Ted Stevens
Anchorage
International Airport

TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT

Anchorage, Alaska

Airline Competition Plan
2003

January 2003

INTRODUCTION

The Ted Stevens Anchorage International Airport (the Airport) is owned by the State of Alaska and is operated as a financially self-sufficient enterprise of the Department of Transportation and Public Facilities (DOT&PF). The Airport serves as the primary air transportation hub for the State of Alaska. In terms of all-cargo air freighter traffic, the Airport is the 4th largest cargo airport in the world in terms of tonnage and the 2nd largest cargo airport in North America, in terms of cargo traffic. The Airport is also the primary passenger airport for both domestic and international flights serving Alaska.

Because Alaska Airlines carried in excess of 50 percent of the passenger enplaning at Anchorage during the most recent reporting year, the Airport is obligated to prepare and present a Competition Plan to the Secretary of Transportation as a condition of receiving Airport Improvement Program (AIP) grants from the Federal Aviation Administration or authorization to levy new or increased Passenger Facility Charges (PFCs).

The Airport is classified as a medium hub passenger airport and a large hub cargo airport. It is unusual in that nearly 80% of landing and fuel flowage fee revenues are generated from the cargo market segment.

The Airport's location also makes it unique. There are no competing medium or large hub airports within 1500 miles. In addition, only two percent of Alaska is accessible by roads. Alaskans also tend to have an unusually high propensity for air travel, given that Alaska has one of the highest levels of income per capita in the nation, there is low accessibility to travel by other modes of transportation, and the distance to even the nearest large centers of population and commerce is measured in thousands of miles. Consequently, the entire state is highly dependent on air transportation to move both cargo and passenger.

Passenger demand and service at the Airport is also characterized by a high degree of seasonality. Summer tourism is the largest generator of passenger traffic at the Airport-- over 55% of the annual passenger traffic is generated during a four-month period.

Air service at the Airport has been expanding as new destinations and competitive services increase. In 2000 and 2001, the Airport negotiated a new,

pro-competitive Alaska International Airports System Airline Operating Agreement and Terminal Lease (AOA), effective October 1, 2001 through June 30, 2006. A copy is attached as the first item in the Appendix to this plan. Both the State of Alaska's public service concern to ensure open, competitive access to new entrant carriers and its recognition of the importance of this issue on the federal level were prominent drivers in negotiations for the AOA. As noted in AOA Section 4.01, DOT&PF Terminal Management Policy:

> DOT&PF's policy and obligation is to manage Airport System terminals so as to serve the traveling public, maximize efficient utilization of space and facilities, and facilitate the transportation of passengers and goods, while optimizing competitive opportunities for airlines and retaining the ability to accommodate both new entrant airlines and periodic service expansions and contractions by incumbent airlines . . . .

Accordingly, the State took pains to reserve to itself effective powers to deal with constraints in the supply of gates and other terminal facilities to continue and increase its flexibility in finding successful solutions to airline space requests. The State of Alaska and the Airport continually strive to attract new domestic and international air services.

This competition plan sets forth features of the AOA that ensure competitive access. It also describes the Airport's commitment to specific actions the Airport now takes or is in the process of implementing in its on-going efforts to increase competition. For example, to ensure effective implementation of gate use and access provisions of the AOA, the Airport is beginning to use its newly-installed Multi-Use Flight Information Display System (MUFIDS) to more closely monitor gate utilization. The Airport will also develop new avenues for communicating facility information to new and existing carriers through the Airport web site. In the near future, the Airport will have even greater ability to implement a common-use philosophy as expanded passenger terminal facilities and additional gates are completed. Finally, the Airport is committed to better facilitate access to its facilities through more formalized procedures for new entrant airline and incumbent airline access review, by developing a new Tenant/Carrier Handbook and by creation of a Competitive Access Team to ensure all carriers competitive access to the Airport.

AVAILABILITY AND UTILIZATION OF GATES AND RELATED FACILITIES

SECTION 1

A. Number of gates available at the airport by lease arrangement, i.e., exclusive, preferential, or common-use.

Currently, the Airport has a total of 26 gates and 13 Remote Over Night (RON) parking positions. None of these gates or RON parking positions is exclusively leased to any airline. The RON parking positions are all common use. Just over two-thirds of the gates are preferentially leased under terms that allow for new-entrant access. Just under one-third of the gates are in common use, referred to as "Airport Administered" under the AOA.

A new Concourse C is expected to open in May 2004 and will add nine domestic gates raising the total number of gates to 35. The table below reflects that, as of 2004, the gate mix will shift to more than 40% Airport Administered (nine gates) and less than 60% preferential (20 gates). In 2005 Delta Airlines is scheduled to relocate from the North Terminal to the South Terminal and gates N1 and N3 will be converted to Domestic Airport Administered gates. That relocation will change the designation of specific gates, but will not reduce the mix or number of Airport Administered gates available to new entrant airlines.

There are six ground-loading gates (A5, A6, A14, A15, L1, & L2) included in the total number of gates.

See Table 1.1 for a summary of gates and remote over night parking positions.

TABLE 1.1 - GATE AND RON PARKING SUMMARY

Year	Domestic Preferential	Domestic Airport Administered	International Airport Administered	Remote Over Night (RON)
2001-2003	18 a) b)	2 c)	6	13 d)
2004	20 a) b)	9 c)	6	13 d)
2005	20 a)	9 b) c)	6	13 d)

a) Gates A14, A15, L1, L2 are ground loading gates.
b) Includes north terminal gates N1 and N3.
c) Gates A5 and A6 are ground loading gates.
d) RON positions R1A through R6A overlay RON positions R2 through R4 and are not counted in the total.

The AOA Exhibit I provides the number and type of gates for the years 2001-2003, 2004 and 2005.

B. Diagram of airport's concourses.

AOA Exhibit I shows the layout of the terminal gates and RON parking positions. AOA Exhibit K shows the interior layout of the terminal buildings.

C. Samples of gate use monitoring charts, along with a description of how the charts are derived and how they are used by the airport.

The Airport recognizes that effective gate use monitoring is essential to successful implementation of gate use and access provisions of the AOA to identify and make available gates for airlines requesting access to the Airport. The Airport also recognizes that maximum utilization will become even more important as conditions become more congested each year during summer months.

The Airport has recently developed a much greater capacity for complete and timely gate utilization analysis. The Airport has routinely obtained air carrier flight and gate schedule information in the past. The AOA continues the requirement that AOA Signatory carriers keep the Airport apprised of their gate schedules. See AOA Section 5.04.A. Now, the Airport's new Multi-Use Flight Information Display System (MUFIDS) also routinely captures day-by-day information. In addition to scheduled activity, the MUFIDS record includes updated data fed by the carriers and real-time flight information originally collected directly from the FAA's flight tracking system. New software will soon enable the Airport to manipulate the MUFIDS data to present more sophisticated gate use reports.

The Airport makes use of gate-use data in two ways relevant to competitive access. First, the Airport uses that data for identifying space to fill specific requests as they arise. Although the relative infrequency of requests for new facility access does not, at present, justify daily analysis of this data, the Airport has substantially all the information necessary for immediate gate analysis without having to request new information from the carriers. The Airport could shift to regular analysis at any time justified by demand for new entrant or expanded service access.

Second, the Airport will use its gate-use data for determining which gates are subject to recapture under Section 4.04 of the AOA, discussed in detail under paragraph **H** of this Section **1**.

Examples of gate use schedule charts and MUFIDS-generated reports for each terminal are included in Appendix I. The Airport analyzes the charts to identify times when Airport Administered gates are available to accommodate new entrants or expanded service or, if necessary, which preferentially leased gate should be made available by the Airport under procedures spelled out in the AOA. The information is, of course, also available for direct review by any requesting carrier.

Importantly, any flight shown on the schedule for an Airport Administered gate has no preference unless the carrier has entered into a short-term lease with the Airport. No carrier has entered into such a short-term gate lease to date.

D. Description of the process for accommodating new service and for service by a new entrant.

The Airport put a great deal of effort into crafting a reasonable procedure in the AOA to ensure that no new entrant is turned away for lack of facility access. As stated in AOA Section 5.01, "*DOT&PF's policy is to ensure open access to the Airport System by maintaining balanced utilization of Airport facilities.*" The accommodation procedures, which allow the Airport to grant even exclusively leased space to a new entrant, are set out in detail in Sections 5.02 - 5.04 of the AOA, attached as the first item in the Appendix to this plan.

A new entrant air carrier may at any time approach the Airport informally to request use of Airport Administered or common use space, which currently includes just less than one-third of all gates at the Airport. Such space is available for one-time or scheduled use, and may be made available for short-term lease or even converted to preferential space for a new or expanding signatory to the AOA.

A new entrant with or without a code-share or other relationship with an existing carrier at the Airport may also work directly with that existing carrier to work out a sublease arrangement. Such a voluntary sublease must receive the consent of the Airport, but the Airport would generally not scrutinize the business terms of the sublease. However, the Airport also reserves the right under AOA Section 13.03 to withhold consent to any associated ground-handling service.

If no Airport Administered space is available to satisfy the requesting airline's need and the requesting airline does not elect to inquire of other carriers on its own initiative, the Airport may, but is not required to, direct the "Requesting Airline" to pose the request to the AOA Signatory carriers either individually or as a committee. If the Requesting carrier makes such requests, each Signatory carrier is required to "*make all reasonable efforts to accommodate any such request . . .*" Specifically so as not to compel the premature disclosure of competitively sensitive information, the AOA provides an exception where "*the Requesting Airline has demonstrated to the reasonable satisfaction of DOT&PF that it should not, for competitive reasons, be required to make such requests of one or more Signatory Airlines either individually or in committee."* AOA Section 5.02.A.

