



APPENDIX E

FINANCIAL ANALYSIS

5 References

Alaska Administrative Code. 17 AAC 45 – Rural Airports. Available at <http://www.legis.state.ak.us/cgi-bin/folioisa.dll/aac/query=%5Bjump!3A!27title17chap45!27%5D/>. Amended November 23, 2003.

Alaska Department of Commerce, Economic, and Community Development. Community Data Base Online Capital Projects by Community. Available at http://www.dced.state.ak.us/dca/commdb/CF_COMDB.htm. 2007.

Alaska Department of Transportation and Public Facilities. Northwest Alaska Transportation Plan, Community Transportation Analysis: An Element of the Alaska Statewide Transportation Plan. Available at <http://www.dot.state.ak.us/stwdplng/areaplans/nwplan.shtml>. Adopted February 11, 2004.

Alaska Department of Transportation and Public Facilities. Public Notice: Notice of Proposed Changes in the Regulations of the Alaska Department of Transportation and Public Facilities and Invitation to Public Workshop, 17 AAC 45 – Rural Airports. Published in the Fairbanks Daily News Miner. March 12, 2007.

Alaska Department of Transportation and Public Facilities. Department of Transportation/Public Facilities – Mission & Measure Details. Available at http://www.gov.state.ak.us/omb/results/view_details.php?p=157. May 25, 2007.

Alaska Department of Transportation and Public Facilities. Kotzebue Airport Master Plan Stage 1: Airport Relocation Feasibility Study, April 2006 Community and Regional Users Questionnaire Response. Available at <http://www.kotzebueairport.info/documents/060620ResponseQuestionnaireSumText.pdf>. May 2006.

Alaska Department of Transportation and Public Facilities. State of Alaska FY2008 Governor's Operating Budget. Available at http://www.gov.state.ak.us/omb/08_OMB/budget/Trans/index.htm. December 29, 2006.

Congressional Budget Office. Financing Small Commercial-Service Airports: Federal Policies and Options. Available at <http://www.cbo.gov/ftpdoc.cfm?index=1218&type=0&sequence=3>. April 1999.

Denali Commission. Five Year Strategic Plan (2005-2009) and Fiscal Year 2006 Work Plan. 2007. Available at http://www.denali.gov/Work_Plans/2006%20Work%20Plan.pdf

Federal Aviation Administration (FAA). Airport Improvement Program Handbook. Available at http://www.faa.gov/airports_airtraffic/airports/aip/aip_handbook/. 2005.

Federal Aviation Administration (FAA). Alaska Region - Regional Airports Plan, Fall 2000. Available at http://www.alaska.faa.gov/airports/5010/RAP2000/FINAL_DOCUMENT/PDF_Files_w-security/RAP2000.PDF. 2000.

Federal Aviation Administration. Alaska Region. 2007 Overview: What is AIP? Available at http://www.alaska.faa.gov/airports/Airports_Plan/RAP/Chapter4/Chapter4-6.htm. 2007.

Federal Aviation Administration. Alaska Region. Key Passenger Facility Charge Statistics. Available at http://www.faa.gov/airports_airtraffic/airports/pfc/monthly_reports/media/stats.pdf. June 1, 2007.

Franklin, Kim. Planning Director, Northwest Arctic Borough. Personal communication with Northern Economics, Inc. March 12, 2007.

Hildreth, Grant. Kikiktagruk Inupiat Corporation (KIC). Personal communication with Northern Economics, Inc. March 12, 2007.

Internal Revenue Service. "IRS Announces 2007 Standard Mileage Rates." Available at <http://www.irs.gov/newsroom/article/0,,id=163828,00.html>. November 1, 2006.

Kotzebue Electric Association. A Growing Wind Farm. Available at <http://www.kea.coop/wind/wind-growing.php>. 2007.

Maggard, Roger. Transportation Planner I, Alaska Department of Transportation and Public Facilities, Statewide Aviation. E-mail communication regarding primary airport entitlements. June 5, 2007.

Northwest Arctic Borough. Comprehensive Economic Development Strategy. Available at <http://www.nwabor.org/edc/EDC%20CompPlan.htm>. September 2004.

