



**U.S. Senate Commerce, Science and Transportation Committee
Aviation Field Hearing
Loussac Library
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**Testimony of Morton V. Plumb Jr.
Director, Ted Stevens Anchorage International Airport**

ANC Development

Good morning, Chairman Stevens and members of the committee. My name is Mort Plumb and I am the director of Ted Stevens Anchorage International Airport. I appreciate the opportunity to speak with you today about the particular interests of the Ted Stevens Anchorage International Airport and about matters of importance to commercial service airports across the country.

I am proud of the Airport's role in the National Air Transportation System as the primary transpacific gateway for international cargo, an important stop for international passenger routes as well as a commercial hub for some 260 communities throughout Alaska. Since the beginning of airfield operations more than 50 years ago, Anchorage International has grown to be #1 for landed gross weight for cargo airports and the third ranking cargo airport in the world based on cargo tonnage. Anchorage's international air cargo operations have averaged 7% growth over the past 10 years and we expect Anchorage's air cargo operations to continue this trend.

Due to strong growth in Asia-U.S. trade and record fuel prices, our nation reaps economic benefits as more and more cargo carriers capitalize on efficiencies afforded by Alaska's strategic position on the Pacific Rim. They recognize that a refueling stop at ANC is the key to maximum cargo payloads and peak economic efficiency for trans-Pacific freighter flights. Further, thanks to your leadership, Mr. Chairman, in 2004 Congress approved flexibility of international and domestic carriers to achieve additional efficiencies by cross-loading, sorting and clearing cargo in ANC to reach multiple locations in the U.S. for eastbound freight and in Asia for westbound freight. So far, at least four carriers are using this flexibility to reach more destinations more efficiently—all to the benefit of the United States economy.

The visitor industry continues to increase passenger traffic as well. This summer construction will begin on a \$176.8 million Passenger Terminal project to

complement the new C Concourse which opened in 2004. This project is scheduled to be completed by 2010. For both airports in the Alaska International Airport System (Ted Stevens Anchorage International Airport and Fairbanks International Airport) Passenger Facility Charges, or PFCs, are part of the formula for success, but as I will discuss in a minute, Alaska's airport system joins other airports across the country in requesting important updates in the PFC program.

In addition to passenger infrastructure improvements, Anchorage International will see over \$100 million in private expansion of air cargo facilities. As one of the first airports that will host the Airbus A-380 in 2009 on FedEx and UPS ramps here, the airport is preparing its airfield, with the help of FAA Letter of Intent funds. Modifying the LOI program, as I will discuss, is critical to ANC's ability to accommodate this 1.3 million pound aircraft.

Keeping in mind the very strong performance and outlook here at Anchorage International, let me turn now to the major issues with which we need this Committee's continued and strengthened support.

Transit Without Visa

Senator Stevens, your staff has worked tirelessly over the last three years, on the Transit Without Visa issue. I testified last summer before your committee and am back again this year still asking for your help in resolving the TWOV issue. I am disappointed to report to you that rather than being closer to a resolution with DHS, TSA, and CBP, we quite frankly, see no end in sight. In April, Governor Murkowski and I met with Secretary Michael Chertoff here in Alaska to seek his help in reinstating TWOV in Alaska. Although Secretary Chertoff was receptive, the issue remains unresolved.

Our original, simple request to CBP was to allow carriers to enplane and deplane passengers on transit flights into our special, secure, transit facility at ANC when stopping en route through Alaska to other foreign destinations. In this simple request, well-meaning federal officials have identified a thicket of technical issues, none of which, we believe, pose any appreciable threat to U.S. aviation security. The largest issue, for example, is TSA's concern that no federal employee would personally re-screen these few hundred passengers each day who were previously screened at a foreign point of origin under ICAO standards, and who merely visit our transit lounge before continuing to a foreign destination on the same aircraft on which they arrived. Based on what we believe to be a stretched reading of the Aviation and Transportation Security Act, the TSA believes it raises an issue to allow a TSA-screened passenger to join such a flight transiting through Anchorage to the foreign destination, though there appear to be no material security concerns.