If the informal process described above does not satisfy the Requesting Airline's needs, or competitive concerns preclude individual accommodation requests, it may submit to the Airport a written request for facilities. If it has not already done so, the Airport will first attempt to provide adequate facilities from airport administered or common use facilities. If airport administered or common use facilities are unavailable, then the Airport will give the air carriers ten days notice that the Airport "*may grant such Requesting Airline the right of shared use of all or a designated portion of one or more Signatory Airlines'* ***preferential and exclusive*** *use premises including associated Aircraft Parking Positions. In making such determination DOT&PF shall have complete flexibility to fashion an operating arrangement that is reasonably fair to all of the affected parties."* AOA Section 5.02.B (emphasis added).

The Airport's selection of space in which to accommodate the Requesting Airline is to be guided by the priorities and considerations provided in AOA Section 5.03. Once the Airport selects space in which to accommodate the Requesting Airline, the Airport notifies the Signatory carrier(s) affected, which must, in turn, begin the accommodation starting the eleventh day after the Airport gives the notice.

The accommodation procedures in the AOA afford the Airport considerable authority to require and set the terms for accommodation of new entrant carriers. Perhaps as important, that authority of Airport management to select space and compel accommodation serves as a powerful incentive for existing carriers to fulfill their obligation to make reasonable accommodation efforts on their own.

E. Differences, if any, between gate use monitoring policy at PFC financed facilities, facilities subject to PFC assurance #7, and other gates.

None of the existing gates were constructed using PFC funding; however, there are nine gates located in the new Concourse C that is currently under construction using PFC funding. Because the gate use terms of the AOA satisfy the terms of PFC assurance #7 for all terminal facilities at the Airport, no differences in gate use monitoring policies are anticipated for the new gates.

F. Description of any instances in which the PFC competitive assurance #7 operated to convert previously exclusive-use gates to preferential-use gates or has it caused such gates to become available to other users.

None of the existing gates were constructed using PFC funding. Nevertheless, the Airport's new AOA converted all exclusive-use gates to preferential use.

G. Gate utilization (departures/gate) per week and month reported for each gate.

In the past, the Airport has collected gate utilization information through flight schedules and coordination meetings with the airlines. That method provided scheduled usage information, but did not update for actual usage. With the implementation of its MUFIDS, the Airport has now begun collecting actual daily usage data for most of its gates. This information will be made available to any and all interested parties by request and also on the Airport web site. An example of this data is provided in Appendix 1. A summary of gate utilization is provided on the following page.

GATE UTILIZATION
(August 2002)

MAJOR PASSENGER CARRIERS

	Total	Alaska	Northwest	United	Continental	American	Air Canada	BP Phillips	Delta	Aloha	Hawaiian
Departures											
Monthly	2632	1742	217	165	124	93	31	91	156	4	9
Weekly	612	405	50	38	29	22	7	21	36	1	2
Daily	88	58	7	6	4	3	1	3	5	0	0
No. of Preferentially Leased Gates	15	9	2	2	0	0	0	0	2	0	0
Average Departures per Gate											
Monthly	175	502	109	127					78		
Weekly	41	117	25	30					18		
Daily	6	17	4	4					3		

Source: ANC Certified Activity Reports, August 2002

Note: An examination of the gate utilization at ANC in August 2002 appears to show several major carriers with no gates. However, Continental, America, and BP Phillips were accommodated at Alaska Airlines' gates, while Air Canada, Aloha, and Hawaiian were accommodated at United Airlines' gates.

COMMUTER CARRIERS

	Total	Hageland	Frontier	Era	Pen Air	Grant
Departures						
Monthly	2043	61	292	1164	480	46
Weekly	475	14	68	271	112	11
Daily	69	2	10	39	16	2
No. of Preferentially Leased Gates	5	1	1	1	1	1
Average Departures per Gate						
Monthly	409	61	292	1164	480	46
Weekly	95	14	68	271	112	11
Daily	14	2	10	39	16	2

Source: ANC Certified Activity Reports, August 2002

H. Policy regarding "recapturing" gates that are not being fully used. If no such policy exists, explain how the airport will accommodate a carrier requesting a gate in the circumstances of under-utilized gates.

Although gate availability has not been a significant factor limiting new entrant service to the Airport, under AOA Section 4.04 the Airport reserves the right, to review the rate at which each Signatory Airline uses its preferentially leased gates, and to recapture gates that are under-utilized. Because the new AOA was to become effective during a period of substantial new terminal construction, renovation and airline relocation, because the Airport did not yet have sufficient data to evaluate gate utilization over time, and absent substantial unmet pressure for gate space, gate recapture within the first 24 months of the new AOA seemed premature. Consequently, the Airport agreed in the AOA that the first gate utilization review and potential recapture would come 24 months into the agreement term, about the time to review and confirm assignment of the new gates. With no exclusive gates, and no space exempt from Airport-compelled accommodation under AOA Sections 5.02 – 5.04, the Airport retains flexibility to make use of under-utilized gates on an as-needed basis during the first 24 months of the Agreement.

In light of the initial build-out expenses the airlines will incur to occupy the newly constructed space, the State agreed in the AOA to allow an additional 24 months between the first gate utilization review and the second gate utilization review. Because the agreement lasts only five years before being open for renegotiation, the provision for gate utilization at intervals of not less than 24 months actually only covers the first two reviews. The gate utilization provision was drafted on an interval basis, however, to continue the process if the parties choose to extend the agreement without extensive renegotiation.

If an Airline fails to meet the applicable required utilization rates over the 12 months preceding a utilization review, and if the Airport expects to experience demand for preferential use gates before the next utilization rate review, the Airport may “recapture” the preferential use gate. The Airport does not intend to reduce an Airline’s preferential use gates despite its failure to maintain the required utilization rate unless there is a demand for these gates. If an unexpected demand should arise later, the accommodation provisions of AOA Sections 5.02 – 5.04 would ensure gate availability.

The required gate utilization rates are stated in Exhibit D to the AOA in terms of annual average passenger enplanements per gate. The rates include a lower requirement for gates designated for aircraft of 60 or fewer passenger seats, and levels that vary according to the percentage of gates administered by the Airport for common use. The rationale is that there is no reason to deny a carrier's desire to pay for a year-round lease so long as the Airport has plenty of Airport Administered gates to serve any demand. As a higher percentage of gates are preferentially leased, and a lower percentage are in common use, the utilization required to ensure retention of a gate rises accordingly. Importantly, under AOA 4.04.G the Airport retains flexibility to change both the level of utilization required to ensure retention of a gate and the calculation on which that utilization rate is based. Thus, if experience and demand indicate that the rate stated in Exhibit D would leave preferentially leased gates utilized at a level too low to satisfy new demand; the Airport retains the authority to change the rate.

I. The circumstances of accommodating a new entrant or expansion during the 12 months preceding filing, including any denials of accommodations for gates, holdrooms, ticket counters, baggage facilities or overnight parking positions.

There have been four requests for accommodation in the previous 12 months. Requests from American Airlines, Air Canada, and Aloha Airlines were successfully accommodated. A request from Continental Airlines was submitted to the Airport; however, Continental Airlines did not follow through after information on gate availability was provided. A summary of each request is provided below.

American Airlines - American Airlines entered an Operating Permit (Permit) with the Airport October 2001 and began seasonal passenger service May 2002. The Permit includes the lease of two storage rooms and an airline ticket office. In 2002, Alaska Airlines subleased ticket counter space to American Airlines and provided ground-handling support.

Air Canada - Air Canada entered an Operating Permit with the Airport April 2002 and began seasonal passenger service May 2002. United Airlines subleases ticket counter space to Air Canada and provides ground-handling support.

Aloha Airlines - Aloha Airlines entered an Operating Permit with the Airport June 2002 and began passenger service July 2002. United Airlines subleases ticket counter space to Aloha Airlines and provide ground-handling support.

Continental Airlines - Continental Airlines submitted a request for a preferential gate in June 2002. The Airport's Leasing Office responded to Continental via letter, outlining available gates, and options for accommodation by other Airlines. Continental elected to defer expansion plans until a later date. (At the time of Continental's request, the Airport's Competitive Access Team (CATeam) described in paragraph **M** of this Section **1** had not yet been formed. Whatever the reasons for Continental's decision, the CATeam will, in the future, proactively facilitate such a request with the goal that no carrier make a service decision based on difficulty in arranging for gate access or terminal space.)

J. Resolution of any access complaints during the 12 months preceding the filing.

There were no access complaints during the preceding 12 months.

K. Use/lose or use/share policies for gates and other facilities. If no such policies exist, explain how the airport will accommodate a carrier requesting a gate in the circumstances of sub-utilized gates.

See paragraphs **D** and **H** of this Section **1**.

L. Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport: methods of accommodating new gate demand by air carriers at the airport (common-use, preferential-use, or exclusive-use gates) and length of time between when an air carrier initially contacts the airport and the possible commencement of service. If no such liaison exists, explain how the airport will accommodate a carrier requesting a gate.

The Airport is constructing nine new domestic gates which will increase the number of Airport Administered domestic gates from two to nine (see answer in paragraph **A** of this Section **1,**). These Airport Administered gates would be available to new entrants and existing carriers.

