports, and needs ability to respond quickly to business concerns. Example of Municipality of Anchorage's first offer to sell

ATU at \$500 million. That offer was passed on and the next time an offer was made, the price had dropped to \$250 million. The rural airports may be appropriate for DoT to manage. An authority for all airports would dilute the focus. DoT has closer links to the rural system.

Chair: Commented we cannot forget in our deliberations, that although the AIAS system's focus is mostly on the global marketplace, it also plays a major role as commerce and transportation centers for the State rural areas. They are part of a State wide system along with many other key distribution airports.

Lythgoe: Moving all airports into an authority doesn't solve existing challenges. Three types of airports exist in the current system – international, Part 139, and rurals. Perhaps later some of the Part 139's could be included in the authority.

Fowler: Concurrs that revenue generating airports function more like enterprises.

Crawford: Also concerned that including all airports in an authority may create a political barrier.

Chair: Have to keep focus on entire system. The large carriers currently underwriting a large part of AIAS have to be satisfied with any change. Are Hawaiian airports competing with one another? AEDC and FEDC's missions are to maximize economic investment. System needs to be designed to respond to future changes in the aviation business model. Finally, rural system is critical to the mission of ANC and FAI.

Salazar: No decision should be supported that would increase a general fund subsidy to any airport.

Jacobsen: May not be interested in a position that advocates change only for ANC and FAI.

Crawford: Clarifies that AEDC advocates an incremental approach to including all airports in an authority.

Landis: Need to keep AIAS and the rural system working together.

Jacobsen: A new authority might be able to work through this integration with the rural system.

Lythgoe: Any proposal moving all airports into an authority will fail.

Niemiec: An aviation division within DoT has worked in the past and would work in the future, but some duplication would occur.

Jacobsen: Juneau's rate structure is affecting service levels.

Chair: High rate structures such as at Juneau, and the effect it may have on service to rural areas, may get the attention of the Legislature.

Knudson: Provided an overview of the research requested by the Board.

Lythgoe: Remains concerned about including all airports into one authority.

Chair: Reminds members that the commissioner currently has the ability to coordinate three modes of transportation, and that by removing one mode entirely would limit his effectiveness. This concept was discussed and conceded during the transition process. Proposing a solution without addressing the rural system will not work.

Dodson: Moved the board take a position supporting the creation of an authority to run the Anchorage and Fairbanks airports, and the authority will be responsible to study how all the other airports are run. After much discussion, the motion was modified to; "The board adopts a statement of position supporting an Authority to operate the Anchorage and Fairbanks airports, and that the advisory board continues to study and come forth with a recommended plan on how all the other airports are operated and managed".

Jacobsen: Seconded the motion.

Landis: Important to emphasize that a draft statement of position should be reviewed by each members constituency before final adoption.

Chair: Reminded members that previous authority discussions had been ended by resistance mounted by air carriers and other aviation organizations, and concurred with the review requirement.

Salazar: Noted that this statement of position will have to clearly outline the amount of services currently being provided to the AIAS by the DoT/PF.

Motion was adopted unanimously.

Chair: Staff needs to find a date in January for Board to present statement of position to the Governor in Juneau.

It was agreed by the board that its support of an Authority for Anchorage and Fairbanks is contingent on it having the following powers:

Hire and supervise the managers;

Control labor relations and contracts to the extent state law allows;

Establish operating and capital budgets outside the Executive Budget Act;

Sell revenue bonds;

Exercise eminent domain;

Have independent procurement policy; and,

Have police powers.

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with sole authority of Board, independent of the Legislature*

The authority will be comprised of a seven member board, composed of a minimum of two representatives from Anchorage, and two from Fairbanks. It will also have a minimum of one representative from a location outside of Anchorage and Fairbanks. The rest will be at large. Members are appointed by the Governor and can be removed for cause, but otherwise are not replaced except when terms are expired. The terms would be staggered so as to keep a level of continuity.

} 4 yr terms staggered

It was agreed the boards statement of position regarding further study of the rural airports, will include consideration of the following:

Airport operators and tenants insurance;

Leasing;

Funding;

Rates charged;

Community input and control; and,

Guidelines for evaluating the merits of local sponsorships.

Chair: Commented that although he voted for the motion on the statement of position for the authority concept, he expressed concern over the ability to get the Legislature to agree to the necessary elements of the authority for ANC/FAI. If the caveats are not part of an authority bill, the only option may be Option Four. The chair also commented that after each member has time to further consider their position on the authority, the board should formalize the statement of position and the plan of implementation during the next meeting.

Next Meeting: December 17 in Anchorage.

Meeting Adjourned 5:00 pm.