



Airports & Aviation

Alaska Dept. of Transportation

Legislative Update

February 2009

Christine Klein, AAE
Deputy Commissioner



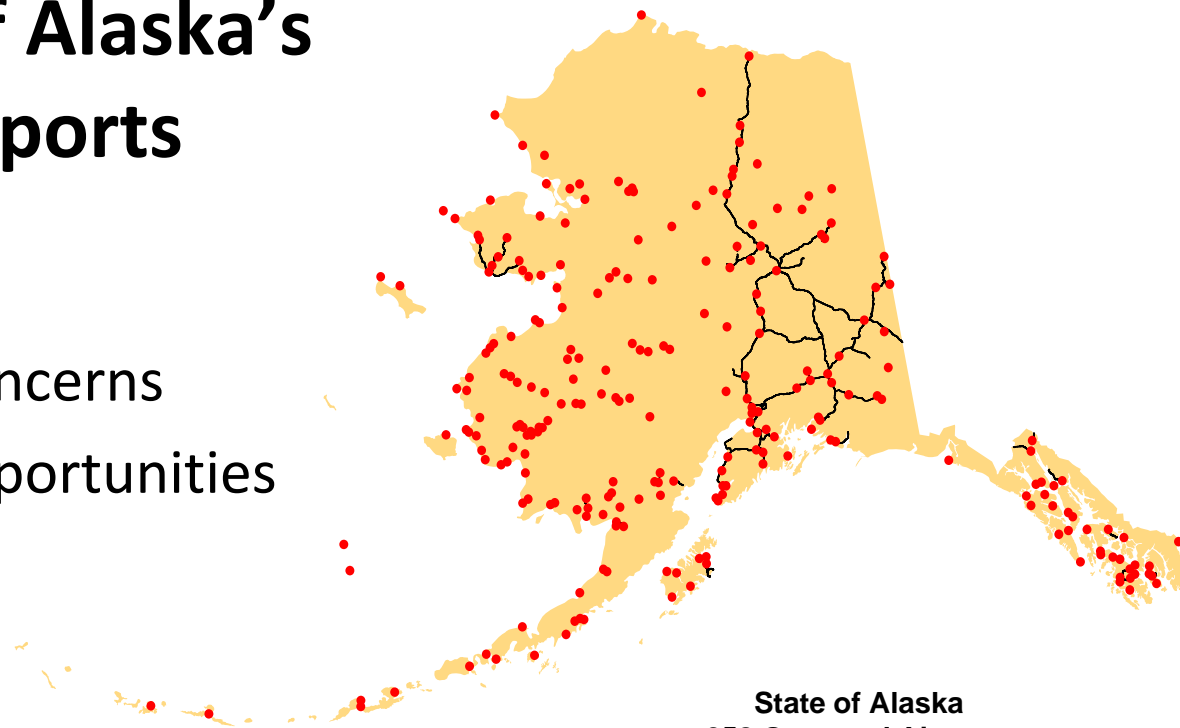
Overview of Airports & Aviation

- I Status of Airports**
- II Statewide Rural Airports**
- III International Airport System**



Status of Alaska's Airports

1. Strengths
2. Aviation Concerns
3. Focus & Opportunities
4. The Future



State of Alaska
258 Operated Airports



Alaska's Airports & Aviation

Strengths:

- Largest System in the US
 - 258 State Airports
 - 173 gravel, 45 paved, and 37 seaplane,
- Main Transportation Mode for all citizens and regions
- Only means of access for over 149 communities

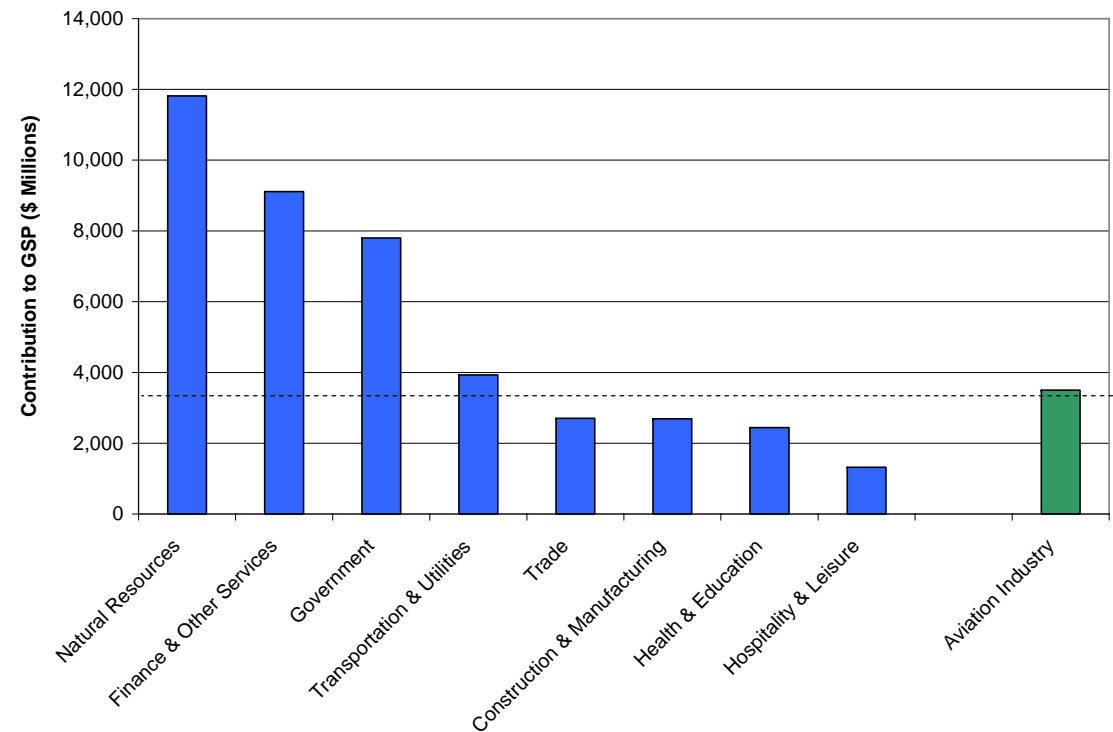




Aviation Industry Economic Contribution to Alaska

Strengths:

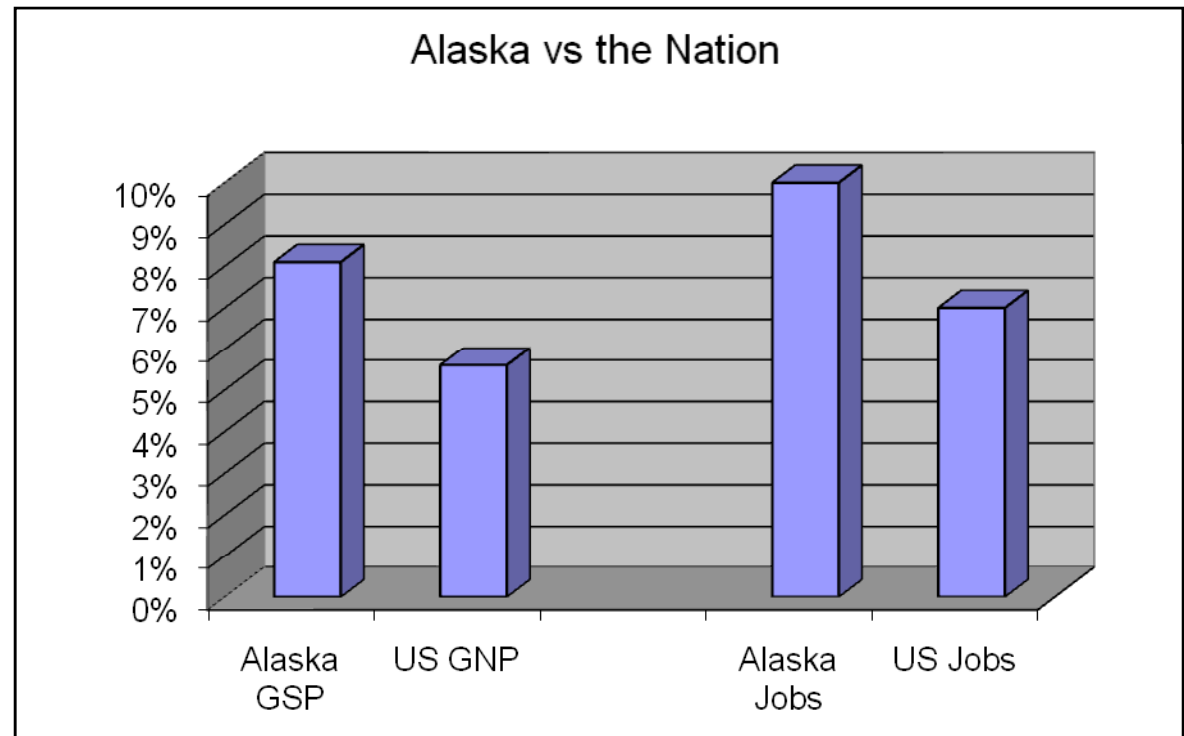
- 47,000 Aviation jobs statewide both rural and urban
- 5th Largest Provider of Alaska's Gross State Product
- Contributes >\$3.5B to \$44B Economy





Jobs & Economic Comparison

- Aviation is much more important economically to Alaska than the rest of the Nation
- Alaska's GSP due to aviation is 40% higher than the National average



“The aviation industry is larger than the trade, construction and manufacturing, health and education, and hospitality and leisure sectors”. Economic Contribution of the Aviation Community to Alaska’s Economy, March 2009.



Aviation Concerns



Airport Operations

- 96% Federally CIP Funded
- Low State Investment
- Industry Need for More Airport Maintenance & Operating Hours
- Aviation Role in DOT&PF not Well Understood by Users
- Competing Priorities



Aviation Status continued...

Opportunities:

- Safe Airports Strengthen Rural Economy with Jobs & Access
- Aviation Career Paths
- Improved Communication with Aviation Business groups
- Better Funding & Standards for Maintenance of the largest Aviation System in World





Our Primary Focus & Goals

1. Safety	2. Sustainability	3. Customer Service
Airport Standards	Economic Impacts	Customer Relations
Maintenance & Operations	Aviation System Plan	Public Processes
Nav aids & Approaches	Sustainable Airport Funding	Statewide Aviation Role
Capstone Technology	Deferred Maintenance	Aviation Career Progression
	Aviation Structure	DOT&PF & FAA Processes



Aviation Safety Efforts

1. Safety:

- Capstone Loan Program
- State Digital Mapping Initiative, and Pilot Flight Simulators for Use
- Airport Construction and Safety Video's
- Airport Employee Training



Aviation Safety Program
Flight Simulator Access for Pilots...



Sustainability of Our Airports...



2. Sustainability:

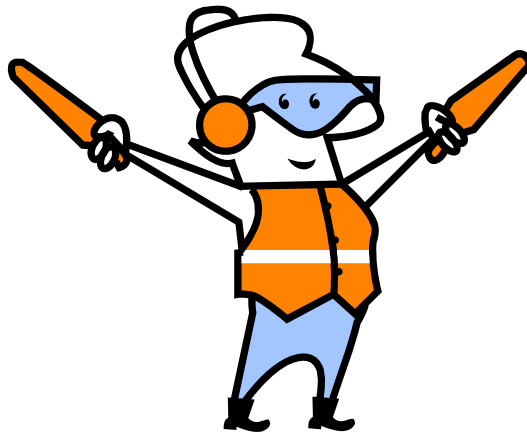
- Economic Impact of Aviation
- Comply with FAA Grant Assurance Requirements
- Increase Lease Rates Slow, Low, and Fair
- Id Minimum State Funding for Safe Airport Operations
- Id Maintenance Backlogs
- Training & Apprentices



Efforts at Better Service...