In the meantime, as described paragraph **D** of this Section **1**, the AOA reserves to the Airport considerable power to accommodate a new gate request.

The length of time between first Airport contact and accommodation will vary according to the carrier's facility requirements and schedule, as well as whether the carrier has already explored subleasing from existing Airport tenants. If existing Airport Administered gate space is available for the new entrant's proposed schedule, those facilities could be available as quickly as the carrier is ready to use it.

Under the AOA, if Airport Administered facilities cannot satisfy a new carrier's request, a new entrant would typically be referred to the existing carriers. The existing carriers maintain a committee that can consider a request relatively quickly and avoid the need for individual contacts. Because each carrier faces the prospect of having the Airport compel it to provide facilities as described in paragraph **D** of this Section **1**, there is considerable incentive for the carriers to find a prompt solution. Under most circumstances, a new entrant will be accommodated within 60 days or less from their request to the Airport.

It is conceivable that a new entrant that presents persuasive competitive reasons for declining to make requests of other carriers could be accommodated even more quickly. As described in paragraph **D** of this Section **1**, once the Airport gives the existing carriers notice of the Airport's intent to select existing Airline space, the Airport is permitted to notify one or more carriers in as little as ten days that their space has been selected. The carriers must then begin the accommodation within ten to fifteen days after the Airport provides the notice of the space selection. Because this process has not been invoked during the first 14 months of the AOA, it is impossible to know how long it would actually take, but the required notice periods cover a mere 20 – 25 days.

Paragraph **M** of this Section **1** explains the role and duties of the Airport's new Competitive Access Team.

M. Availability of an airport competitive access liaison for requesting carriers, including new entrants.

To enhance its handling of airline inquiries related to facility requirements for new or expanded service, the Airport has created a Competitive Access Team

(CATeam). The CATeam consists of the Airport's Senior Leasing Officer for terminal space and the Airport Marketing Manager. The CATeam is charged with proactively facilitating requests for facility access with the goal that no carriers make a service decision based on difficulty in arranging for gate access or terminal space.

The Leasing Office will log all requests for new or expanded service. All airlines seeking new or expanded service will then be referred to the CATeam. The CATeam will evaluate the needs of the proposed new or expanded service in order to identify the necessary involvement of other Airport sections or Management.

Gate utilization and availability information will be provided to all requesting airlines. The CATeam will review the availability of Airport Administered facilities to serve each request, and will be prepared to offer support in contacting incumbent airlines to discuss the new airline's possible use of their preferential use gates. The CATeam will also evaluate any assertion that competitive considerations excuse a new entrant from approaching one or more existing carrier. The CATeam or other Airport Management can act as an intermediary, if requested, between the prospective airline and the incumbent airline in order to expedite the process.

The Airport will develop an Airline Access Complaint Form to document any complaints from airlines that feel they have been denied reasonable access to the Airport, or that the process for accommodation is too cumbersome or slow. The Airport has previously established a process for resolving these complaints, see paragraph **N** of this Section **1**).

N. The resolution of any complaints of denial of reasonable access by a new entrant or an air carrier seeking to expand service in the twelve months preceding the filing of the plan. Explain how the complaints were resolved, including a description of the dispute resolution procedures at the airport Including the contact official, the process of mediating or addressing disputes, a timeline and a review process.

No complaints of denial of reasonable access were made to the Airport within the previous 12 months.

The dispute resolution process at Ted Stevens Anchorage International Airport is provided under Title 17, Chapter 42 of the State of Alaska, Alaska Administrative Code (AAC).

Airlines have a right under 17 AAC 42.910 to protest Airport decisions. To protest a decision, the affected Airline must submit to the Airport Director a descriptive written protest within 21 calendar days after being informed of the decision. The Airport Director must then deliver a written decision on the protest within 15 calendar days from receiving the protest.

An aggrieved Airline has the right under 17 AAC 42.920 to appeal the Airport Director's protest decision. To appeal a protest decision, the affected Airline must submit to the Commissioner of the State of Alaska Department of Transportation & Public Facilities (the Commissioner) a written appeal within 21 calendar days after being informed of the decision on the protest. The Commissioner then appoints a review officer who may either hold a hearing or, if no hearing has been requested or there are no material facts in dispute, consider the appeal without a hearing. The review officer submits a written recommendation to the Commissioner who either accepts the review officer's recommendation, remands the recommendation back to the review officer with instructions or issues a written decision based on the appeal record. A copy of the Commissioner's decision is sent to the appellant Airline.

The Commissioner's decision on an appeal is the final administrative decision of the Department of Transportation. Further appeals would be made to the Alaska Superior Court under the Alaska Rules of Appellate Procedure.

O. Number and identity of carriers in the past year that have requested access or sought to expand, how they were accommodated, and the length of time between any requests and access.

See paragraph **I** of this Section **1**.

P. Number of aircraft remain overnight (RON) positions available at the airport by lease arrangement, i.e. exclusive, preferential, common-use or unassigned, and distribution by carrier. Describe procedures for monitoring and assigning RON positions and for communicating availability of RON positions to users.

As noted in paragraph **A** of this Section **1**, the Airport has 13 available RON positions. All RON positions are Airport Administered for common use and made available to air carriers on a first-come first-served basis. The Airport has issued an Airport Bulletin (No. 2000-19) that establishes the policy for assigning RON parking positions on the remote ramp and at the North Terminal.

Swissport USA, Inc., which provides ground servicing to most of the affected carriers, currently monitors and schedules the RON positions and international gates through a Gate Coordination agreement with the carriers. Swissport obtains the air carrier flight schedule through the Aeronautical Radio (ARINC) system and assigns RON positions. Swissport considers air carrier preference when assigning RON positions and has been effective at handling assignment responsibilities without carrier complaint.

A copy of Airport Bulletin No. 2000-19 and the Gate Coordination Agreement is included in Appendix I.

LEASING AND SUBLEASING ARRANGEMENTS

SECTION 2

A. Whether a subleasing or handling arrangement with an incumbent carrier is necessary to obtain access.

Air Carriers may initiate service at the Airport through either the Alaska International Airports Airline Operating Agreement (AOA) or an Operating Permit as outlined in 17 AAC 42.030(h) and 42.040. Depending on the space and service needs, the Airport may accommodate the new carrier's space requirements using existing vacant space, request accommodation by an incumbent carrier using the procedures outlined in paragraph **D** of Section **1**, or through a sublease with an incumbent carrier.

Nothing in the AOA or in applicable regulations requires a subleasing or handling arrangement with an incumbent carrier. A new carrier may provide its own ground handling services or arrange for ground handling services from either an incumbent carrier or one of several independent ground handlers operating on the Airport (AOA, Article 13, Assignment or Sublease; Ground-Handling Agreements.)

B. How the airport assists requesting airlines to obtain a sublease or handling arrangement.

Paragraph **D** of Section **1** explains the procedure for accommodating new airlines and paragraph **M** of Section **1** outlines the assistance provided by the Airport. The Airport also acts as a liaison and mediator between the air carriers to ensure sublease and ground handling agreement terms are fair and equitable. All subleases are subject to the consent of the Airport's Leasing Office.

If a Requesting Airline has demonstrated that it should not, for competitive reasons, request accommodation from the Signatory Airlines then the Airport's Competitive Access Team may make a request to the Signatory Airlines on the Requesting Airline's behalf, or independently grant the Requesting Airline the right of shared use of one or more Signatory Airlines preferential or exclusive use premises under Section 5.02 of the AOA. The right of shared use will include aircraft parking positions, passenger loading bridges, baggage-handling equipment, furniture, ticket counters and other appurtenances necessary for the effective use of the shared premises (AOA Section 5.02.B).

Several independent companies provide ground-handling services on the Airport under the guidelines outlined in 17 AAC 42.105, Business Activity Permit.

Interested air carriers negotiate ground-handling services with these companies on a competitive basis. Air carriers may also provide ground-handling services to other carriers, subject to review by Airport management as described in the next paragraph. A list of all ground handling service companies at the Airport is listed in the New Tenant/Carrier Handbook.

C. Airport oversight polices for sublease fees and ground-handling arrangements.

The standards for approval of terminal sublease and ground handling agreements, respectively, and associated fees are provided in the AOA Section 13.01, Assignment or Sublease, and Section 13.03, Ground Handling Services. The latter section also sets out provisions for Airport review of new airline-to-airline ground service agreements and for Airport review of existing agreements upon receipt of any airline complaint. An abbreviated statement of the standards is listed below.

> The Airport Director may approve a sublease if the Signatory Airline "*subleases the space for an amount not exceeding the rent [the Airport] charges for that space plus [the Signatory Carrier]'s maintenance and operation cost, [and] an additional allowance for amortization of [the Signatory Carrier]'s improvements.*"
>
> AOA Section 13.01

> The Airport Director may approve a ground handling agreement if "*the charges assessed by [the Signatory Carrier] . . . are reasonable under the circumstances, including amounts for labor, materials, and administration; and . . . the Airport Director concludes that competition among airlines will not be adversely affected by the . . . agreement.*"
>
> AOA Section 13.03.

The subleasing process is also included in, Section 9.01 of the Airline Operating Permit required of carriers that are not Signatories to the AOA.

The Airport must approve all subleases in accordance with 17 ACC 42.270 and 42.275.

