



Alaska International Airport System
Ted Stevens Anchorage International Airport
Fairbanks International Airport

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Invitation for Expression of Interest (EOI)

EOI #2520H005

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North International Passenger Terminal Operating Public Private Partnership at the Ted Stevens Anchorage International Airport

The State of Alaska (SOA) Department of Transportation and Public Facilities (DOT&PF) is seeking qualified applicants to submit an Expression of Interest (EOI) outlining their capabilities and expertise in the management, development, and operation of the North International Terminal at the Ted Stevens Anchorage International Airport (ANC or the Airport) in Anchorage, Alaska. This existing eight-gate international terminal on the West Coast of the United States presents a tremendous opportunity to capture the forecast growth in international air travel.

General Background Information

The Airport serves just under 6 million passengers annually from points in North America and around the world. Most passengers (approximately 80 percent) use the Airport as the origin or destination point on their journey, visiting the area for a variety reasons related to tourism and trade. The balance of travelers use the Airport as a connecting point between two other airports. Passengers are accommodated by approximately 200 daily flights on average throughout the year, with most passenger activity (approximately 55 percent) occurring between May and September.

The majority of destinations (40 of 43) served nonstop by passenger airlines are within North America, 22 of which are points within Alaska. Currently, there are also two seasonal nonstop European destinations (Condor-FRA and Icelandair-KEF), one Canadian destination (Air Canada-YVR, and one destination in Russia (Yakutia Airlines-PKC). Eurowings has announced that they will be adding seasonal service between Anchorage and Frankfurt in the summer of 2020.

In addition to passenger airline service, the Airport ranks 2nd in the Western Hemisphere for landed weight of cargo aircraft, and 5th in the world for cargo throughput. On a typical day, ANC will see over 180 wide-body freighter operations. More than a half-billion dollars in air cargo projects have been announced in 2019 that will secure ANC's importance as an air cargo hub for decades to come.

The Airport has a favorable geographical location, not only in terms of its proximity to a robust local economy and a range of nearby cultural and tourist attractions, but also in its location along some of the heaviest traveled international routes and its relatively short distance from a variety of international locations. The Airport has the potential to leverage this favorable location to attract more international passengers year-round and airlines that can readily take advantage of the increasing operational efficiencies in service to the Airport's location.

The North Terminal houses the Airport's only U.S. Customs and Border Protection (CBP) facilities. All people arriving on flights, including cargo and general aviation/charter services from international points without U.S. CBP Pre-clearance facilities, must use the North Terminal. Thus, a significant portion of the Airport's growth potential could be accommodated through the North Terminal.

The Ted Stevens Anchorage International Airport Advantage

- Just under 6 million passengers served annually
- Up to 8 international-capable gates
- 3 runways over 10,000 feet
- Cat II/III approaches
- 4th runway in master plan
- 24/7 airport operation
- 24-hour Customs and Immigration with low wait times
- Short taxi times
- No night curfew
- No slots required
- Never closed for snow
- Low cost per enplanement
- Already supports four international airlines and multiple international charters
- Fifth international airline announced for summer 2020

Overview of the North Terminal Facility

The North Terminal is a 310,000 square foot (sf) facility built in 1982 with updates made in 1988 and 1993. As originally designed, it can support eight gates capable of accommodating Boeing 747 aircraft. Currently, there are six gates available and 17,000 sf of concessions space. The concessions space is located in the middle of the terminal to provide convenient access for passengers.

The North Terminal contains the Airport's only U.S. CBP facility, and processes all flights and passengers arriving from international points without U.S. CBP Pre-clearance facilities, as well as a portion of flights departing to international points. The facility's interior has been modified to provide a secure environment enabling simultaneous accommodation of international and domestic passengers. The North Terminal is connected to the South Terminal by an enclosed corridor constructed in 2009. All the Airport's domestic flights and several international departing flights currently operate from the South Terminal.

The North Terminal is a three-floor facility. The ground floor provides curbside access, the facility's main lobby, ticketing, baggage processing, baggage claim, and offices. Passenger screening and boarding occur on the second floor, which contains departure lounges, concessions space, and offices. The third floor contains VIP lounge space, a smoking room, offices, and mechanical equipment.