Norton, Ernest. Kikiktagruk Inupiat Corporation (KIC). Personal communication with Northern Economics, Inc. March 12, 2007.

Rogers, Jimmie. Maniilaq Association. Personal communication with Northern Economics, Inc. March 12, 2007.

Schaeffer, Bob. Public Services Director, Northwest Arctic Borough. Personal communication with Northern Economics, Inc. March 12, 2007.

Snyder, Abraham. NANA Regional Corporation. Personal communication with Northern Economics, Inc. March 12, 2007.

Transportation Research Board. Innovative Finance and Alternative Sources of Revenue for Airports : A Synthesis of Airport Practice. Available at http://onlinepubs.trb.org/onlinepubs/acrp/acrp_syn_001.pdf. 2007.

U. S. Government Accounting Office. Airport Finance Preliminary Analysis Indicates Proposed Changes in the Airport Improvement Program May Not Resolve Funding Needs for Smaller Airports. Available at <http://www.gao.gov/new.items/d07617t.pdf>. March 28, 2007.

U.S. Census Bureau. American FactFinder Reference Maps. Available at <http://factfinder.census.gov/>.

U.S. Census Bureau. Census 2000. Available at <http://factfinder.census.gov/>. 2000.

Westlake, Dean. City Planner, City of Kotzebue. Personal communication with Northern Economics, Inc. June 26, 2007.

Westlake, Dean. City Planner, City of Kotzebue. Personal communication with Northern Economics, Inc. March 12, 2007.

6 Appendix A: Local Business and Air Carrier Surveys

This appendix contains a summary of the responses for qualitative questions asked in the local business and air carrier surveys, followed by copies of the survey forms used.

6.1 Overview of Qualitative Survey Results

This summary of interview and survey results describes the responses of non-aviation related businesses and air carriers. Non-aviation businesses are those which operate in the community and are not directly related to the airport, yet have a reasonable potential for being indirectly affected by airport operations. Overall, businesses not directly tied to the airport indicated that they would not make major changes in the way they do business. The primary impact to these businesses would be the increased travel costs resulting from the additional distance to the new airport. However, other than the increased travel costs, businesses overall did not anticipate major changes in their revenues and expenses. In general, air carriers indicated that they would continue operating normally if they were relocated to a new airport location. While some expressed concern about employee transportation to and from work, most believed that employees would adapt and there would be no change in the long run.

6.1.1 Qualitative Results from the Business Survey

This section summarizes the responses of businesses that are not directly tied to the airport. Of the twelve businesses that responded, eight provided information about their customer base. The survey asked respondents to indicate the percentage of their sales that come from residential customers in Kotzebue, elsewhere in the Northwest Arctic Borough, or elsewhere, as well as sales to commercial, government, and other customers. This information is important because it provides details about businesses' ability to attract customers. Businesses that serve Kotzebue, government agencies, and other companies are least likely to experience adverse effects on their revenues as a result of the airport relocating, because the typical customers are aware the businesses exist. The same holds true for residents of other communities in the Northwest Arctic Borough. However, individuals residing outside of the borough are less likely to be aware of local businesses and, if the airport is relocated away from the main part of the community, they are less likely to find their way to and purchase from the businesses.