In addition to the general requirements stated in this paragraph **C**, which apply to negotiated subleases between AOA Signatory carriers and any other carriers, paragraph **F**, below, of this Section **2** describes more specific standards that

apply to arrangements when the Airport makes preferentially or exclusively leased space available to a Requesting Airline.

D. Process by which availability of facilities for sublease or sharing is communicated to other interested carriers and procedures by which sublease or sharing arrangements are processed.

Interested carriers will soon be able to access gate utilization charts via the Airport web site at www.anchorageairport.com (click on "Doing Business with the Airport," and then "Airline Competitive Access") and will be able to review the information to determine available time slots for operating at the Airport. In the meantime, gate use information is available upon request to the Airport Leasing Office.

The Airport Leasing staff and the Airport's new Competitive Access Team are both also available to facilitate and process inquiries about or requests for terminal space. When a carrier submits a request for space, the CATeam and Leasing Staff will determine whether unleased Airport Administered space can satisfy the request, and, if not, coordinate with incumbent carriers to determine space availability and provide this information to interested carrier, including a point of contact. See paragraph **M** of Section **1**, above.

Procedures for processing sublease arrangements are outlined in; AOA Section 13.01; Operating Permit Section 9.01; and 17 AAC 42.270 and 42.275.

***E. Airport oversight policies concerning schedule adjustments that may affect subtenants and mechanisms to provide continued access to subtenants in those situations*.**

Typically, the scheduled use of facilities is addressed in the sublease agreement. However, assuming this is not the case, the Airport would work with the tenants to reach a mutually acceptable solution. Ultimately, the tenant or subtenant can request accommodation from the Airport under AOA Section 5.02 if an acceptable solution is not reached. The Airport is not aware of a need, at present, for more active Airport supervisory controls over schedule conflicts between direct tenants and sublease tenants. The Airport is conscious that there are limits on an Airport's authority to intrude into the domain of airline service regulation when it comes to actual air service schedules, as distinct from facility usage patterns. The availability of the compelled accommodation procedure in

the AOA, however, strongly encourages cooperation and should help deter anti-competitive behavior on the part of the carriers.

F. Airport policies regarding sublease fees (e.g., no more than 15 percent above the standard airport-determined fee).

As noted in paragraph **C**, above, of this Section **2**, AOA Section 13.01 limits negotiated subleases rents to "*an amount not exceeding the rent [the Airport] charges for that space plus [the Signatory Carrier]'s maintenance and operation cost, [and] an additional allowance for amortization of [the Signatory Carrier]'s improvements.*" According to the AOA Section 5.02, Procedure for Request of Accommodation, paragraph C.2 a Signatory Airline's preferentially or exclusively leased space and appurtenant equipment may be made available to a Requesting Airline for payment, ***without markup***, of the following:

a. A pro rata share of the terminal rental the Signatory Airline pays to the Airport for the gate and associated aircraft parking position,
b. Any direct costs for the operation and maintenance of equipment or other property, including a reasonable allocation of capital costs for equipment or other property,
c. A reasonable administrative processing fee.

The Airport must approve all subleases in accordance with 17 ACC 42.270, 42.275 and AOA, Article 13, Assignment or Sublease; Ground-Handling Agreements.

G. How complaints by subtenants about excessive sublease fees or unnecessary bundling of services are resolved.

As described above in paragraphs **C** and **F** of this Section **2,** the fees tenants are allowed to charge a subtenant are limited under AOA Section 13.01 or as provided in the AOA Section 5.02.C. Because of its fairly stringent limitations on sublease terms, the Airport has not had to deal with complaints about excessive sublease fees or unnecessary bundling of services under the AOA. Given the strong incentive to cooperate under the AOA, such matters are generally resolved to the satisfaction of the parties before the Airport is asked to consent to a sublease. However, were a subtenant--or prospective subtenant--to complain that a Signatory Airline is insisting on sublease terms in violation of AOA Section 13.01 or 5.02.C, or is otherwise failing to "*make reasonable efforts*

accommodate," as required under AOA Section 5.02.A, the Airport's Leasing Office would look into the matter. If the Leasing Office or Airport Director were to conclude that the complaint is valid, the Airport could take a range of actions as appropriate under the circumstances.

First, the Airport CATeam could attempt to mediate the matter in order to avoid having to exercise more divisive authority. Second, the Airport could exercise its "*complete flexibility to fashion an operating arrangement that is reasonably fair to all affected parties*," under AOA Section 5.02B. Third, the offending Signatory Airline could be issued an appropriate order to cure the violation and/or be processed for breach of the AOA. Finally, under AOA Sections 14.01 and 14.04 the offending Signatory Airline could be denied the privileges of signatory status and ultimately have its lease terminated. The Signatory Airline could protest and appeal any of these measures as outlined in paragraph **N** of Section **1**, above.

If the Leasing Office or Airport Director were to conclude that the complaint is not valid, the subtenant would likewise be entitled to file a protest with the Airport Director and subsequently an appeal with the Commissioner as outlined above.

H. How independent contractors, that want to provide ground handling, maintenance, fueling, catering or other support services, have been unable to establish a presence at the airport are accommodated.

All service providers wishing to establish a business entity at the Airport have been accommodated. Service providers wanting to establish a business at the Airport are required to obtain a Business Activity Permit, per the guidelines outlined in 17 AAC 42.105, Business Activity Permit.

I. Whether formal arrangements are in place to resolve disputes among air carriers regarding the use of airport facilities. If so, provide a description of these procedures.

As described above in paragraph **G** of this Section **2**, the AOA sets the standard for cooperation and accommodation among the airlines, and any disputes may be referred to the Airport Leasing Office and to the Airport Director. The Airport Director has the final authority on the use of airport facilities. The Airport Director's decisions may be protested and appealed administratively under 17 AAC 42.910 and 42.920. Paragraph **N** of Section **1** describes the protest and appeal process.

J. Resolution of any disputes over subleasing arrangements in the 12 months preceding filing.

There were no disputes over subleasing arrangements in the past 12 months.

K. Copies of lease and use agreements in effect at the airport.

Copies of the AOA and the Airline Operating Permit, the standard lease and use agreements, are included as items 1 and 6, respectively, in Appendix 1 to this plan.

PATTERNS OF AIR SERVICE

SECTION 3

A. PASSENGER MARKETS SERVED

The Airport serves three primary passenger market segments: Interstate Domestic, Intrastate Domestic and International. Points currently served by non-stop or one-stop direct passenger flights, either year-round or seasonally, in each market segment are:

Interstate Domestic

Atlanta
Baltimore
Boston
Chicago
Cincinnati
Columbus
Dallas
Denver
Detroit
Honolulu
Houston
Los Angeles
Minneapolis
New York
Orlando
Phoenix
Portland
St. Louis
Salt Lake City
San Francisco
San Jose
Seattle
Washington DC

Total Served: **23**

Intrastate Domestic

Aniak
Barrow
Bethel
Cold Bay
Cordova
Dillingham
Dutch Harbor
Emmonak
Fairbanks
Galena
Homer
Iliamna
Juneau
Kenai
Ketchikan
King Salmon
Kodiak
Kotzebue
McGrath
Nome
Petersburg
Prudhoe Bay
St. George
St. Marys
St. Paul
Sand Point
Seward
Sitka
Unalakleet
Valdez
Wrangell
Yakutat

Total Served: **32**

International

Frankfurt
Magadan
Manila
Petropavlovsk
Seoul
Taipei
Vancouver
Whitehorse

Total Served: **8**

TOTAL NUMBER OF MARKETS SERVED: 63

B. PASSENGER AIR CARRIERS

(August 2002)*

Interstate Domestic	Intrastate Domestic	International
Alaska Airlines	Alaska Airlines	Air Canada
American	Era Aviation	Condor
Continental	Frontier Flying	China Airlines
Delta	Grant Aviation	Era Aviation
Hawaiian	Hageland Aviation	Korean Air
Northwest	Peninsula Air	Mavial/Magadan Air
TWA	Phillips Aviation	
United Airlines	BP Aviation	
	FS Air Service	

TOTAL NUMBER OF CARRIERS SERVING ANCHORAGE: 20

*Due to the seasonality of service, some listed carriers are not offering service to the Airport at the date of submission of this competition plan, but are expected to resume service for the summer 2003 season.

C. LOW-FARE CARRIERS

At this time, there are no low-fare carriers that serve the Anchorage market.

D. NEW MARKETS

No new markets were added or dropped over the last year. However, three new carriers (Aloha, American, and Air Canada) entered the market, creating expanded or new competition in existing markets.