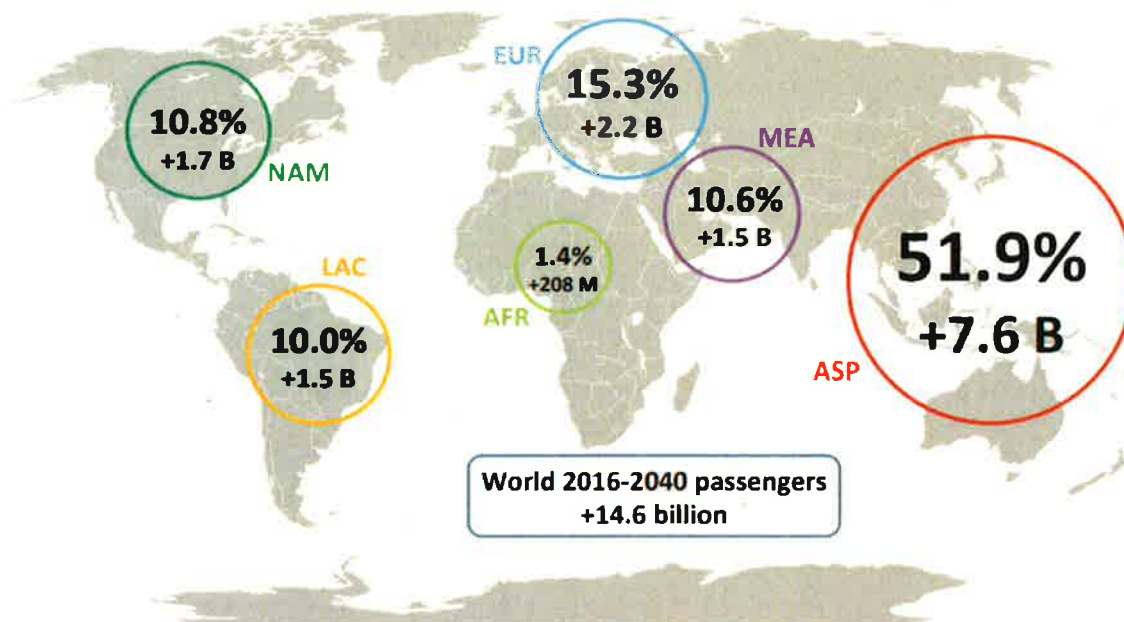
Opportunities for Development and Growth

Several opportunities exist to increase passenger activity at the Airport, specifically in the North Terminal. Additional passenger growth at ANC is possible, especially to and from international points, as travelers increasingly tap into Anchorage's robust local economy, culture, and nearby natural attractions year-round. Much of that passenger growth may more easily originate from Asian points as airlines recognize an opportunity to leverage evolving aircraft technology and operating efficiencies to support nonstop service between Asia and ANC.

Passenger Growth

Global air travel is forecast to double in the next 15 years, and a large portion of that growth is forecast in Asia. The greatest potential for additional passenger growth at ANC is to and from international points, especially in Asia and the South Pacific. Over 50 percent of forecasted global passenger growth through 2040 is expected to originate in Asia and the South Pacific according to Airports Council International (ACI) World Passenger Forecast. The following graphic shows ACI's forecasted growth in passenger trips. Anchorage is ideally located to tap into this growth and connect 3 of the world's largest markets.

Contribution to 2016-2040 forecasted global growth



Alaska, America's Last Frontier

Both international and national travelers are increasingly aware of Alaska's precious natural attractions and unique culture. Exit surveys of travelers show 98% rate their Alaskan vacation as very satisfying or satisfying, with 40% very likely to return. Alaska is home to eight national parks; the Northern Lights dance across the skies six months of the year; and ANC is just a 3-hour ride from Mt. Denali, the highest peak in the United States. The Iditarod – the Last Great Race on Earth®, the Alaska Folk Festival, the Anchorage Fur Rendezvous, the Alaska State Fair and the Festival of Native Arts provide the rich cultural experiences that visitors crave as they are increasingly surrounded in everyday life by a man-made technology and a computer-driven world. Anchorage is home to three AAA four diamond restaurants and a wide diversity of international dining options. From wide open spaces to abundant fresh water resources to unmodified fish, seeds and plants, Alaska is being re-recognized by businesses and independent travelers alike as America's Last Frontier.

