

Aviation Advisory Board

Alaska Department of Transportation and Public Facilities
P.O. Box 196900 ♦ Anchorage, AK 99519-6900

Lee Ryan
Chair
Unalakleet
2nd Judicial District

Jim Dodson
Vice-Chair
Fairbanks
Mayor's of City of Fairbanks
and North Star Borough

Tom George
Fairbanks
Aircraft Owners and Pilots
Association

Robert Hajdukovich
Fairbanks
Alaska Air Carriers Association

David Karp
Anchorage
Alaska International Airports
System Operating Agreement
Signatory

Ken Lythgoe
Anchorage
Non-Airline Tenants

Judy McKenzie
Anchorage
All-Cargo Air Carrier

Frank Neitz
Bethel
Unorganized Borough

Tom Nicolos
Barrow
North Slope Borough-Airports
and Landfills

Mike Stedman
Juneau
Regional Air Carrier

Steve Strait
Anchorage
Mayor of the Municipality of
Anchorage Representative

October 28, 2015

The Honorable Bill Walker
Governor of Alaska
PO Box 110001
Juneau, AK 99811-0001

Re: Revenue Enhancement for the Rural Alaska Aviation System

Dear Governor Walker:

Members of the Governor's Aviation Advisory Board met with you last January, and asked that we work with the leadership at the Department of Transportation and Public Facilities to explore various revenue opportunities for the Rural Alaska Airport System, which serves communities across the State. Since that time, the Advisory Board met with the Department commissioners and administration to explore three revenue enhancement options, which are:

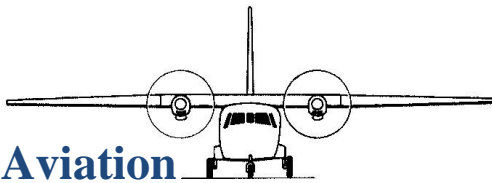
1. Landing Fees,
2. Airport User Fees, and
3. Motor Fuel Tax increases on aviation gasoline and jet fuel.

Criteria for the evaluation and subsequent recommendation was based upon the general principles of equity, uniformity and simplicity. During the August meeting which was held in Ketchikan and after considering all three potential revenue opportunities including the administrative complexity, the impact to various segments of the State and the administrative costs of each option, the following resolution was unanimously adopted:

In order to help support the sustained operations of the Alaska Rural Aviation System, the Aviation Advisory Board recommends increasing the motor fuel tax (avgas and jet fuel) to 10 cents/gal, at or below \$100/barrel ANS crude market price, and indexed annually to return to current levels at or above \$140/barrel ANS crude.

This recommendation is predicated on the revenues being used to support the aviation system outside the Alaska International Airport System, and further statewide revenue generation and increased operating efficiencies.

The Advisory Board believes that an increase in motor fuel tax is the most fair and equitable method to increase system revenue without creating undue and burdensome administrative oversight and costs. The State of Alaska already has administrative procedures and personnel to administer motor fuel tax collection and expenditure. At the same time, the board expressly suggests that more research specific to industry economic and social impact is required when considering landing fees or airport user fees. Furthermore, concerns exist that the proposed landing fees would disproportionately impact the residents of rural Alaska when compared with residents being served by the marine and road transportation network.



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The Landing Fee or Airport User fee proposal requires a rate structure based on logical criteria and it further requires an economic or social impact study on both the aviation industry and impacted communities. In addition, the fuel tax, if raised to the recommended rate, provides the target revenue identified by the Department of Transportation.

Finally, the Aviation Advisory Board members are pleased to hear that the Department of Transportation plans to restructure the Part 139 Airports under the Division of Statewide Aviation. We fully expect this change helps to streamline costs, but equally important, it creates more aviation-minded management oversight which are vital to the health of the aviation system.

We look forward to working with the Department and your administration as the state moves to address the revenue situation resulting from the low price of oil.

Sincerely,

Signed:

Lee M. Ryan, Aviation Advisory Board Chair