Figure A- 1. Sales Attributed to Different Customer Bases

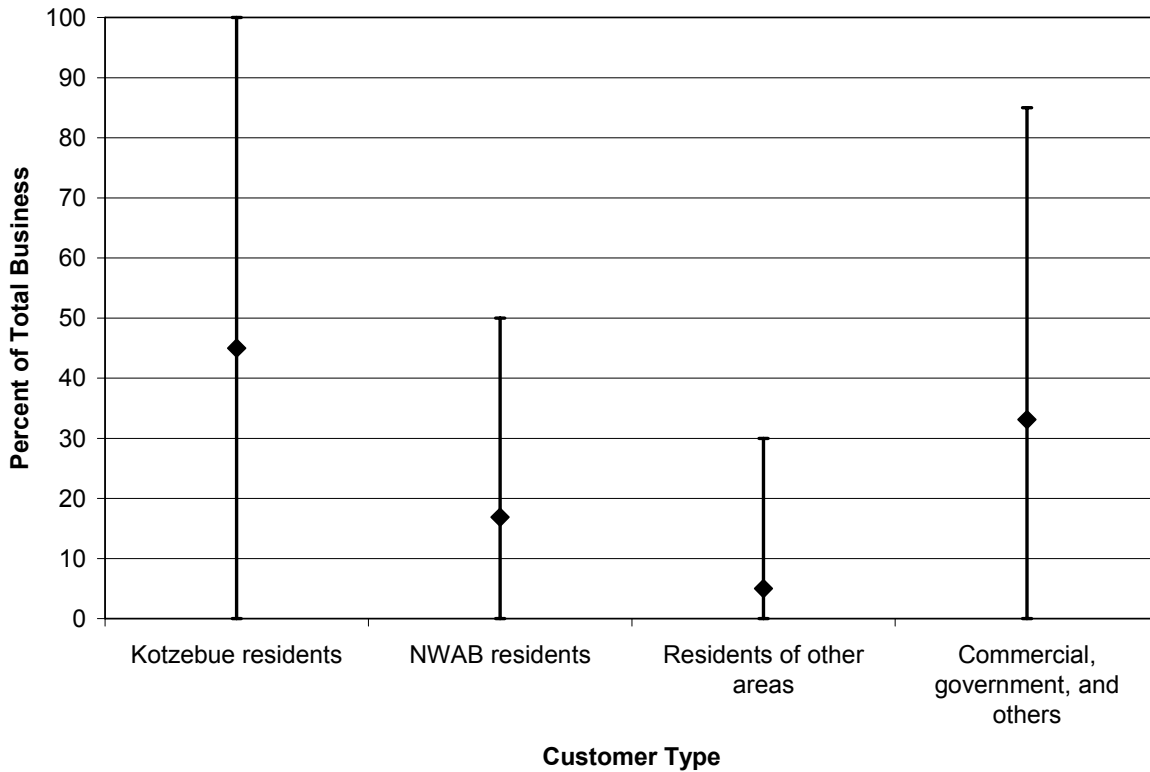
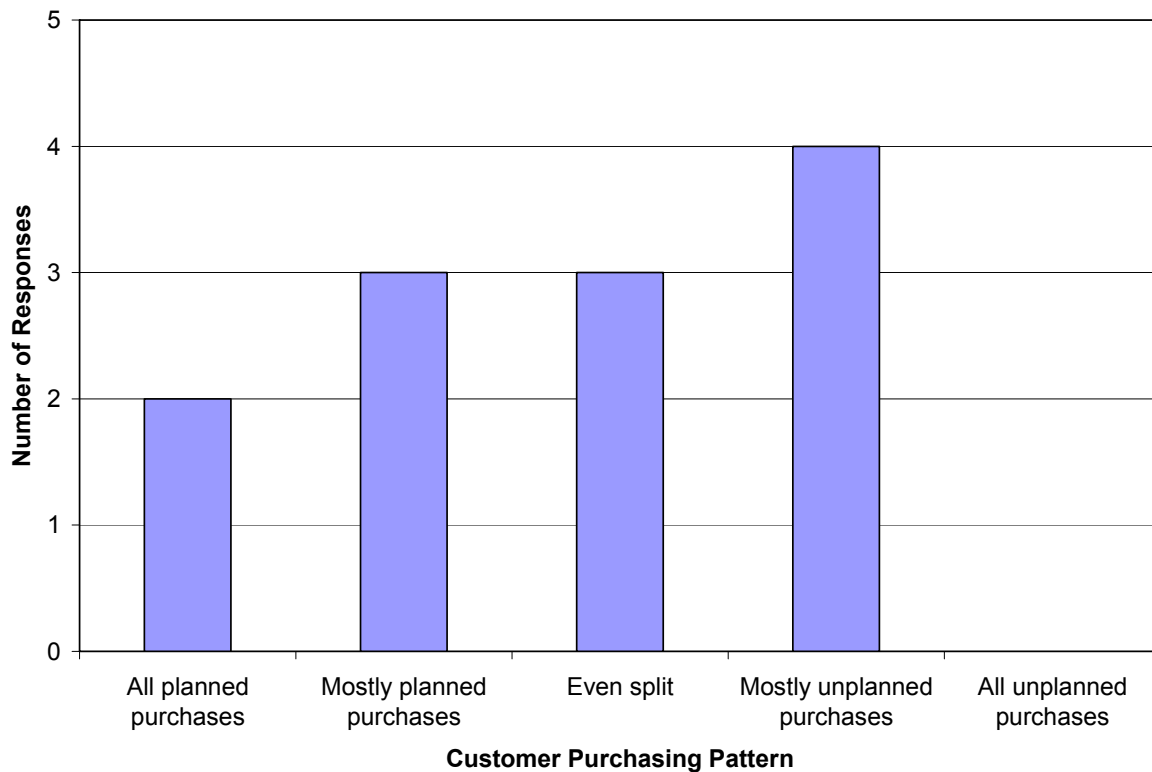