E. NON-STOP MARKETS AND FREQUENCIES
(August 2002)

MARKET	AVG. FLIGHTS PER DAY	MARKET	AVG. FLIGHTS PER DAY
Atlanta	1.0	Los Angeles	4.0
Bethel	4.0	Magadan	0.1
Chicago	5.0	McGrath	2.0
Cold Bay	0.8	Minneapolis	5.0
Cordova	3.0	New York	1.0
Dallas	1.0	Nome	5.0
Denver	1.0	Portland	3.0
Detroit	2.0	Prudhoe Bay	1.0
Dillingham	5.0	Salt Lake City	3.0
Dutch Harbor	2.0	San Francisco	3.0
Emmonak	1.0	Sand Point	0.8
Fairbanks	10.0	Seattle	25.0
Frankfurt	0.3	Seoul	0.7
Galena	0.7	Seward	2.0
Homer	7.0	St. George	0.4
Honolulu	0.6	St. Louis	1.0
Houston	1.0	St. Mary's	2.0
Iliamna	1.0	St. Paul	0.6
Juneau	5.0	Taipei	1.0
Kenai	15.0	Unalakleet	2.0
King Salmon	6.0	Valdez	3.0
Kodiak	6.0	Vancouver	1.0
Kotzebue	4.0	Whitehorse	0.7

TOTAL NON-STOP MARKETS SERVED: 46

F. SMALL COMMUNITY AND ONE-CARRIER MARKETS

MARKET	SMALL COMMUNITY	SERVED BY ONE CARRIER	MARKET	SMALL COMMUNITY	SERVED BY ONE CARRIER
Aniak	XX		Manila		
Atlanta		XX	McGrath	XX	XX
Baltimore			Minneapolis		XX
Barrow	XX		New York		
Bethel	XX		Nome	XX	XX
Boston			Orlando		
Chicago			Petersburg	XX	XX
Cincinnati			Petropavlovsk		XX
Cold Bay	XX		Phoenix		
Columbus			Portland		
Cordova	XX	XX	Prudhoe Bay	XX	
Dallas			Salt Lake City		XX
Denver		XX	San Francisco		
Detroit		XX	San Jose		XX
Dillingham	XX		Sand Point	XX	XX
Dutch Harbor	XX		Seattle		
Emmonak	XX	XX	Seoul		XX
Fairbanks	XX		Seward	XX	XX
Frankfurt		XX	Sitka		XX
Galena	XX	XX	St. George	XX	XX
Homer	XX	XX	St. Louis		XX
Honolulu		XX	St. Marys	XX	
Houston			St. Paul	XX	XX
Iliamna	XX	XX	Taipei		XX
Juneau	XX	XX	Unalakleet	XX	XX
Kenai	XX	XX	Valdez	XX	XX
Ketchikan	XX	XX	Vancouver		XX
King Salmon	XX		Washington DC		
Kodiak	XX		Whitehorse		XX
Kotzebue	XX	XX	Wrangell	XX	XX
Los Angeles			Yakutat	XX	XX

TOTAL NUMBER OF SMALL COMMUNITIES SERVED: 31
TOTAL NUMBER OF MARKETS SERVED BY ONE CARRIER: 35

GATE ASSIGNMENT POLICY

SECTION 4

A. Gate assignment policy and method of informing existing carriers and new entrants of this policy. This would include standards and guidelines for gate usage and leasing, such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory and non-signatory requirements.

As stated in paragraph **A** of Section **1**, most gates at the Airport are leased preferentially through an Alaska International Airports System Airline Operating Agreement and Terminal Lease (AOA) as attached as item 1 in Appendix 1. Gates not leased through an AOA are made available to new entrants or expanding Signatories on a first-come, first-served per-use basis or under a short-term lease of Airport Administered space. New entrants that do not sign an AOA are required to enter into an Airline Operating Permit (item 6 in Appendix 1) with the Airport. Alternatively, a new entrant that establishes weekly year-round scheduled service may become a signatory carrier at any time. The guidelines for minimum gate usage are included in AOA, Section 4.04 and Exhibit D and are discussed above in paragraph **H** of Section **1**. Methods for calculating rental rates, fees, and charges are included in AOA, Article 9, Calculation of Rental Rates, Fees and Charges.

As noted above in paragraph **D** of Section **2**, the Airport is in the process of getting gate usage information posted to the Airport's internet web site. The Airport also makes information about gate assignments available upon request. The Airport's new Competitive Access Team works with carriers to determine acceptable gate assignments.

B. Methods for announcing to tenant carriers when gates become available. The description should discuss whether all tenant air carriers receive information on gate availability and terms and conditions by the same process at the same time.

To date, the Airport has not been aware of sufficient demand for gate space not already satisfied by routine subleasing to justify formal regular announcement of gate availability. Instead, information on gate availability has been readily available by contacting the Airport Leasing Office. Terms and conditions for leasing gates are included in the AOA, Operating Permit and the Tenant/Carrier Handbook soon to be available on the Airport web site at www.anchorageairport.com. The web site includes the lease application along

with instructions, and will soon include gate availability information accessible by all carriers at the same time.

Per 17 AAC 42.400, the Airport is required to publish in a local newspaper, and post at the Airport a 30 day public notice prior to leasing any terminal space, including gates. This requirement provides all interested parties the opportunity to submit competing applications or file an objection or comments. The public notice procedure does not apply to subleasing activity.

C. New policies that have been adopted or actions that have been taken to ensure that new entrant carriers have reasonable access to the airport and that incumbent carriers can expand their operations;

Currently the Airport has a total of 26 gates and 13 Remote Over Night parking positions. A new Concourse C is expected to open in May 2004 and will add 9 domestic gates raising the total number of gates to 35. The new gates under construction are expected to be leased under a preferential use arrangement to Alaska Airlines. Alaska Airlines intends to vacate several existing gates, which the Airport will convert to common use and make them available for lease to new or existing carriers.

The pro-competitive AOA, itself, has been in place since only October 1, 2001. Because competitive concerns were a priority in negotiations for that agreement, many of its provisions referenced throughout this plan.

In addition to creating new common use gates, the Airport has initiated a Competitive Access Team, see paragraph **M** of Section **1**, to assist new carriers that want to serve the market. The Airport is also working to post gate usage charts on the Airport's web site for carriers to access. The Airport's information base has recently expanded based on data supplied to the Airport's MUFIDS. That data will soon become even more useful with new as software that will allow the generation of more sophisticated reports of gate use activity.

D. Methods for announcing to non-tenant carriers, including both those operating at the airport and those that have expressed an interest in initiating service, when gates become available; and conditions by the same process at the same time;

See paragraph **B** of this Section **4**.

E. Policies on assigning RON positions and how RON position availability announcements are made,

See paragraph **P** of Section **1**. In the event the availability of RON positions becomes a factor that may limit service, the Airport can step in as needed to take a more active role in ensuring their fair allocation.

GATE USE REQUIREMENTS

SECTION 5

A. Gate use monitoring policy, including schedules for monitoring basis for monitoring activity (i.e., airline schedules, flight information display systems, etc.), and the process for distributing the product to interested carriers.

Historically, the Airport has monitored gate utilization primarily through receipt of advance schedules of flights and gate assignments and by participation in coordination meetings with the airlines. There did not seem to be sufficient unsatisfied demand for terminal access to justify more active monitoring of the actual use of each gate on a daily basis. Accordingly, the preliminary gate utilization criteria stated in the Airport's new AOA is based on an airline's total enplaned passengers at the Airport averaged across all the airline's gates on an annual basis. See discussion above in paragraph **H** of Section **1.**

Recently, however, the Airport has gained the ability to collect data through its new Multi-Use Flight Information Display System (MUFIDS). The Airport recently installed a MUFIDS that provides a detailed listing of daily gate usage, and will soon be enhanced with software that will allow the creation of more sophisticated gate-use reports. As noted above in paragraph **D** of Section **2**, this information will be made available to any and all interested parties by request and also on the Airport web site.

B. RON monitoring policy.

See paragraph **P** of Section **1**. The Airport has found ground-handler management of the Airport's common-use RON position assignments to be efficient and effective. The Airport retains the flexibility to more actively monitor and manage RON position use if necessary to ensure a fair allocation.

C. Requirements for signatory status and identity of signatory carriers.

There is no formal advance criteria for eligibility for signatory status. By signing the AOA, however, a carrier commits to make at least one landing per week year 'round at either the Airport or Fairbanks International Airport using an aircraft of not less that 12,500 pounds Certificated Gross Maximum Take-Off Weight for the balance of the agreement term. All air carriers are eligible for signatory status by agreeing to provide that service and to the other terms of the AOA. There is no waiting period, minimum service history, sublease or ground handling requirement or other barrier to entry as a signatory.

The service commitment described above is contained in the definitions of "Commercial Air Transportation" and "Signatory Airlines" under Section 1.01.25 and 1.01.57, respectively, of the AOA:

> *"Commercial Air Transportation" means the carriage for compensation of passengers, property, freight, or mail by one or more aircraft of FAA Design Group II or larger or having a Certificated Maximum Gross Takeoff Weight of 12,500 pounds or more, making not less than one Landing at any Airport System Airport each week of each year and, for passenger operations, operating according to a published schedule that includes dates or times, or both, that is openly advertised or otherwise publicly available in advance via printed or electronic media.*
>
> *"Signatory Airline" means, at any time an air carrier that is engaged in Commercial Air Transportation and that has entered into an Agreement with DOT&PF, which Agreement is then in effect.*

Below is a list of all current signatory carriers:

SIGNATORY CARRIERS*

Alaska Airlines	Evergreen International	Northern Air Cargo
Asiana Airlines	Federal Express	Northwest Airlines
Cathay Pacific Airways	Frontier Flying Service	Peninsula Airways
China Airlines	Japan Air Lines	Polar Air
Continental Airlines	KLM Royal Dutch	United Airlines
Delta Air Lines	Korean Air Lines	United Parcel Service
Era Aviation	Lynden Air Cargo	
Eva Airways	Nippon Cargo Airlines	

* Includes both passenger and all-cargo carriers.

D. Where applicable, minimum requirements for leases (i.e., frequency of operations, number of seats, etc.).

There is no minimum requirement for use of Airport Administered gates or RON positions, except that the aircraft size must be appropriately matched to the operational capacity of the particular gate. Similarly, there is no minimum requirement for short-term lease of Airport Administered space, if such space is

available. So long as an airline agrees to pay Airport fees and charges, to provide proof of insurance and otherwise to comply with an Operating Permit (item 6 in Appendix 1) that carrier is welcome at the Airport.