3. Better Customer Service:

- Listen to Customers needs better - Aviation System Plan
- Returning Calls/Letters faster
- Explain the Confusing Process
- Honesty: No, but why...
- Info: WebSite/GIS/newsletter
- Access and Public Meetings
- Yes, “We Can” Find Solutions through Compromise 😊





Statewide Aviation Rural Airports



Rural Airports Overview

- 1.Current Conditions**
- 2.Challenges**
- 3.Projects**
- 4.Future**



Little Diomed Heliport



RURAL AIRPORTS

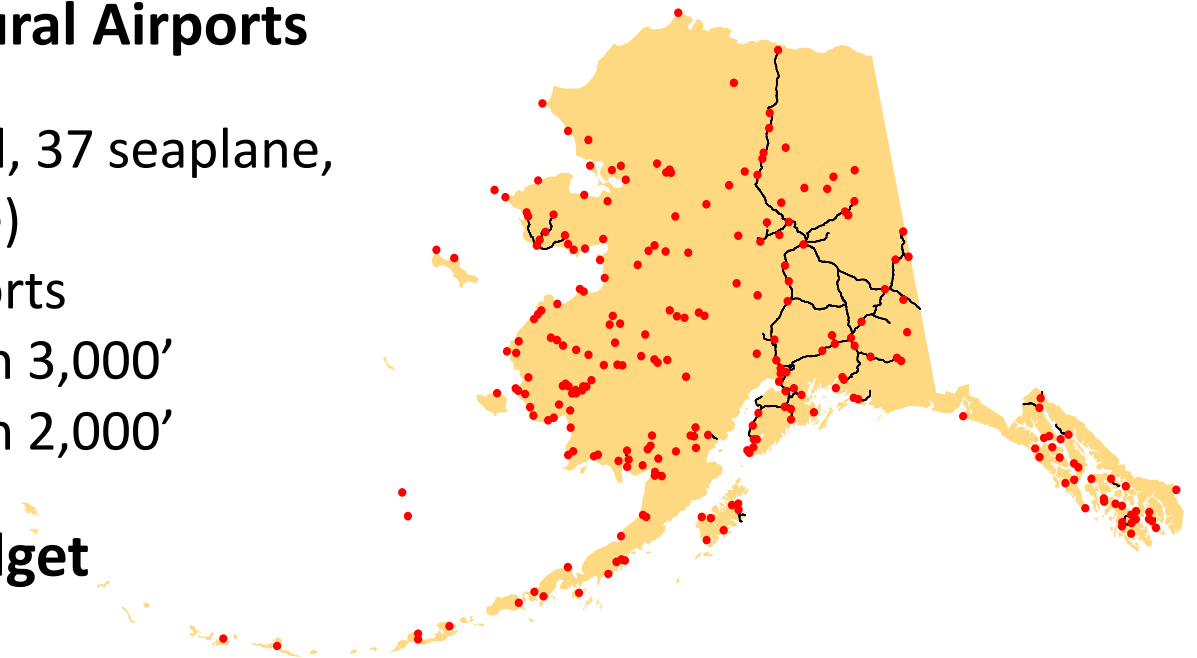
Current Conditions

256 State owned Rural Airports

- 173 gravel, 45 paved, 37 seaplane, 1 heliport (Diomedede)
- 21 Certificated airports
- 69 runways less than 3,000'
- 21 runways less than 2,000'

Annual Budget

- Operating - \$28 million
- Capital - \$150 million





RURAL AIRPORTS

Challenges

- **Federal Regulations**
 - FAA and TSA
- **Escalating Construction**
 - Difficult locations
 - Project Costs
- **Environmental**
- **Operational Demands**
 - Hours of Use
 - Larger Aircraft
 - More Operating Costs