Figure A- 1 summarizes the results by showing the average response for the eight respondents and the range of responses. Overall, 45 percent of sales are attributed to Kotzebue residents, 17 percent to other Northwest Arctic Borough residents, 5 percent to residents outside the borough, and 33 percent to commercial, government, and other customers. The limited number of responses prevents these values from being applied to Kotzebue businesses as a whole. With an average of 95 percent of sales coming from Kotzebue, Northwest Arctic Borough, government, and commercial customers, these results suggest that businesses would likely not see large reductions in their revenues if the airport were relocated.

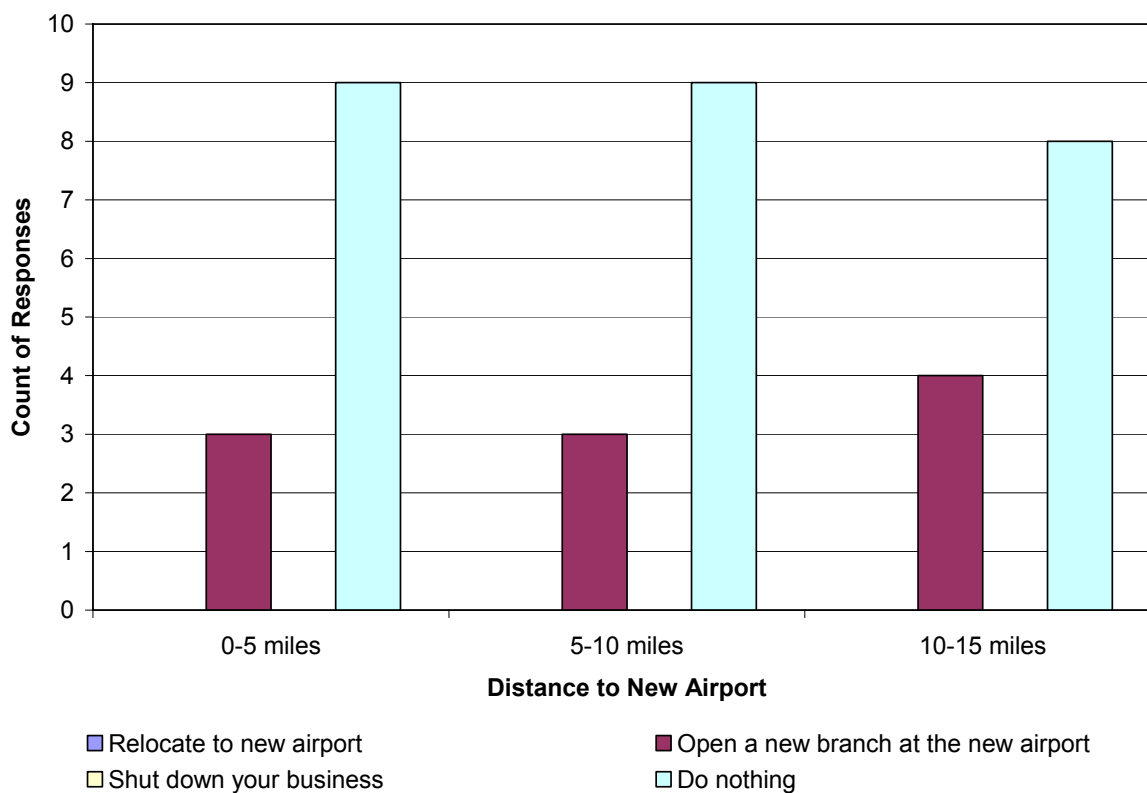
Figure A- 2. Customer Purchasing Patterns