The minimum commitment required to become a signatory is described in the previous paragraph **C** of this Section **5**. The minimum operational requirements to avoid termination of an AOA are included in AOA, Section 14.04. An abbreviated version of the process is listed below.

If a Signatory Airline fails to provide Commercial Air Transportation to and from the Airport as indicated by landing no flights for a period of sixty (60) days or failing to make at least one Landing of an aircraft of 6,000 pounds or greater Certified Maximum Gross Takeoff Weight at the Airport in ten (10) or more calendar weeks within a twelve (12) month period, the Airport may terminate that airline's lease.

E. The priorities, if any, employed to determine carriers that will be accommodated through forced sharing or sub-leasing arrangements. Describe how these priorities are communicated to interested carriers.

In most cases, open space has initially been assigned on a first-come, first-served basis, so long as the operation of the applicant is appropriate to the requested space.

For use of space in an Airport-owned terminal facility, 17 AAC 42.215(g) establishes priority for competing applications of Signatory Carriers over applications of non-signatory Operating Permit carriers, and of those carriers over any other tenants. Procedures for competition between applications by Signatory carriers are established under 17 AAC 42.300 through 42.399
.
Under Section 16.02 of the AOA, however, as between the Airport and the Signatory Carriers the Airport has reserved the right to offer limited duration inducements for new or expanded service. In addition, under AOA Section 5.02, the Airport is empowered to identify and grant accommodation space for any Requesting Airline with a good faith request. See paragraphs **D** of Section **1** and **B** of Section **2** for a discussion of accommodation procedures new entrants under AOA, Sections 5.02 and 5.03. Section 5.03 details considerations for selection of the space to be selected for accommodation. Thus, although Signatory Airlines have a preference to be the lessee of preferential lease space,

that preference may give way to the use needs of a new entrant as a matter of accommodation.

The procedures and priorities are communicated to the interested carriers by telephone, correspondence and other means as requested by the carrier. The procedures (the regulations and Operating Agreement) are public information and are available upon request, soon through the Airport's web site and are being incorporated into the New Tenant/Carrier Handbook. In addition, the Competitive Access Team will help make opportunities known to prospective carriers.

F. Justifications for any differences in gate use requirements among tenants.

All jet gate use requirements are the same for all tenants. A different requirement applies to certain small-aircraft ground load gates based on space considerations, the access to multiple aircraft parking positions from a single gate, and practical considerations regarding passenger numbers handled by smaller aircraft.

G. Usage policies for common-use gates, including, where applicable, a description of priorities for use of common-use gates. Explain how these priorities are communicated to interested carriers.

The Airport offers common use (Airport Administered) gates on a first-come first-served basis in accordance with 17 AAC 42.035. The Airport currently has two (2) common use gates available for use. A new Concourse C is expected to open in May 2004. This will increase the number of common use gates to nine (9).

The procedures and priorities are communicated to the interested carriers by telephone, correspondence, and other means as requested by the carrier. The procedures (the regulations and Operating Agreement) are public information and are available upon request and soon through the Airport's web site. The CATeam will consider whether additional information should be posted on the web page and whether to recommend a regulatory change to establish a special priority for new-entrant service.

H. Methods for calculating rental rates or fees for leased and common-use space. Where applicable, provide an explanation of the basis for disparities In rental fees for common-use versus leased gates.

The State's authority for establishing fees by order of the Commissioner of the Department of Transportation & Public Facilities or by negotiated agreement is found in Title 2 of the Alaska Statutes (AS 02.15.090). The administrative procedures for establishing fees are outlined in 17 AAC 42.040(a) and 42.125. As a practical matter, the calculation for most rental rates and fees is included in AOA, Article 9, Calculation of Rental Rates, Fees and Charges, with the calculated rate made applicable to non-signatory airlines via public notice and comment under 17 AAC 42.125.

The common-use fee established for a gate (terminal space associated with an aircraft parking position) includes a package of services that includes ticket counter positions, gate lounge, aircraft parking area, bag make-up, bag claim, and typically a back office for a limited time period. The resulting flat fee per-use of up to four hours is calculated under AOA Section 9.07.B. The formula is designed to satisfy a cost recovery requirement for all Airport Administered space over the course of a year using a proxy number of uses based on two aircraft "turns" per day per Airport Administered gate.

The two turns per day proxy was derived without detailed historical data concerning Airport Administered gate use and in an effort to cover the costs of Airport Administered gates and not to create an incentive for a regular operator to avoid a long-term commitment to pay rent.

The lease of space through an AOA or an Operating Permit is charged on a per square foot basis and is typically done for carriers that provide regularly scheduled service to the airport even thought they elect not to become a signatory carrier. For example, American Airlines usually leases space seasonally to accommodate its operations.

FINANCIAL CONSTRAINTS

SECTION 6

A. The major source of revenue at the airport for terminal projects.

The Airport has funded--and is now funding--terminal projects using one or more of the following sources:

International Airport Revenue Funds – Rates and Fees from carriers and tenants. These include landing fees, fuel flowage fees, and land rents charged to both passenger and cargo carriers, as well terminal rents and concession fees.

Passenger Facility Charge (PFC) – FAA has granted the Airport the authority to collect up to $15,000,000 under PFC #99-01-C-00-ANC which expires on 12/31/03. These PFC proceeds are programmed for debt repayment on General Airport Revenue Bonds issued to finance terminal redevelopment. The Airport currently plans to submit a new PFC application, which will extend funding beyond the current expiration date.

General Airport Revenue Bonds – Bonds sold to finance construction and paid back from revenue received from carriers and tenants. As of June 30, 2002 the Airport had a total outstanding debt of $657,776,026 with payments distributed through the year 2028 (average yearly payment = $25.3 million). Roughly 54% of this indebtedness was incurred to finance terminal projects. The Airport currently has plans to sell at least an additional $62,000,000 (par value) of Revenue Bonds for the new Concourse C project and additional capital projects.

B. Rates and charges methodology (residual, compensatory, or hybrid).

Article 9, Calculation of Rental Rates, Fees and Charges, of the Airport Operating Agreement sets forth the methodology for annual determination of rates and fees that are paid by airlines operating at the Airport, as well as for operation at Fairbanks International Airport. As under predecessor agreements with the air carriers, the rate methodology applied under the new AOA continues to be based on the residual model over-all, with some charges calculated on roughly compensatory cost center basis. A new provision in the current AOA allows the Airport to levy a pro-rata charge against Signatory Airlines to cover any shortfall in collected revenues as compared to the revenue requirement calculated under the AOA. See AOA Section 7.04.B.

C. Past use, if any, of PFC's for gates and related terminal projects.

The Airport has collected and expended PFCs under PFC #99-01-C-00-ANC for the current new Concourse C project. That project includes construction of new gates to replace gates lost when the previous Concourse C was demolished due to seismic and code deficiencies. No other projects have been funded using PFC funds.

D. Availability of discretionary income for airport capital improvement projects.

In 2001 the Airlines approved the new AOA. Included in the agreement was a five-year, $307 million dollar Capital Improvement Program (CIP). As described under paragraph **A** of Section **7**, above, the Airport has flexibility to undertake

In addition to the provision noted above, the new AOA also creates an Airport Development Fund that receives an annual deposit of $6,000,000, with an annual CPI adjustment beginning with FY2003. AOA Section 10.03.B.4. The AOA provides that moneys in the Airport Development Fund "*shall be used for any purpose for which Airport System Revenues may lawfully be used*." AOA Section 10.04.F. These funds could be used for expanding terminal capacity for new entrants. They are also specifically authorized to be used to assist an airport tenant--not limited to a signatory--with funds for basic site improvements for exclusively leased premises. AOA Section 10.04.G.

Since the Airport operates under a residual agreement, any surplus revenues are used to reduce the rates and fees charged the Airlines and other tenants, but only after the deposit to the Airport Development Fund is made and any costs of projects exempt from Signatory Airline approval are satisfied. Any new non-federal capital projects would cause an increase in the rates and fees.

AIRPORT CONTROLS OVER AIRSIDE AND LANDSIDE CAPACITY

SECTION 7

A. Majority-In-Interest (MII) or "no further rates and charges" clauses covering groundside and airside projects.

A traditional Majority-In-Interest (MII) clause in a use and lease agreement gives signatory airlines, based on a market-share-weighted vote, the right to approve, or disapprove capital projects. The principle is to give those that pay the most the greatest say in proposals that would significantly increase the rates and fees they pay for the use of airport facilities.

Under Section 6.01.B of the current AOA, the Signatory Airlines pre-approved a five-year Capital Improvement Program (CIP) set out as Exhibit "C" to the AOA. Because each carrier approved that list by execution the agreement, negotiation of the list functioned somewhat like an MII review, but without weighted voting. A traditional MII clause, on the other hand, authorizes a majority-in-interest, acting in economic self-interest, to reject projects that would accommodate new entrants. Accordingly, the AOA includes provision for Signatory Airline review and vote on most new projects, but ***not*** on a traditional MII basis.

Subject to exceptions noted below, the Signatory Airlines have a right to vote on new additions to the CIP. Under AOA Sections 1.01.8 and 6.03.B, however, it takes negative votes by ***two-thirds*** of the full number of Signatory Airlines to ***disapprove*** a project. Absent such a disapproval vote, a project is deemed approved by the Signatory Airlines. Even when the Signatory Airlines disapprove a project, the Airport may proceed with the disapproved project after waiting one year.