Alaska is a year-round tourism destination. Summer is by far the most popular season to be here but, winter is also a great time to be in Alaska. Due to its proximity to the Pacific Ocean, Anchorage and areas south experience mild winters. In the heart of winter, Anchorage's January average daily high temperature is 23F/-5C. There is very little wind in Anchorage, so an Anchorage winter is much more pleasant than winter in the Upper Midwest or New England. While Interior Alaska can get cold, the majesty of the Northern Lights will warm the soul.

Chinese tourists are particularly interested in activities available in Alaska; their number one desire for a trip to the United States is to find “ways to experience nature”. You cannot find a better place on the planet to experience nature than Alaska. Within one hour of Anchorage are glaciers, mountains, Nordic and downhill skiing, ice climbing, whale watching, bear viewing, world-class fishing, bird watching, dog sledding, and multitudes of hiking trails. 2018 saw solid growth in Asian tourists. Asian passengers arriving by air to explore Alaska was up 13%, passengers from China was up 65%. Destination Analysts, in a survey of 11,000 international travelers from 14 different countries, indicate that:

- Alaska is ranked among the top five “coolest” U.S. destinations by international travelers
- Travelers from Asia, the South Pacific, Mexico, and South America find Alaska an appealing destination

Cruise Critic rated Alaska is the #1 rated cruise destination in the world.

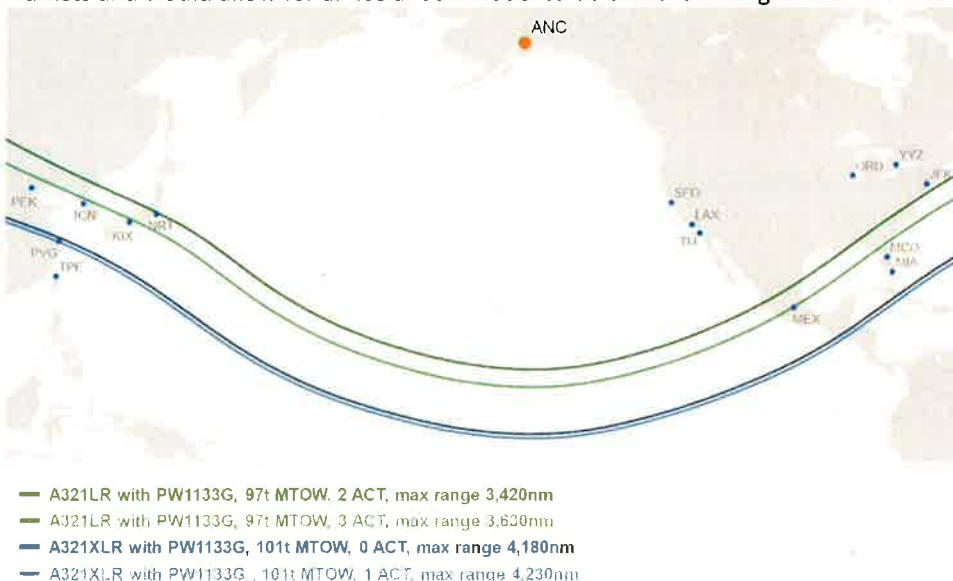
Local demand potential between Alaska and Asia and the South Pacific isn’t only destination traffic - Alaskans can and would go somewhere other than their typical vacation to Hawaii. Alaska currently generates a balanced traffic flow to/from Asia with 51% of travelers having a US point of origin and 49% having an Asian point of origin.

Technology and Innovation Present Opportunities

Evolving aircraft technology and leveraging proven operational efficiencies support nonstop service between Asia and ANC, which today, does not exist, but is preferred by travelers. Currently, instead of flying direct to ANC, Asian and Australian travelers coming to Alaska must connect in LAX, SFO, or SEA, thus requiring a significant backhaul routing.