The survey also asked respondents to categorize their sales in terms of whether most sales are planned or pre-arranged by customers, or whether most sales are unplanned, spontaneous, or made because of convenience. This information is important because it was postulated at the beginning of the study that businesses that rely on spontaneous purchases would be more significantly affected by a change in airport location. If a business relies on planned purchases, then even if the airport moved, customers would continue to plan their purchases and overall business would not be reduced.

None of the businesses surveyed indicated that their customers made entirely unplanned purchases from them, but otherwise the results were fairly well spread across the spectrum. Figure A- 2 presents the results of this survey question. These results suggest that relocating the airport could reduce revenues in the businesses surveyed, with the amount of the change depending on each particular business and customers' awareness that the business exists.

Figure A- 3. Business Decision if the Airport is Relocated



The next question on the survey asked what businesses would do if the airport were relocated varying distances outside of the community. Ranges were given of 0 to 5 miles, 5 to 10 miles, and 10 to 15 miles. Businesses were asked to indicate if they would relocate their businesses to the new airport, open up a new store or branch closer to the new airport, close down the business, or do nothing. Respondents only gave two answers to this question, as shown in Figure A- 3. Most businesses responded that they would do nothing, while three or four would consider opening a new branch. None of the businesses surveyed said they would relocate to the new airport or shut down. It is noteworthy that among the respondents there was little difference in the responses with respect to the distance the airport moved. In other words, the distance of the move did not appear to be an important consideration in the major business decisions mentioned in the question.

Businesses were asked what the airport relocation would mean for their annual revenues and expenses. The responses to the change in revenues varied from increases to decreases but were inconsistent in terms of the expected amounts. Therefore, the results cannot be applied to the Kotzebue business community as a whole.

In response to how annual expenses would change, four businesses gave estimated cost increases averaging \$8,500 per year and ranging from \$4,000 to \$15,000. Two businesses said their cost increases would be linked to travel and increased gas use. One business did not give an estimate of the increase in expenses, but indicated their revenues would increase by the same amount so as to cover expenses.

When asked about how relocating the airport would affect their ability to find and retain employees, the five businesses who responded to the question did not anticipate any problems. Most indicated

the burdens placed on their employees would consist of lower tips, longer working hours, or more travel to and from work.

Six of the businesses surveyed responded to the question about whether the airport should be moved. Three said it should be moved, and three said it should not be. When asked how the land should be used if the airport is relocated, responses ranged from more housing and commercial use to a landfill to drag racing and recreational shooting.

Northern Economics interviewed and surveyed businesses it thought would be most affected by the relocation. Overall, it appears that businesses have large local customer bases and may not experience large decreases in their revenues if a relocation of the airport takes place.

6.1.2 Qualitative Results from the Air Carrier Survey

Air carriers were given a survey that had fewer questions than the business survey. In addition to the operational information requested of air carriers, which is analyzed in Section 2.4, carriers were asked about the split between different types of business, what the effects would be of relocating the airport, and how they thought the existing airport land should be used.

Two of the four carriers that responded provide passenger service, ranging from 35 to 45 of their total revenues. Three of the four provide cargo service and other service, ranging from 10 to 15 percent of revenues from cargo, and 45 to 90 percent from other operations. One carrier did not respond to the question because of a lack of information at the local office.

When asked about the effect of relocation on their ability to find and retain employees, three of the four carriers believed they would be affected. Two carriers thought transportation to and from work would be an issue, while another thought it would be harder to find qualified employees. In terms of personal costs, two carriers believed the main impact on employees would be higher transportation costs.