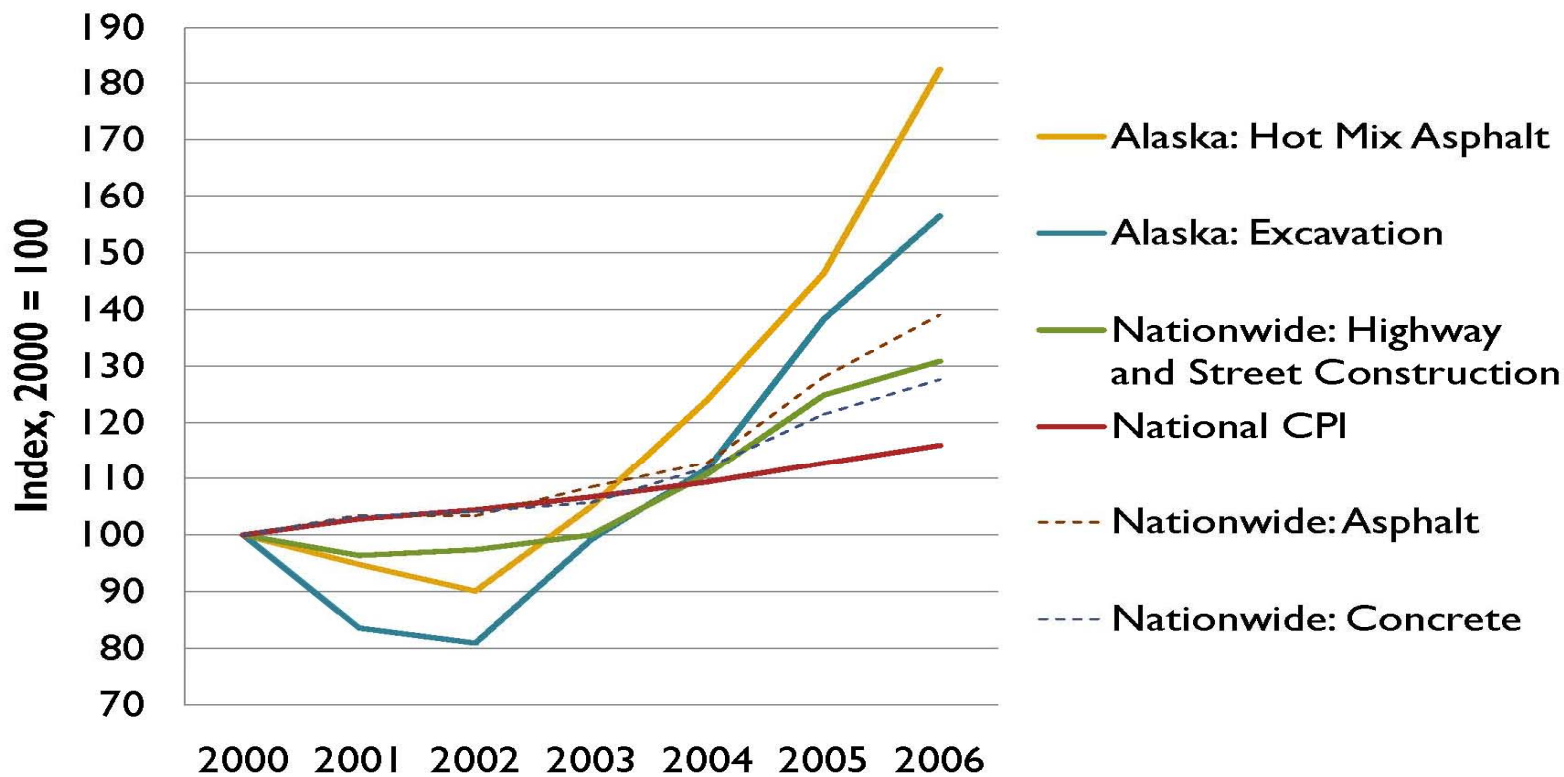


Sitka Airport



Challenges: Construction Costs

Cost Inflation





Challenges: Environmental - Dust



Aircraft use, maintenance, and general work creating dust.



After Dust Control. Our Airport M&O contractor, after chemical dust palliative application. Happy with his runway skid marks!



RURAL AIRPORTS

Environmental - Floods & Coastal Erosion

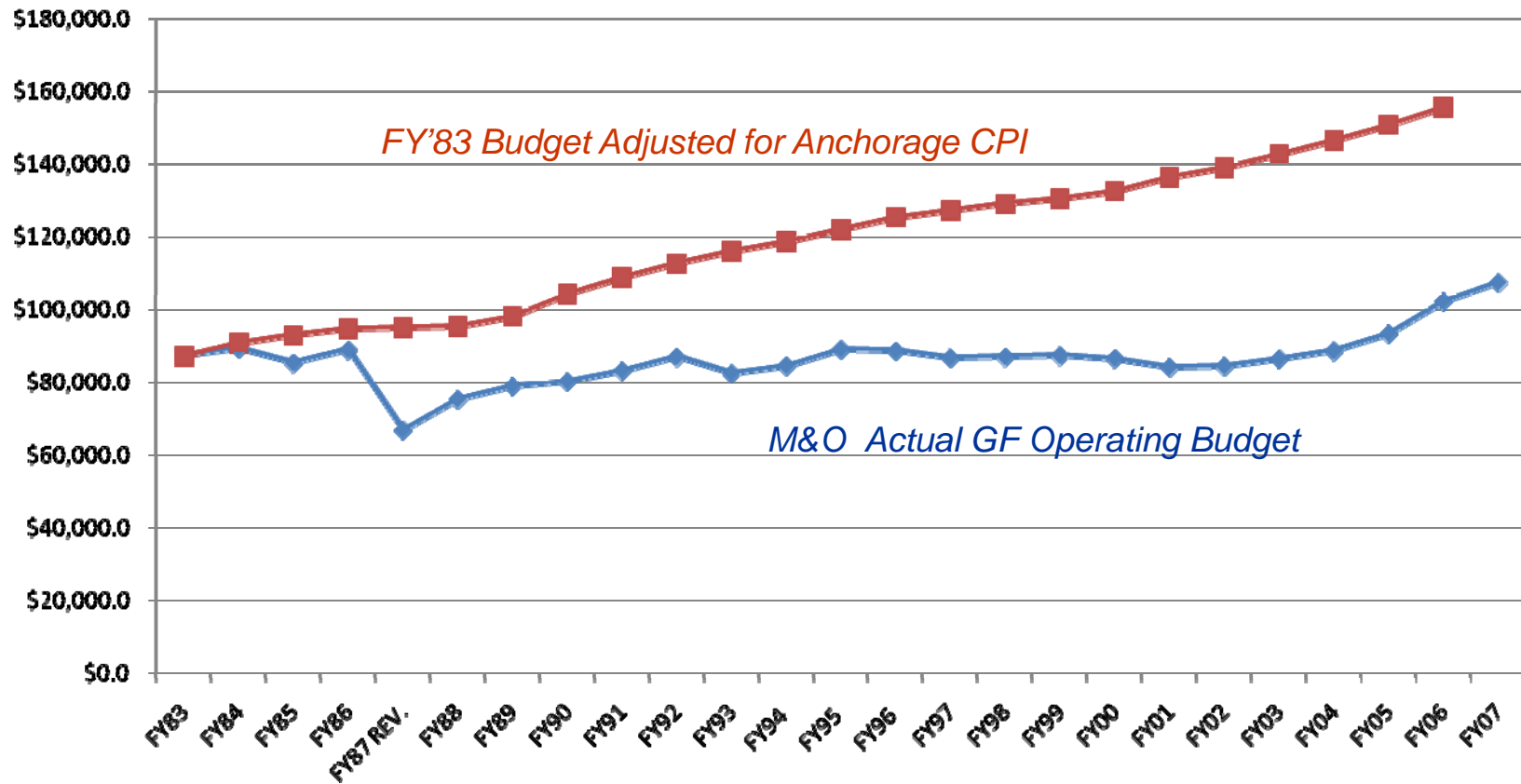
- Shishmaref
- Kivalina
- Newtok





RURAL AIRPORTS

Challenges: Maintenance Funding to Operate Airports





Looking Ahead ...

- Alaska Airport Infrastructure established w/Federal Funds
- Grant Assurances required us to Maintain those Airports
- A Necessary Transition: from “Build” to “Maintain”
- State vs. Federal Funding
- **New Funding Model Required to Operate and Maintain Our Rural Airports**
- Cost: \$28M yr/256 airports
- Airport Revenue: \$3.9M yr





Statewide Rural Airport Funding Needs

<u>Needs</u>	<u>Primary Airports</u>	<u>Non-Primary Airports</u>
Runway Improvements	\$364,000,000	\$840,000,000
Buildings	\$56,000,000	\$53,000,000
Equipment	<u>\$7,000,000</u>	<u>\$13,000,000</u>
Funds Needed	\$427,000,000	+ \$906,000,000
	Total Rural Airports	\$1,333,000,00



Where Has Funding Come From?