Developing low-circuitry connections between Asia and points in the Americas using ANC as a stopping point is an opportunity for airlines. Anchorage offers the perfect location and leisure tourism options to develop such a route (Asia – Anchorage - Mainland USA) modeled after Icelandair’s very popular stop-over policy. ANC has already received interest in serving as a connecting point for older B767 and A330 aircraft. As more of those aircraft leave flying for mainline carriers, they will populate the leisure market.

Several Asian destinations are reachable from ANC with narrow-body aircraft such as the Airbus A321LR, enabling better economics than possible with a widebody aircraft. The Airbus A321neo XLR can reach several large Asian markets and would allow for an Icelandair model to be executed using ANC as the connecting point.



Airbus A321neo LR & XLR range from ANC

The rumored range on the Boeings NMA/"797" puts multiple, large Asian cities within range of ANC.



4,000nm 4,500nm and 8,000nm Range from ANC (graphic from Great Circle Mapper)

Supersonic transportation is another potential technology that has the ability to drive growth at ANC. The supersonic aircraft that are being proposed to fly business traveler between North America and Asia have a range of around 4,000nm. This will require a technical stop and ANC is the ideal location.

West Coast Gateway Potential

Traditional west coast gateways are congested and passenger enhancements to deal with the congestion will continue to drive up operating costs for airlines. Anchorage is a very low-cost investment for a west coast US gateway that has plenty of runway capacity. There are no new runways planned at the traditional west coast gateways. By contrast, ANC has capacity now and has another runway identified in the master plan for when demand exceeds capacity.

ANC is the closest US gateway airport to Asia. ANC is a 9.5 hour flight from 90% of the industrialized world. There are multiple routes that could be flown to ANC that only require two pilots to operate a segment and quickly get to their rest period. Once at ANC, airlines can meet their US partners to exchange passengers. ANC's largest carrier, Alaska Airlines, has multiple partnerships with foreign airlines. ANC offers connections to United Airlines and Air Canada (Star Alliance), American Airlines (oneworld), and Delta (SkyTeam). In addition, ANC offers seasonal service from Allegiant and Sun Country. ANC's domestic network provide non-stop service to the five largest US markets and six additional markets in the top 20.

Global Connecting Potential

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
ALASKA INTERNATIONAL AIRPORT SYSTEM

EXPRESSION OF INTEREST: 2520H005

The Anchorage Airport is ideally located to serve as the connecting point between Asia and Latin America. Even with ultra-long-range flights it is not possible to link Asia to Latin America with a non-stop flight. Since airlines must stop, Anchorage is the ideal location. For example, stopping in Anchorage adds:

- 1 nautical mile to the great circle distance between Tokyo, Japan and San Paulo, Brazil;
- 4 nautical miles between Beijing, China and Santiago, Chile;
- 21 nautical miles between Seoul, South Korea and Lima, Peru;
- 53 nautical miles between Shanghai, China and Mexico City, Mexico;
- 131 nautical miles between Auckland, New Zealand and London, England.



(Graphic from: Great Circle Mapper)

In this era of global alliances, a properly structured connecting bank could open multiple markets with minimal connecting time for passengers. The bank below shows the potential of a three to four-hour window connecting Asia with Latin America.

Departure Airport	Arrival Airport	Distance in NM	Flight Time
SIN	ANC	5,791	12:46
ANC	MEX	3,284	7:14
Total Flight		9,075	20:01
HKG	ANC	4,415	9:44
ANC	BOG	4,748	10:28
Total Flight		9,163	20:12
CAN	ANC	4,376	9:39
ANC	LIM	5,547	12:14
Total Flight		9,923	21:53
PVG	ANC	3,744	8:15

STATE OF ALASKA

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ANC	SCL	6,833	15:04
Total Flight		10,577	23:19
PEK	ANC	3,442	7:35
ANC	GRU	7,010	15:28
Total Flight		10,452	23:03
NRT	ANC	2,984	6:35
ANC	EZE	7,236	15:57
Total Flight		10,219	22:32
ICN	ANC	3,300	7:17
ANC	RIO	7,077	15:36
Total Flight		10,377	22:53

Airline Economics: Reduced Fuel and Reduced Emissions

If it were possible, flying non-stop between most points in Asia and Latin America would be over 16 hours of flight time. Aircraft are not efficient flying long distances because they have to tanker extra weight, in the form of spare fuel to fly 16+hours. If that 16-hour flight was broken into two 8-hour legs, the fuel savings on the two-leg flight would be greater than 20%. With fuel being one of an airline's largest expenses, a 20% savings is very attractive.