If the airport is relocated, carriers thought the existing land could be used for some industrial purposes, some limited airport services (such as smaller air carrier and general aviation operations), housing, and parks and recreation.

6.2 Survey Forms

The questionnaires for the air carrier survey and local business survey are shown below.

Kotzebue Air Carrier Interview Questions

(1) Name of Business: _____

(2) Name of person answering survey: _____

(3) Position or title of person answering the survey: _____

(4) Where is the business located? *Please give a street address or the nearest street intersection.* _____

(5) In what year did this business begin its operations in Kotzebue? _____

Please think about business-related trips you or your employees make from the airport, not including your flights, where a trip is one or more people traveling at the same time. These trips could be to drop off or pick up passengers, to drop off or pick up cargo, etc.

(6) How many trips do you or your employees make from the airport per week, on average? _____

(7) How many company employees (including the owner) go on each of these trips, on average? _____

(8) How much time does it take for each round trip, on average? _____

(9) Do the number of trips, duration of trips, or number of personnel involved on each trip vary by season?

___ No

___ Yes

If yes, please explain how the trips vary with each season: _____

(10) What is the average hourly wage or salary for the persons who travel on each trip? \$ _____ per hour

(11) What percentage of your business' revenues (sales) come directly from each of the following types of activity?

_____ % Passengers

_____ % Cargo

_____ % Other operations (please explain) _____

(12) As you may be aware, there is a DOT study to determine the feasibility of relocating Kotzebue's airport to meet FAA safety standards. Potential locations for a new airport are up to fifteen miles away from the current location. If the airport were relocated to a new site, how would this affect your business? _____

(13) Please provide information about the building type, square footage, and estimated construction cost for each of the structures you would need to construct at the new airport location.

Structure 1

Type of Structure (please circle one): Warehouse, Office, Hangar, Other (please explain: _____)

What is the square footage of the structure specified above? _____ square feet

How much do you estimate the new structure would cost to construct, in dollars? \$ _____

Structure 2

Type of Structure (please circle one): Warehouse, Office, Hangar, Other (please explain: _____)

What is the square footage of the structure specified above? _____ square feet

How much do you estimate the new structure would cost to construct, in dollars? \$ _____

Structure 3

Type of Structure (please circle one): Warehouse, Office, Hangar, Other (please explain: _____)

What is the square footage of the structure specified above? _____ square feet

How much do you estimate the new structure would cost to construct, in dollars? \$ _____

(14) If you would require more than three structures to be built, please provide a brief summary of them here: _____

(15) If the airport was relocated, how much do you think your annual operating revenues (sales) and expenses would change? Please estimate how much of an increase or decrease you would expect in your annual revenues and expenses.

Change in operating revenues increase / decrease (please circle one) \$ _____ per year

Change in operating expenses increase / decrease (please circle one) \$ _____ per year

(16) If the airport were relocated, do you think this would affect your ability to find and retain employees? Please explain. _____

(17) If the airport were relocated, what effect would this have on your employees and their personal costs? _____

(18) If the airport were relocated, how would you recommend the old airport land be used? _____

(19) Please provide any other comments you feel are appropriate. _____

Kotzebue Business Survey

The Alaska Department of Transportation and Public Facilities is studying the feasibility of relocating Kotzebue's Ralph Wien Airport to a new location outside of the community in order to bring the airport up to FAA safety standards. The new airport could be located up to 15 miles away from the community. As part of this study, Northern Economics, Inc. is surveying local businesses to learn how relocating the airport might affect their revenues and expenses. This survey will help us to understand the effects on your business.

Please answer all of the questions in this survey to the best of your ability and knowledge. If you have any questions, we are happy to talk with you and help you. You can call us in Anchorage at (907) 274-5600, send a fax to (907) 274-5601, or send an e-mail to Mike Fisher, Northern Economics' project manager, at michael.fisher@norecon.com.

Your responses to this survey will be treated as confidential. We are asking for the name of each business, your name, and other information to help us track your response. Please answer all of the questions so we can provide the Department of Transportation with the best available information. When we report the results of this survey, we will combine your responses with the responses from other businesses. We will not present individual responses.