- **Capital Projects**
 - Earmarks
 - Federal Airport Improvement Program (AIP)
 - Funding based on federal funding formula's for practically all statewide airport capital improvements in recent years >95%.
 - AIP funds in turn come with stringent grant assurance requirements
 - General Fund Appropriations
 - Airport Deferred maintenance and Life Safety projects
- **Maintenance and Operations**
 - General Funds
 - Lease revenues



Recent Primary Airport Projects

Aniak

- SREB FFY'05, \$3.3M

Bethel

- RWY Safety Area & Parallel RWY Embankment FFY'05+, \$16.1M
- Apron Exp & SREB FFY'06, \$7.4M
- Parallel RWY Paving FY'07+, \$8.4M

Cordova

- RWY Safety Area & Electrical Line Rehabilitation FFY'05/06, \$11.3M
- SREB FFY'07, \$2.7M
- RWY Lghtng Rplcmnt FY'08, \$4.5M

Deadhorse - RSA Exp FFY'04/05, \$18.1M

Dillingham - SREB FFY'09, \$2.2M

Emmonak – Apron Surfacing, RSA Imprvmnts FFY'08+, \$11.7M

Gustavus

- RSA Expansion FFY'11, \$10.5M

Ketchikan

- RWY Overlay, RSA Expansion FFY'06+, \$34.6M
- SREB FFY'07+, \$5.3M

King Salmon

- RWY Safety Area, Parallel TWY, Resurfacing FFY'06+, \$34.5

Kodiak

- Kodiak EIS FFY'07+, \$6M

Kotzebue

- RWY Safety Area FFY'04+ \$15.2M
- Sand Storage Bldg FFY'06, \$3M



RURAL AIRPORTS

FFY'09 and Future

- **Current AIP Funding**
 - Extension of 2008 AIP funds FAA to 3/31/09 with 3rd Quarter Requiring Continuing Resolution
- **Stimulus Package Being Considered**
 - \$3B potentially for ALL Airports in the US
 - Up to \$380M AK airport projects ready
- **Increasing Safety & Security Regulations**
 - Expanding air cargo security, safety...
- **Our Future: Operating & Maintaining Airports**
 - Focus on State Funding of and Sustainability of Alaska's aviation transportation network





Alaska International Airport System (AIAS)



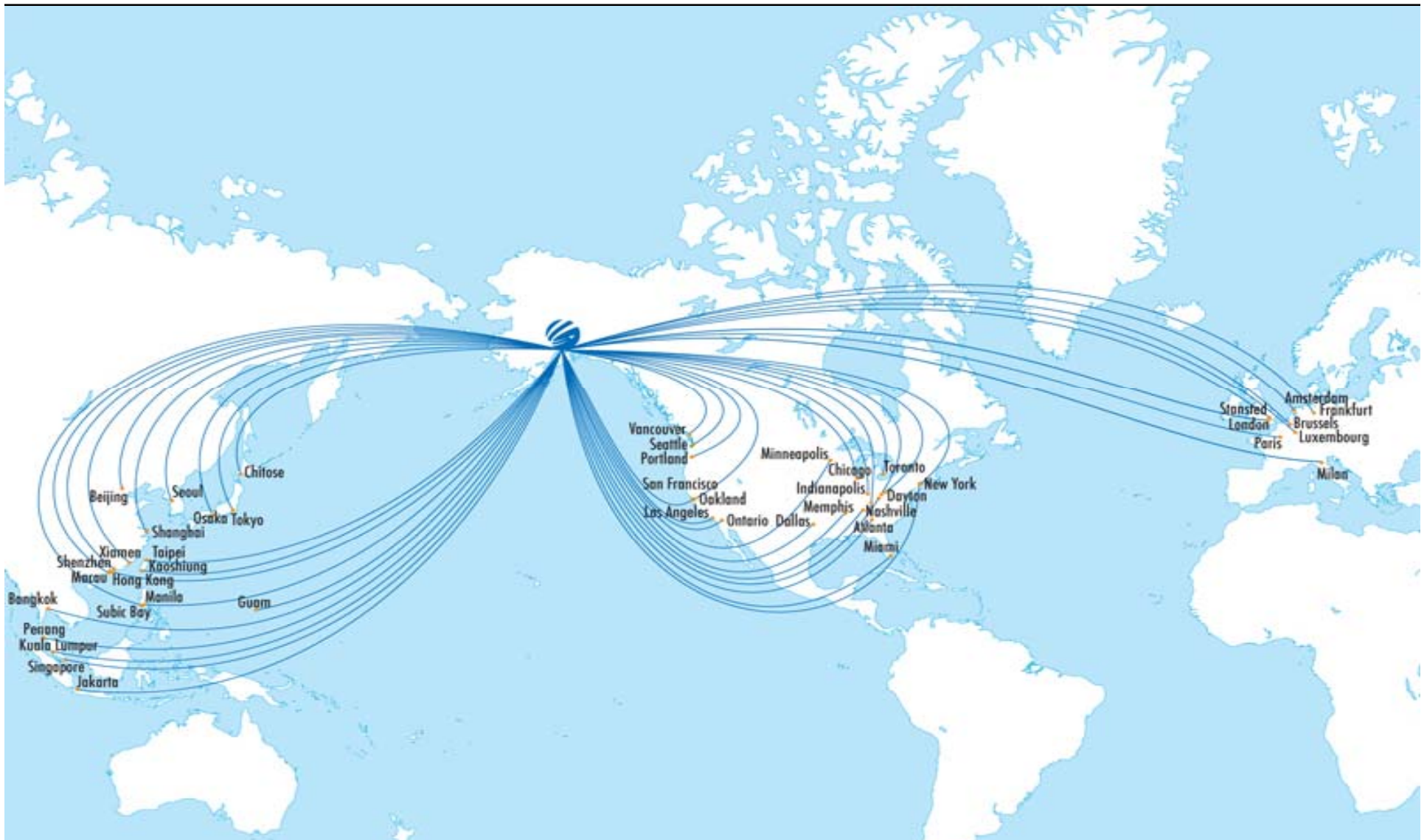
AIAS Strengths

- One system for revenue, checks & balances, consistent industry stds in policy direction
- Two Airports focused on the airport operations
- Economic Engine for local communities and state
- Diverse sources of revenues and airlines/air cargo
- Air Cargo center for Asia
- Long-term commitments
- System capacity for growth