If airlines are forced to make a technical stop for fuel, economics dictate stopping at a location between six and nine hours of flying time. Figure 1 below is a map that shows the 6-9 hour flying range from ANC. As you can see, most of the major Asian population centers and all North American population centers are less than 9 hours from ANC.



Figure 1: 6 to 9 Hour Flight Range to ANC (graphic from Great Circle Mapper)

Figure 2 below is the fuel burn rate for the Boeing 777. As you can see, the rate of fuel burn grows exponentially after 4,000 nautical miles which is about 8 to 9 hours of flight time. Fuel savings are directly related to emissions that are produced by aircraft. By stopping at ANC, fuel consumption and emissions are reduced. The economics of new markets, fuel savings, emission savings, and other ancillary benefits are a powerful draw.

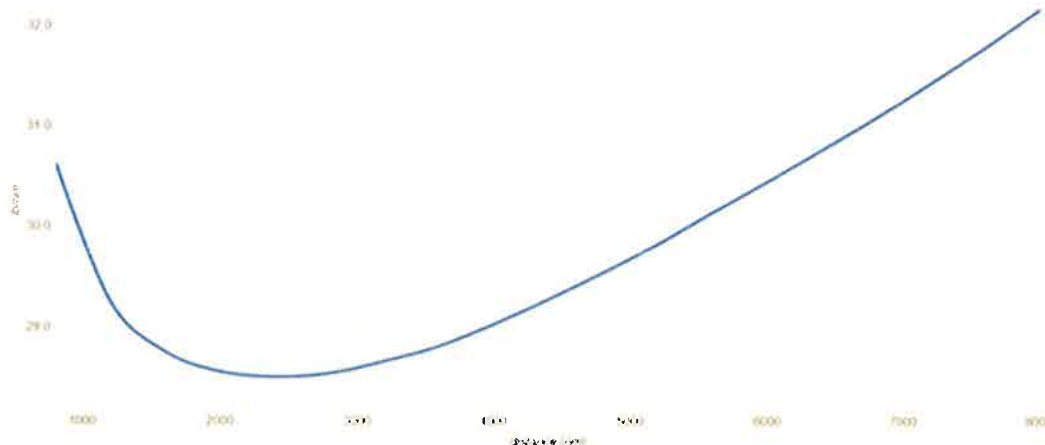


Figure 2: Fuel Burn per Distance for Boeing 777

There are airlines operating flights from Mexico City to Asia. Due to its altitude, aircraft need to stop enroute to Asia. Stopping at ANC instead of Tijuana, Mexico would save an airline operating a B787 10,300 pounds of fuel per flight. Assuming fuel is \$2.00 per gallon, stopping at ANC would save an airline \$1.1 million annually if the flight was operated daily.

The fuel-efficient nature of stopping at ANC also allows for the carrying of a full load of belly cargo. Special air cargo transfer rights at ANC allow belly cargo to be transferred to and from ANC's existing freighter aircraft network. ANC has 22 daily non-stop freighter markets and 25 markets that are at least weekly. ANC's freighter network covers all major Asian and North American cargo gateways and a number of smaller markets. In addition, ANC has freighter service to/from Latin America. As an example, Asian belly freight can arrive at ANC and be transferred to a partner airline that can take it on to Chicago, Dallas, or New York. On the return flight, freighter aircraft can give belly cargo to take back to Singapore, Tokyo, or Shanghai.