An important exception to the entire Signatory vote procedure authorizes the Airport to undertake capital projects to construct navigational aids, drainage facilities, noise and other environmental mitigation projects, and a list of other projects described in AOA Section 6.02, all without Signatory Airline vote.

Most notable on the list of projects for which no Signatory vote is required are projects to satisfy requirements imposed by the FAA and, as quoted in paragraph **D** of Section **6**, projects necessary to accommodate new entrant air carriers.

B. Any capital construction projects that have been delayed or prevented because an MII was invoked.

Under the current AOA, no project has been prevented or delayed by an airline vote of disapproval.

C. Plans, if any, to modify existing MII agreements.

There are no plans to modify the Airport's favorably limited Signatory Airline review process under the AOA.

COMMON USE FACILITIES PLAN

SECTION 8

A. The number of common-use gates available at the airport today.

See paragraph **A** of Section **1**, above, discussing the two domestic and six international gates currently Airport Administered for common use and the nine additional domestic gates expected to be available for common use in 2004.

B. The number of common-use gates that the airport intends to build or acquire and the timeline for completing the process of acquisition of construction. Indicate the intended financing arrangements for these common-use gates.

See the preceding paragraph and paragraph **A** of Section **1** for the number and schedule for the availability of new Airport Administered gates. The construction of new gates is being financed mostly with General Airport Revenue Bonds repaid with general revenues and, to a lesser extent, with PFCs.

C. Whether any air carriers that have been serving the airport for more than three years are relying exclusively on common-use gates.

There are no domestic airlines that have been serving the Airport for more than three years relying exclusively on common-use gates. There are no preferential-use international gates, primarily because there is no demand for a preferential lease of an international gate.

D. Whether common-use gates will be constructed in conjunction with gates leased through exclusive or preferential-use arrangements.

The new gates under construction are intended to be leased under a preferential use agreement. Upon completion of the new gates, existing gates will be vacated and the Airport will make the vacated gates available as Airport Administered gates. How many of the total of nine Airport Administered domestic gates expected to be available in 2004 will be retained for common use rather than made available for preferential leasing has not been determined.

E. Whether gates being used for international service are available for domestic service.

New security barriers constructed to meet requirements imposed by the Immigration and Naturalization Service (INS) will preclude the use of international gates for domestic service for the foreseeable future.

F. Whether air carriers that only serve domestic markets now operate from international gates. If so, describe and explain any disparity in their terminal rentals versus domestic terminal rentals.

See the preceding paragraph **E** of this Section **8**. Two gates in the Airport's North Terminal were originally designed as international gates, but were converted to domestic gates in May 1998. Delta Airlines has leased those gates and associated terminal and ramp areas on the same basis as any other domestic gates since that time with a high level of satisfaction

AIR FARE AND MARKET DATA COMPARISONS

SECTION 9

INTRODUCTION

The Ted Stevens Anchorage International Airport's location makes it a unique market. For one thing, it is characterized by a high percent of origin and destination (O&D) traffic. For another, passenger demand and service at the Airport is characterized by a high degree of seasonality based on discretionary travel, and package tours in particular, during the peak summer months. During the longer "off-season," on the other hand, the poor availability of alternatives to air travel make demand relatively less price elastic than might be the case at a comparably sized O&D airport.

Due to the Airport's location there are not competing medium or large hub airports within 1500 miles. The distance from other markets has created a difficulty in finding similar markets for evaluating fare, trip length, and yield; trying to identify data comparisons that offer valid insights has been very challenging. Nevertheless, as requested in Program Guidance Letter 03-01, this Section provides comparisons based on data provided on the Internet by the USDOT for use in Competition plans. A lack of comparable airports, however, makes those comparisons relatively less useful as a realistic tool than would be assessment truly similar markets.

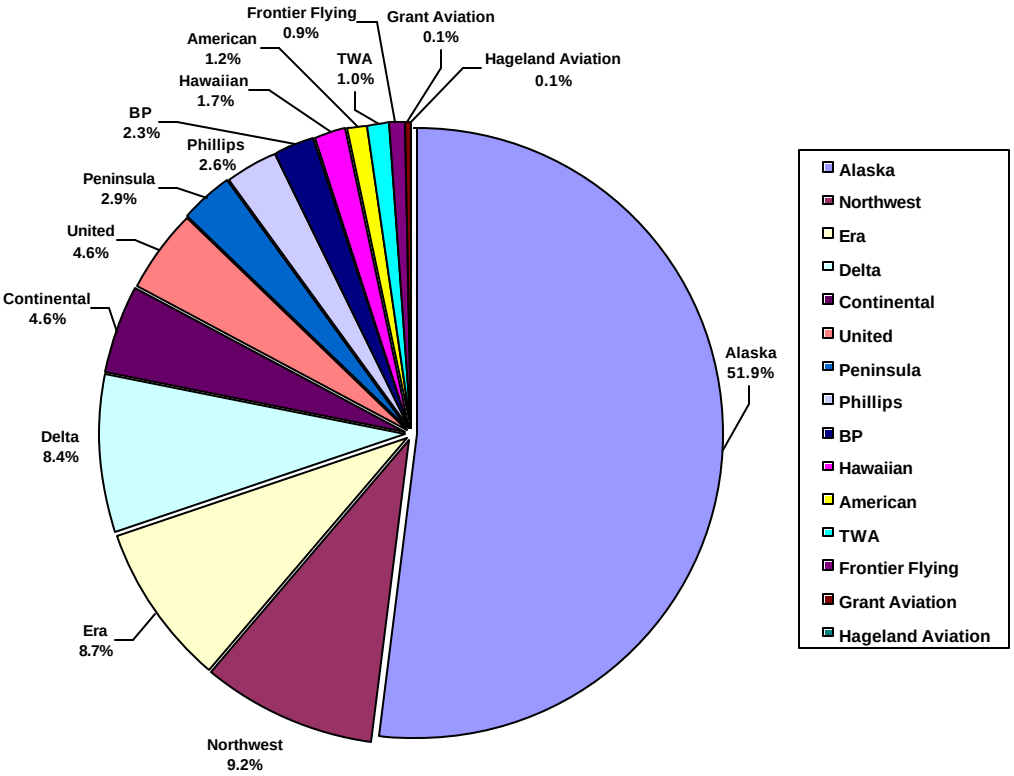
The airports used in the following comparisons were chosen because they represent, as closely as possible, some of the market characteristics of the Airport. Memphis and Louisville were selected due to their high concentration of cargo activity, while Honolulu was chosen as a representative of another offshore market. Both Salt Lake City and Honolulu have longer average trip lengths that more closely resemble the Anchorage market, but, based on its Delta hub, Salt Lake City is believed to have an much a lower O&D percentage than the Airport.

The data in this Section shows that in long-haul markets a number of key indicators for Anchorage are similar to the other markets chosen for comparison despite differences among the markets. In the Airport's long-haul markets, a diverse group of carriers and markets served results in substantial competition.

Short-haul markets have some interesting characteristics found in no other market that would allow accurate comparison. The Airport is the primary air transportation hub for the State of Alaska. In addition, only two percent of Alaska is accessible by roads. The communities that are served out of Anchorage are all small communities. Generally, only one carrier serves each of the communities based on the small traffic volume more than anything else, and the

carriers tend to operate aircraft with limited seating capacity. In the past, competition to serve the smaller markets has been much greater. In the last year, insurance premiums for the passenger carriers operating intrastate in Alaska have risen to such levels that many carriers have ceased all passenger operations. This has reduced the total number of carriers serving the small communities. The escalation of insurance premiums is a result of increased aviation accidents in Alaska with a high rate of aviation fatalities, largely due to inclement weather.