We have spent over \$1 million in terminal modifications to separate CBP-cleared passengers from un-cleared passengers. Now TSA is asking us to again modify the terminal to separate the ICAO-screened passengers from TSA-screened passengers. Any justification for this requirement disappears in the face of the TSA's position that such differentially-screened passengers may not mix in the terminal, but may mix onboard the airplane. As a matter of fact, we understand that mixing on the plane has not caused any reported incidents at other airports where it been occurring successfully for some time.

Let me explain the entire DHS-proposed international transit passenger processes:

1. Passengers must process through CBP including passport verification, immigration document processing submitting I-94 forms, and US Visit fingerprinting and photograph.
2. Passengers then exit through Customs submitting Customs Declaration Forms
3. Passengers must then be re-screened through TSA screening
4. Finally, passengers return to the gate area, where they must soon thereafter perform exit procedures through US Visit, submitting fingerprint and photo information once again.

All of these processes must be done within the 90 minute ground time. The airline staff spends the entire ground time getting passengers through the DHS processes and back on airplane just to be able to board a few passengers originating in Anchorage.

Currently we have 18 international passenger flight arrivals each week. These flights have operated safely and securely for nearly 20 years. We truly believe these modifications are unnecessary because the basis for the demands have no material security rationale. But if DHS insists on imposing these segregation and/or re-screening requirements that cannot, at the end of the day, reasonably be justified as furthering U.S. security interests, then the federal government should bear the burden of paying the cost of infrastructure and additional screeners.

Our main goal continues to be that all passengers be allowed off the airplane into the sterile, secure transit facility with minimal processing, yet exposed to U.S. security officials. We firmly believe the additional processing that DHS is requiring here in Anchorage will soon push carriers to overfly Alaska and the U.S. altogether, to the detriment of both the Alaska economy and U.S. security.

AIP Funding Levels and Formula

Although TQOV and transit passenger processing are our most urgent issues, federal funding issues loom large on the horizon. Alaska could face a major funding challenge were AIP funding allowed to falls below \$3.2 billion. A level of

funding below this amount would greatly reduce Anchorage's critical cargo entitlements. Anchorage relies more heavily on cargo entitlements than any other airport in the nation. Because ANC serves as a critical transit and transfer point for a large proportion of international air cargo to and from the United States, funding for our cargo support infrastructure is truly a concern for our national economy, and not merely local interests. We recommend that cargo entitlements be increased 0.5% from 3.5% to 4% to better balance the increased cargo infrastructure needs compared with passenger infrastructure needs. In past years, an effort was made to reduce or cap cargo's share of the funding formula. With growth in heavy air cargo continuing to outpace passenger growth, a modest increase in cargo's share is more appropriate.

Flexibility for AIP spending

In addition to AIP formula issues, restrictions on use of these funds has also become an issue. Current FAA regulations are very restrictive on the ability of airports to use their entitlement funding. With greater flexibility, airports could use this funding more efficiently.

For example, it would make sense for us to use AIP funds to purchase a larger runway snow blower to be used on the larger runways and taxiways we are building to accommodate the new larger aircraft. This new snow blower, which clears twice the width of any current equipment, would make our winter operations more efficient, economical and increase safety. The only manufacturer with a proven reliability is a foreign entity. Special condition 9 of the AIP grant agreement precludes us from purchasing this and other essential pieces of equipment using AIP funds.