Public Private Partnership

This EOI is designed to gauge the level of interest of a public private partnership for a third-party operator to take over the operations and management of ANC's North International Terminal. In the 1990's when the terminal was the connecting point for Europe and North America with Asia, the duty-free store in the North International Terminal did over \$100-million in sales per year. There is ample opportunity to capture forecast growth in travel to return the terminal to its former glory.



The International Terminal in its Prime

The airport is looking for a company that can bring the terminal up to modern standards of experience and environment that international passengers expect. The operator would be responsible for upgrading the common areas of the North Terminal, operating high quality stores, restaurants, and the VIP lounge. Development could be phased to meet demand. The operator would also assist in international air service development to attract new international passenger airlines.

The airport is excited about the potential for the project but understands that there are risks. If the airport moves forward with a competitive process to operate the terminal, the airport is looking for suggested ways to structure the agreement to minimize risk and maximize the possibility for success.

A prime reason for the EOI is that the airport would like comments on a structure that could be competitively bid while minimizing risk and maximizing the chance of success. The airport is open to any type of suggestion. For example: Minimum annual guarantee, fee-per-passenger metric, percentage of non-airlines revenue, purchase of terminal with long-term lease, or other revenue sharing options.

To help facilitate the transaction the airport is open to a concept that also includes the management of other aspects of the airport. The airport's parking contract could be part of a deal structure. The North International Terminal has 140 short-term parking positions in a surface lot directly across from the terminal entrance. South Terminal parking consists of 1,200 short-term spots, the majority of which are in an elevated garage, and 893 long-term spots in the surface lot adjacent to the garage. The airport

also has a 300-spot long-term economy lot on the main roadway to the terminals. Annual revenue from airport parking is typically around \$7.5-million.

The airport's news & gifts contracts expire in 2023. There are multiple locations in the South Terminal that in total produce around \$7-million per year in revenue. Additionally, the airport receives around \$1-million in FIS fees annually based on international passenger counts and has a \$3.00 PFC.

Submission of EOI

The EOI shall include the following submissions and declarations and shall not exceed 10 pages:

- * Letter of EOI stating the Applicant's interest
- * Initial business concept and suggested financial structure(s)
- * A brief description of the Applicant's relevant corporate history and experience
- * Indication of history and financial capabilities in undertaking airport facility development and management
- * Details of individual who will serve as the Applicant's point of contact to include phone number and email, mailing and physical addresses

Applicants are requested to submit their EOI via email to Tom Mayer, Procurement Specialist, at:

tom.mayer@alaska.gov no later than **November 29th, 2019, 4:00 PM ADT.**

Applicants should clearly mark any information that is proprietary or a trade secret. The final decision on if an item is proprietary or a trade secret items lies with the Procurement Officer of record.

Pre Submission Educational Meeting

The airport will host a meeting on Thursday, October 3, 2019 from 10:00AM to 12:00PM prevailing Alaska time to discuss the concept with prospective submitters. The meeting will be held at the following location:

5000 West International Airport Road, Airport Staff Office Conference Room, 4th Floor.

Directions to the airport are provided I Exhibit C.

Please join my meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/207739597>

You can also dial in using your phone.

United States: [+1 \(646\) 749-3122](tel:+16467493122) **Access Code: 207-739-597**

Joining from a video-conferencing room or system?

Depending on your device, dial:

[207739597@67.217.95.2](tel:207739597@67.217.95.2) or 67.217.95.2##207739597

Evaluation of EOI

The issuance of this EOI is to identify prospective candidates who have the interest and competencies to manage, develop, and operate the North Terminal, as well as operate and maintain other revenue generating segments of the airport. The EOI will also help the airport understand the market's opinion of the project and gather feedback on a way to structure a competitive bid to insure success.

Based on the outcome of the EOI, DOT&PF may hold site visits and discussions and release a Request for Proposal (RFP). DOT&PF reserves the right to not proceed with prospective tenant discussions or the RFP process at any time.

Exhibits

The following are attached as Exhibits to this EOI to provide additional terminal specific information:

- Exhibit A:** North Terminal Floor Plan
- Exhibit B:** North Terminal Aerial Site Map
- Exhibit C:** Airport Directions