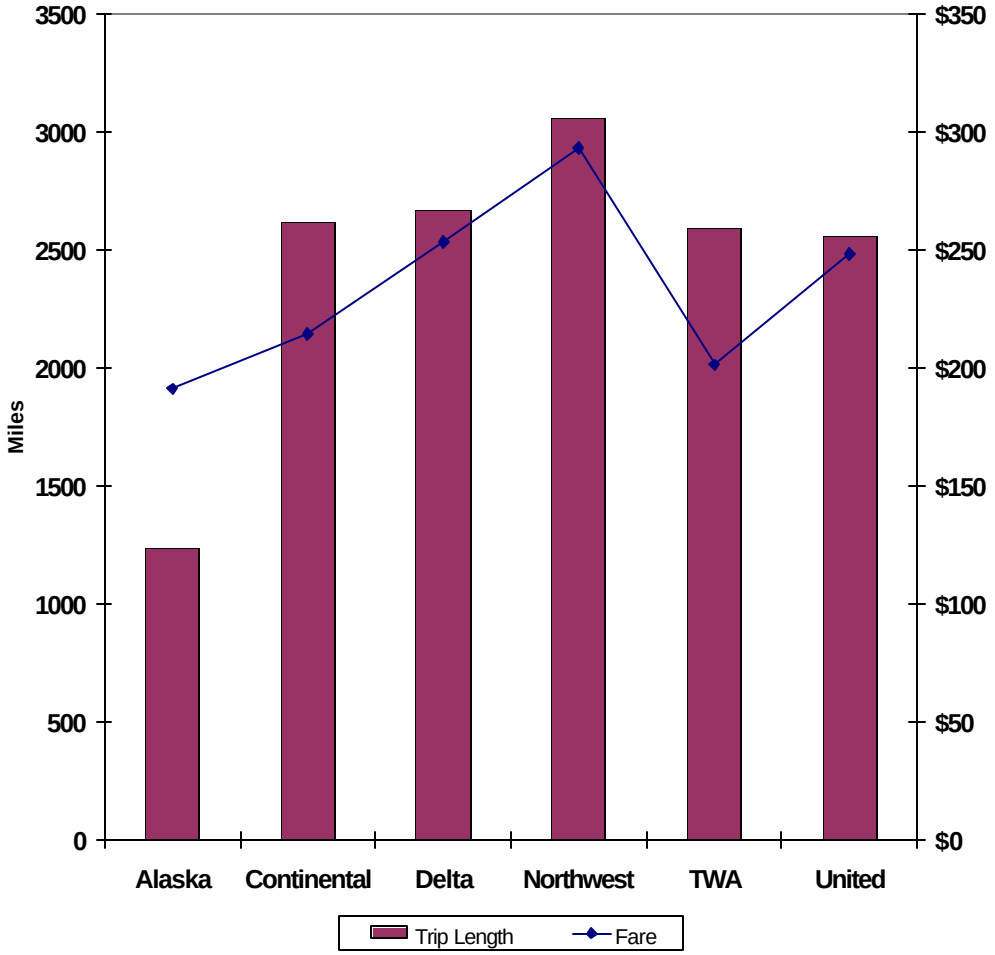
A. DOMESTIC MARKET SHARES
FY 2002



Alaska Airlines, American, Continental, Delta, Hawaiian, Northwest, TWA, and **United** provide interstate domestic air service.

Intrastate air service is provided by Alaska, Era, Peninsula Airways, Phillips Aviation, BP Aviation, Frontier Flying Service, Grant Aviation, and Hageland Aviation.

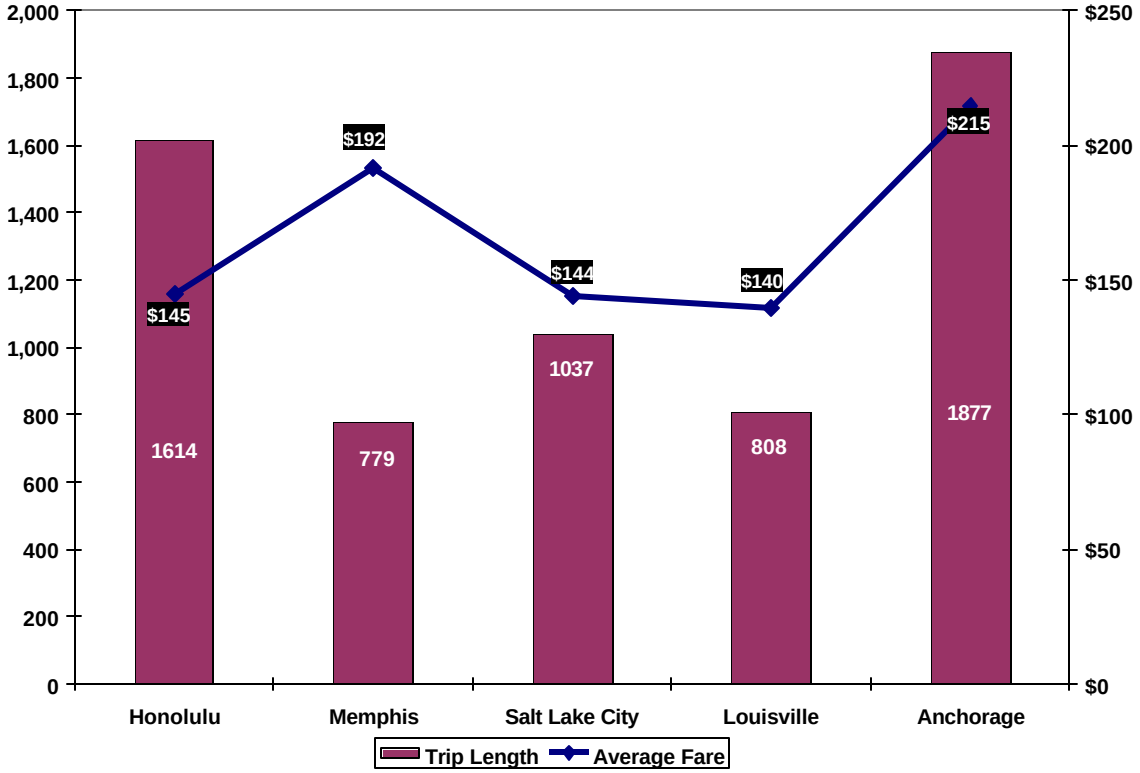
B. AVERAGE DOMESTIC FARE AND TRIP LENGTH (2001)



Source: USDOT Airport Competition Plans - Air Fare Data 2001, Table 1

The graphed information is skewed by differences in route and passenger mixes among the carriers. A majority of Alaska Airlines' 60 daily flights are destined outside of Alaska but are averaged with the short low-volume in-state flights, which reduces the average trip length and increases average cost per mile. TWA, on the other hand, operated only two flights per day, non-stop Anchorage to St. Louis. These flights accommodated many cruise passengers and tour groups and thus had longer trip lengths with lower fares than other carriers.

C. COMPARATIVE FARES AND TRIP LENGTHS
(2001)



Source: USDOT Airport Competition Plans - Air Fare Data 2001, Table 2

Due to the remoteness of Alaska, the average trip length of flights that serve the Airport is significantly greater than for comparable airports. However, the average one-way airfare, at $215, is higher than for most markets. There are two factors that contribute to the high airfare: (1) the average trip length is greater; and (2) because of the seasonality of the market and reduced competition during winter season, airfares generally rise in the winter and are reduced in the summer season.

D. FARE DATA AND MARKET SUMMARY

Comparisons for Short-Haul Markets

E. FARE DATA AND MARKET SUMMARY

Comparisons for All Stage Lengths

		All Stage Lengths					
Airport	Market Type	City Pairs	%	Passengers	%	Trip Length	Yield
ANC	Low-Fare	0		-			
	Non-Low-Fare	99	100%	2,482,030	100%	1877	$ 0.11
	Total	99		2,484,030		1877	$ 0.11
HNL	Low-Fare	0		-			
	Non-Low-Fare	114	100%	10,922,820	100%	1614	$ 0.09
	Total	114		10,922,820		1614	$ 0.09
MEM	Low-Fare	15	14%	739,300	23%	500	$ 0.24
	Non-Low-Fare	89	86%	2,478,060	77%	862	$ 0.25
	Total	104		3,217,360		779	$ 0.25
SDF	Low-Fare	43	42%	2,134,110	65%	807	$ 0.14
	Non-Low-Fare	59	58%	1,143,150	35%	810	$ 0.24
	Total	102		3,277,260		808	$ 0.17
SLC	Low-Fare	48	34%	5,213,160	62%	762	$ 0.15
	Non-Low-Fare	94	66%	3,201,760	38%	1483	$ 0.13
	Total	142		8,414,920		1037	$ 0.14
Total	Low-Fare	2,267	25%	320,780,860	48%	930	$ 0.13
	Non-Low-Fare	6,923	75%	344,291,230	52%	1217	$ 0.16
	Total	9,190		665,072,090		1078	$ 0.15

Source: USDOT Airport Competition Plans - Air Fare Data 2001, Table 3

The data in the above charts show that in long-haul markets, yield for Anchorage is similar to the other markets chosen for comparison. In the Airport's long-haul markets there is a diverse group of carriers and markets served, and thereby substantial competition.

As noted in the beginning of this Section, Anchorage short-haul markets have some interesting characteristics that are found in no other market to allow accurate comparisons. The Airport is the primary air transportation hub for the State of Alaska, where only two percent of the state is accessible by roads. The communities that are served out of Anchorage are all small communities, not other major commercial or population centers. These small communities are generally served by only one carrier operating aircraft with limited seating capacity. Low traffic volumes and the relatively high cost of dealing with Alaska's weather and high insurance premiums tend to depress competition to serve the smaller markets. In the last year the insurance premiums for the passenger

carriers operating intrastate has risen to such levels that many carriers have ceased all passenger operations.

Even though Anchorage's location, beyond short-haul distance to other major population centers, has thus far failed to attract a low cost carrier, the short haul non-Low-Fare yield is actually below that of SDF and MEM, with more than three times the short haul passenger volume.

The market comparisons for All Stage Lengths show that the Anchorage market, even with the existence of no Low Fare carriers, shows a yield that is well below the average for the compared markets.

Especially in light of some of the unique characteristics of the Anchorage market, this analysis indicates that the Ted Stevens Anchorage International Airport provides to consumers reasonably competitive alternatives relative to the nature and size of interstate and intrastate destination markets. Carriers have reasonable access to Airport facilities, and the Airport welcomes both new entrants and new market service.

APPENDIX 1

APPENDIX 1

CONTENTS

1. Airport Operating Agreement (AOA)

2. Title 17 Regulations

3. Gate Monitoring/Utilization Charts
   a. North Terminal - Summer
   b. North Terminal – Winter
   c. South Terminal – Summer
   d. Sample Reports from Multi-Use Flight Information Display System

4. Airport Bulletin No. 2000-19

5. Gate Coordination Agreement

6. Operating Permit

7. New Tenant/Carrier Handbook