Please return the completed questionnaire to us by **April 20, 2007**, in the enclosed return envelope.

Thank you for filling out the survey.

(1) Name of Business: _____

(2) Name of person answering survey: _____

(3) Position or title of person answering the survey: _____

(4) Where is the business located? Please give a street address or the nearest street intersection. _____

(5) In what year was this business founded? _____

(6) Is your business located near the Kotzebue airport?

Yes

No

(7) How important is it for your business to be located near the airport?

Not Important

Somewhat Important

Very Important

(8) How is your business affected by Kotzebue's airport?

- Provide service to passengers
Please explain (serve meals, provide transportation, etc.) _____

- Provide service to commercial air carriers
Please explain (provide supplies, conduct maintenance, etc.) _____

- Provide service to general aviation
Please explain (provide supplies, conduct maintenance, etc.) _____

- Handle cargo
- Send/receive materials by plane
- Use the airport to travel to job sites
- Other (please explain) _____

Please think about business-related trips you or your employees make to the airport, where a trip is one or more people traveling at the same time. These trips could be to drop off or pick up passengers, to drop off or pick up cargo, to send out packages or items you produce, to pick up packages or supplies for your business, etc. We will use your answers to estimate the cost of traveling to and from the airport, given potential new locations.

(9) How many business-related trips do you or your employees make to the airport per week, on average? _____

(10) How many company employees (including the owner) go on each of these trips, on average? _____

(11) How much time does it take to get to the airport, round trip, on average? _____

(12) Do the number of business-related trips, duration of trips, or number of personnel involved on each trip vary by season?

- No
- Yes
If yes, please explain how the trips vary with each season: _____

(13) This question is very important for us to calculate your business' costs related to travel. Please provide an answer, and remember that we will treat this information as confidential and only use it to calculate travel time costs. What is the average hourly wage or salary for the persons who travel to the airport for business-related trips? \$_____ per hour

(14) What percentage of your business' revenues (sales) come directly from the airport's...

- Passengers
- Cargo
- Other operations (please explain) _____

- (15) What percentage of your business' revenues (sales) come from...
- Residents of Kotzebue
 - Residents of the Northwest Arctic Borough (not living in Kotzebue)
 - Residents of other locations
 - Commercial, government, or other customers

- (16) Do your customers typically make reservations, seek service contracts, or plan purchases in advance, or do they purchase from you as needed, without prior planning, or at the spur of the moment?
- All planned purchases
 - Mostly planned purchases
 - Even split between planned and unplanned purchases
 - Mostly unplanned purchases
 - All unplanned purchased

As you may be aware, there is a DOT study to determine the feasibility of relocating Kotzebue's airport to meet FAA safety standards. Potential locations for a new airport are up to fifteen miles away from the current location.

- (17) If the airport were relocated to a new site, which of the following would you plan to do? Please answer with one option for each potential distance to the airport.

<i>New Airport's Distance from the Community</i>	<i>Relocate your operations to the new airport</i>	<i>Open a new branch of your business at the new airport</i>	<i>Shut down your business</i>	<i>Do nothing</i>
0 to 5 miles	_____	_____	_____	_____
5 to 10 miles	_____	_____	_____	_____
10 to 15 miles	_____	_____	_____	_____

- (18) If you would plan to relocate or build a new branch, please provide information about the building type, square footage, and estimated construction cost for each of the structures needed to operate at the new location.

Structure 1

Type of Structure (please circle one): Warehouse, Retail, Office, Other (please explain: _____)
 What is the square footage of the structure specified above? _____ square feet
 How much do you estimate the new structure would cost to construct, in dollars? \$ _____

Structure 2

Type of Structure (please circle one): Warehouse, Retail, Office, Other (please explain: _____)
 What is the square footage of the structure specified above? _____ square feet
 How much do you estimate the new structure would cost to construct, in dollars? \$ _____

Structure 3

Type of Structure (please circle one): Warehouse, Retail, Office, Other (please explain: _____)
 What is the square footage of the structure specified above? _____ square feet
 How much do you estimate the new structure would cost to construct, in dollars? \$ _____

