



Alaska

International Airports System

P.O. Box 196960

Anchorage AK 99519-6960

T: 907.266.2404 F: 907.266.2100

E: keith_day@dot.state.ak.us

Keith Day, CPA

Controller

June 3, 2008

Memo re: Response to Comments Regarding Notice of Proposed Changes in International Airports' Land Rental Rates (Comment period from April 30, 2008 to May 30, 2008)

From: Keith Day, Controller

The Alaska International Airports System has decided to cancel its recently noticed land lease rental rate increases which were proposed to be effective beginning on or after July 1, 2008 per the provisions of 17 AAC 42.125.

The AIAS will defer a final decision on implementing any increases to adjust rates closer to fair market until it has had the opportunity to consider both the substantial comments received in opposition to the proposal as noticed and the recent requests received from signatory air carriers. In those requests, the signatory carriers have asked that we revisit FY09 operating and capital budgets in order to afford any rate relief possible due to significant current economic turmoil in the aviation industry caused by sky-rocketing fuel costs.

No future land lease rental rates changes will occur without the AIAS undertaking a new public notice process as required under 17 AAC 42.400.

The comments we received which gave us most concern relate to two matters we believe provide sufficient reason to pause the process in order to undertake further careful consideration:

- 1) That the impact of the proposed increase in the current economic environment of spiraling fuel costs will place excessive financial strain on many of the affected leaseholders.

- 2) That the timing and amount of notice period undertaken under 17 AAC 42.400 did not afford adequate lead time for many operators with highly seasonal revenue streams to effectively budget the increase into their rate structures.

Additionally, significant comment was received questioning the underlying purpose and necessity of the proposed rate increases, especially given the robust condition of the State's general fund resulting from the same spiraling energy costs which are imposing significant stress on aviation activities within Alaska as a reason for the AIAS to not require "more" revenues.

This comment merits explanation that AIAS is economically independent of the State's general fund and also that the proposed increase to adjust land rental rates more towards fair market was requested by the AIAS's signatory airlines in the course of Operating Agreement negotiations. The request was put forward as an equitable process to reduce other system rates and fees with no net increase to the total AIAS revenues received and that further, AIAS is appropriately obliged to consider such requests.

Thank you for your comments and please feel free to contact me if you have questions or need additional information.

Sincerely,



Keith Day,

AIAS Controller

Cc: AIAS Land Lease Tenants; AIAS Airlines Airport Affairs Committee;
Mr. Leo Von Scheben, DOT&PF Commissioner; Ms. Christine Klein, DOT&PF Deputy Commissioner – Aviation; Mr. Mort Plumb, AIA Director; Mr. Jesse Vanderzanden, FIA Director; Mr. John Steiner, AAG;