19 wide-body aircraft diverted from ANC to FAI October 2008 and all revenues kept in Alaska:



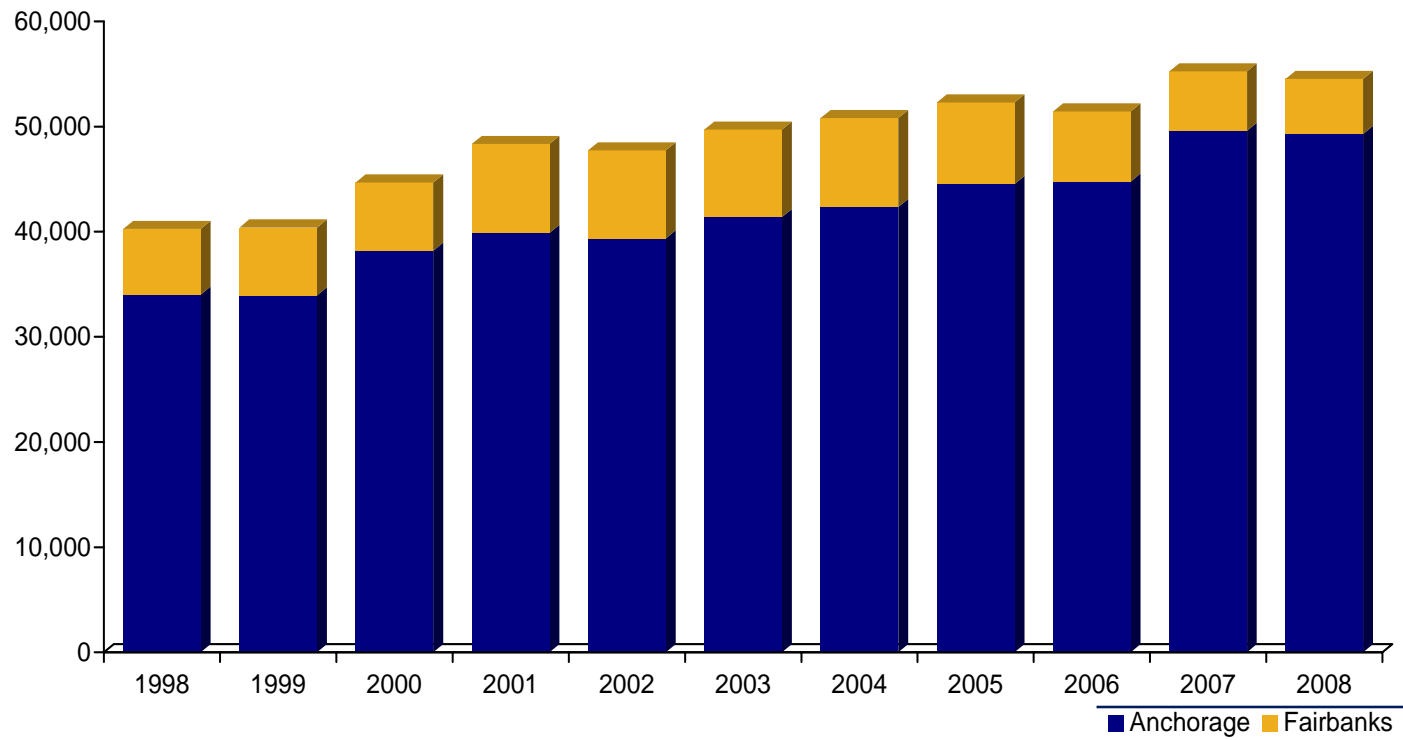
AIAS Strategic Cargo Location





Strengths: Cargo Operations