PFC Flexibility, Penalty and Ceiling

Although airports enjoy somewhat greater flexibility on use of Passenger Facility Charges, there again FAA restrictions include unnecessary and administratively burdensome limits on PFC use. In addition, current FAA regulations reduce AIP funding to medium and large hub airports when they raise Passenger Facility Charges to any level above \$3.00. This provision effectively penalizes an airport that collects a higher PFC—depending on passenger volumes, the loss of AIP can exceed any additional PFC revenues. When the FAA asserts that a large reservoir of PFC dollars remains untapped by airports that do not adopt higher PFC rates, that assessment ignores this penalty. PFCs are not federal funds; those collections should not be subject to any more than minimal restrictions and should not offset federal dollars. ANC is a perfect example of an airport that could grow this capital funding source for much-needed projects were the AIP off-set rule abolished. To strengthen the PFC program for the benefit of airports nationwide, we do support a higher maximum PFC, but we also need to abolish or reduce the penalty for adopting a higher PFC if the program is to live up its potential.

TSA

Turning now from general infrastructure funding, I want to address the special challenge of security funding. As you know the airport operating environment has changed dramatically since the 9/11 attacks. The Transportation Security Administration (TSA) continues to place new requirements on airports without providing airports any funding to carry out the new requirements. In fact, Senator, we are stilling waiting for an LOI promised by former TSA Administrator Loy in 2003.

While we have a worked very closely with TSA leadership, Anchorage was promised that new security requirements would be reimbursed by TSA. To date, these commitments have not been fulfilled. To date, ANC has spent \$19.6 million to fund TSA-mandated security enhancements in Concourse C and is projected to spend another \$15.0 million in Concourses A & B. The failure of the federal government to fund these security mandates has compelled ANC to use revenues that would otherwise be available for important infrastructure development needs. This burden has now been placed on our air carriers, many in dire financial crises. I am hopeful Ted Stevens Anchorage International Airport will participate in the proposed funds in the 2007 DHS Spending Bill.

Air Cargo Security

A security issue of particular importance for Anchorage International is the Department of Homeland Security's recently issued final rules for Air Cargo Security. The approach resulted from collaboration with all parties and correctly emphasizes a threat-based system in air cargo. ANC had already created its own Working Group on Air Cargo Security at ANC with industry and interested agencies to get a sense of what is realistic and what is overkill, especially for all-cargo air freighters. Our Working Group participated in the national policy process. There are those, on the other hand, who propose such extreme proposals as 100% cargo screening and inspection. The effect on our economy, we believe, must be weighed against the threat of attack on air cargo aircraft. In fact, devoting DHS resources to 100% inspection for cargo would either require a tremendous additional commitment of federal funds or it would actually reduce security by pulling inspectors from the tragically proven threat to passenger aircraft. We applaud Congress' awareness that an overzealous bureaucratic solution may not be a good solution at all.

Conclusion

In conclusion, Ted Stevens Anchorage International Airport competes in a world-wide market of Olympic proportions. Our nation's good economic scores in today's global business environment reflect ANC's contribution in delivering value

for lowest cost. Air cargo is claiming a growing proportion of international trade with the world. The federal rules by which gateway airports must play and rules that burden AIP funds and PFCs have an important effect on our ability to provide services at the lowest possible cost to keep pace with other market forces. We believe our proposals for infrastructure and procedural enhancements while ensuring aviation safety and security are essential.

Finally, I would be remiss if I did not note my great appreciation for the incredible support of our outgoing Secretary of Transportation, Norm Mineta, his personal support to me and his professional support of the Ted Stevens Anchorage International Airport. Under his leadership and that of Administrator Blakey, former Associate Administrator of Airports, Woodie Woodward, Acting Associate Administrator Kate Lang and Alaska Deputy Manager for Airports Division, Deb Roth, the Ted Stevens Anchorage International Airport has become the Olympic-capable world-class airport it is today.

Thank you, Senator Stevens and Administrator Blakey, for your continuing leadership in providing resources and adopting new cargo legislation to help this great airport serve the nation's interests. I would also like to thank Senator Inouye for his continued support for Alaska and our International Airport System. We look forward to working with you to implement the reforms we have suggested today to continue our strong record of contribution to a secure and efficient national air transportation system. That concludes my remarks Mr. Chairman.

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