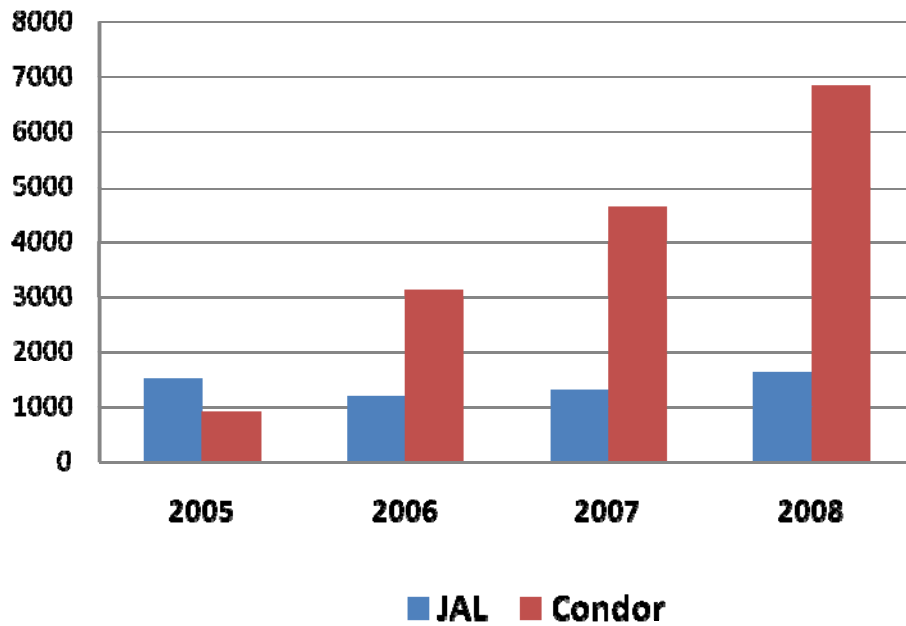
Annual All-Cargo Aircraft Landings





AIAS Strengths

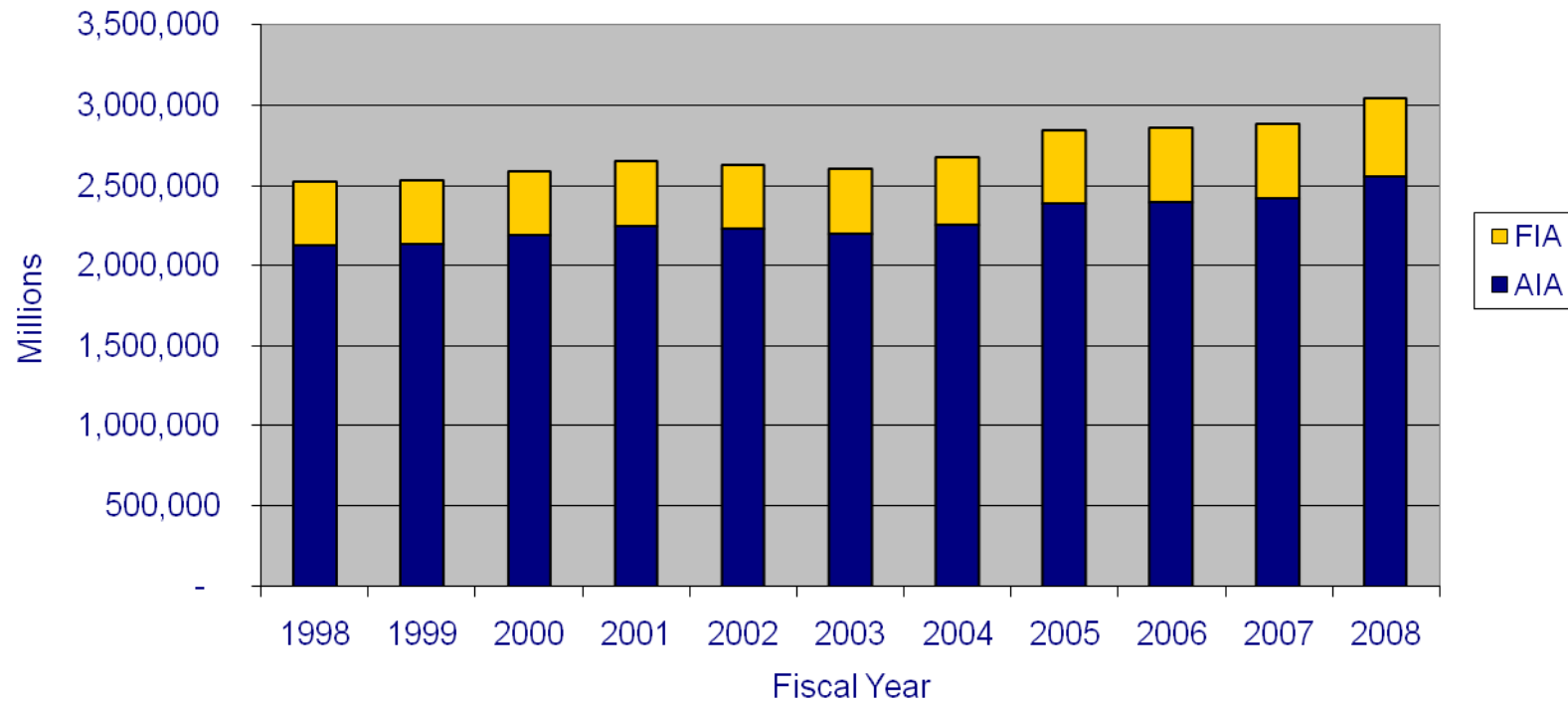
**International Enplanements
Fairbanks International Airport**





Strengths: Passenger Trends

**AIAS Enplanement History
FY1998-2008**

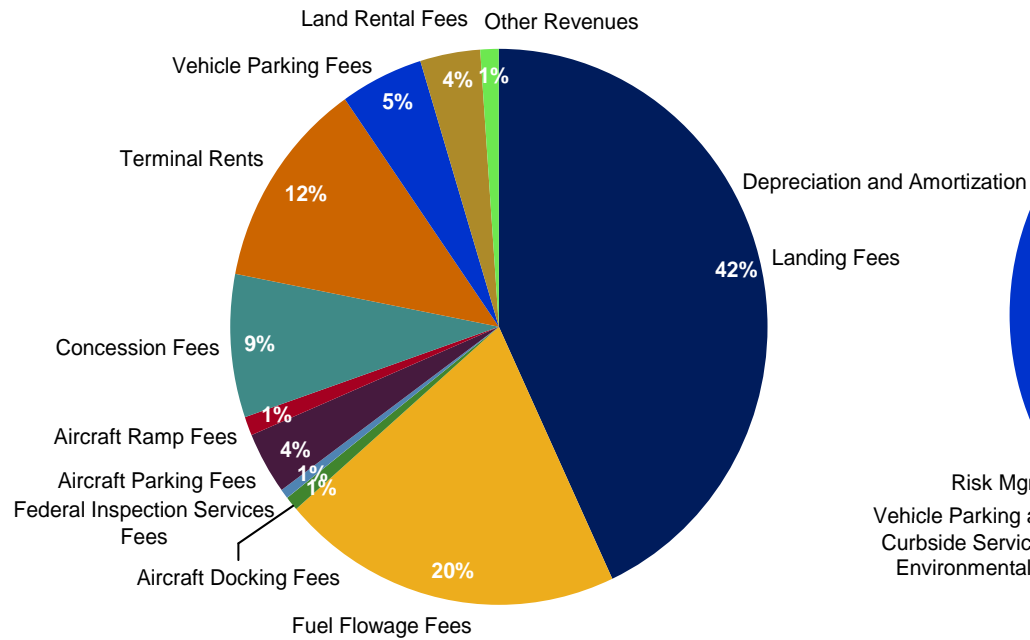




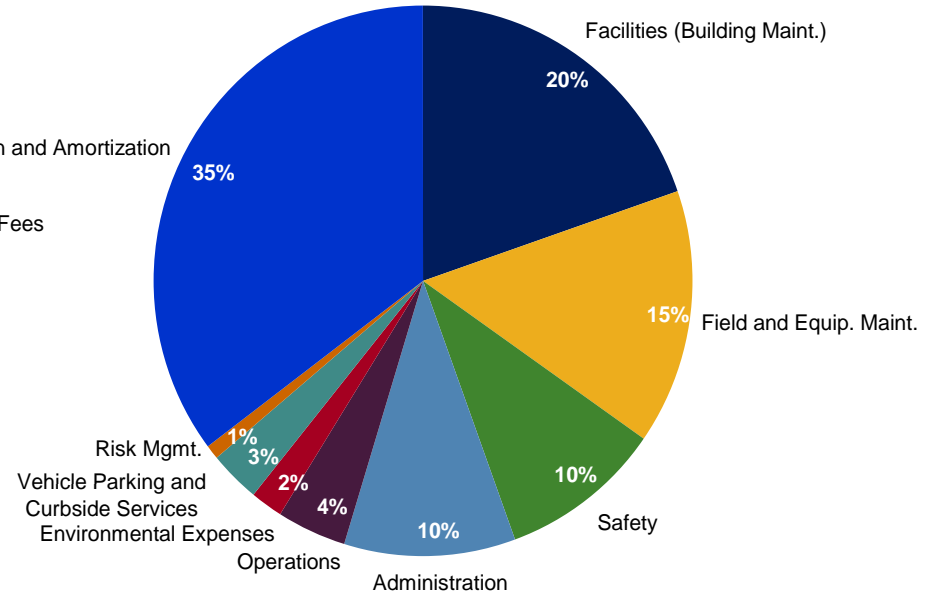
Strengths: Diverse Business Revenues

FY 2008 Operating Revenues & Expenses

Operating Revenues
(\$118.87 million)



Operating Expenses
(\$111.52 million)





Summary of 2008 AIAS Activity

- Total Landings = 101,863 (-05%)
- Cargo Landings = 46,965 (-5.4%)
- Passengers = 5,380,811 (+4.4%)
- Fuel Flowage = 865 million gallons (-6.6%)

(2008 is July 1, 2007 through June 30, 2008)



Current AIAS Concerns

- Global Economic Recession
- Weakened Aviation Industry: mergers, bankruptcy, fewer flights, fuel crisis
- Heavy AIAS Debt Burden
- AIAS Cargo mid year projection down ~13.0% for FY'09
- Passenger mid year ANC and FAI projection down 11.0% and 3.0% for FY'09 respectively





AIAS Response

Remain Competitive:

- Proactively reduced Operating Budget in June '08
- Scaled-back capital projects and programs \$300M
- Returned to System Structure maximizing capacity
- Maintained stability illustrated in recent bond sale

Assessing the Competition:

- Conduct 3rd Party Intl Cargo Analysis Asian Market & Over-Flights
- Negotiated operating agreement in partnership with airlines
- Utilizing excess cash to reduce debt, hold down rates
- Favorable regulations – Cargo Transfer Authority
- Local economy and tourism relatively strong



Opportunities: Competitive Rates

Terminal Rent

	<u>Ticket / Gate</u>
Seattle	\$396.01 / \$237.60
Portland	\$242.00 / \$218.00
Ontario	\$139.99 / \$139.99
Reno	\$117.04 / \$93.63
Boston	\$100.21 / \$100.21
<u>AIAS</u>	\$61.50 / \$61.50

Landing Fee

	<u>Cost for 747-400</u>
Toronto	\$12,799.08
Tokyo	\$7,405.37
Newark	\$4,789.75
New York	\$4,456.55
Dallas	\$3,349.98
Seoul	\$2,982.14
Chicago	\$2,759.24
Seattle	\$1,918.00
Vancouver	\$1,837.08
<u>AIAS</u>	\$1,266.16



AIAS Terminal Renovation Projects



....Fairbanks International Airport

Anchorage International Airport





Major Upcoming Projects 2009-2014

Anchorage International

- Runway 7R/25L
rehabilitation = \$78.4 M
- Runway 7R/25L
extension = \$29.1 M
- Equipment = \$ 3.9 M

Fairbanks International

- Runway 1L/19R
reconstruction = \$18.3 M
- Access Control
Improvements = \$ 3.0 M
- Equipment = \$ 3.3 M



AIAS: Competitive & Responsive

Goal: Maintain Competitiveness

- Cut costs where possible to match earned revenue
- Rates & Fees stable & lower in new agreement
- Reduced 5 year capital costs to airlines

Mitigating Factors:

- Reliability of AIAS System as major Hub
- Essential nature of Alaska passenger service
- Diversity of Air Carriers and airport revenue sources
- Favorable Regulations – Air Cargo Transfer Authority
- Stable business environment – good airline relations



Thank you

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Airports & Aviation
907-269-0724**



Recent Non-Primary Airport Projects

- Akiachak Relocation FFY'09+, \$23.5M
- Akutan Construction FFY'07+, \$32+M
- Alakanuk Relocation FFY'07+, \$21.3M
- Angoon Airport EIS, FFY'07+, \$4M
- Atka Resurfacing & Extension FY'08, \$21.6M
- Chefornak Relocation FFY'10, \$20M
- Fort Yukon Improvements FFY'09+, \$14.5M
- Galena SRE Bldg Rehab FFY'09, \$1M
- Goodnews Bay Recnstrctn FFY'08+, \$16.6M
- Grayling Reconstruction FFY'08, \$18.9M
- Hoonah Improvement FFY'10, \$2.5M
- Iliamna SRE & Office Building FFY'09, \$6.1M
- King Cove Improvement FFY'08+, \$11.5M
- Kipnuk Relocation FFY'09+, \$18.7M
- Kongiganak Improvement FFY'07+, \$19.2M
- Lake Louise RWY Rehab FFY'07, \$2.7M
- Manley Airport Relocation FFY'10, \$13.8M
- Minto Relocation FFY'07, \$9.2M
- Nightmute Reconstruction FFY'07, \$15.1M
- Nunapitchuk Recnstrctn FFY'07, \$15.1M
- Ouzinkie Relocation FFY'10, \$24.1M
- Pilot Station Relocation FFY'10, \$15.7M
- Platinum Relocation FFY'09, \$10.2M
- Savoonga Rehab FFY'08+, \$17.3M
- Seldovia SRE Building FFY'09, \$3.2M
- Tuluksak Relocation FFY'09+, \$19.6M
- Unalakleet Paving – FFY'05+, \$24.7M