



# **Airports & Aviation**

## **Alaska Dept. of Transportation**

### Legislative Update

February 2009

Christine Klein, AAE  
Deputy Commissioner



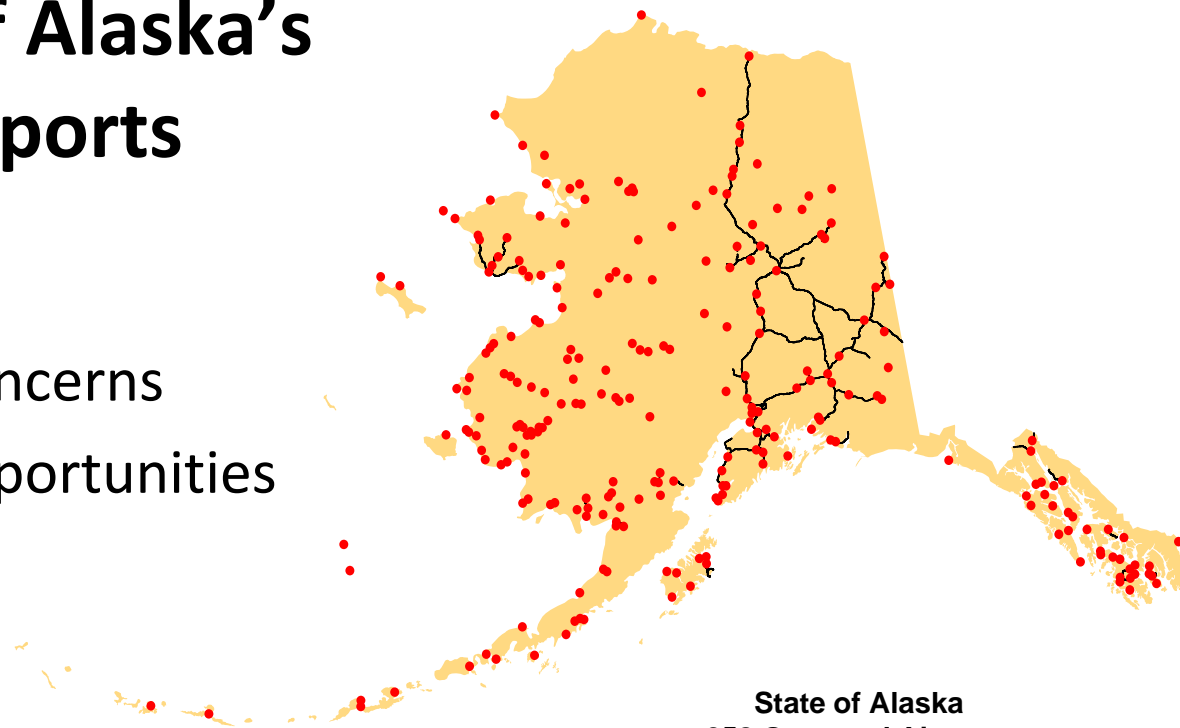
# Overview of Airports & Aviation

- 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





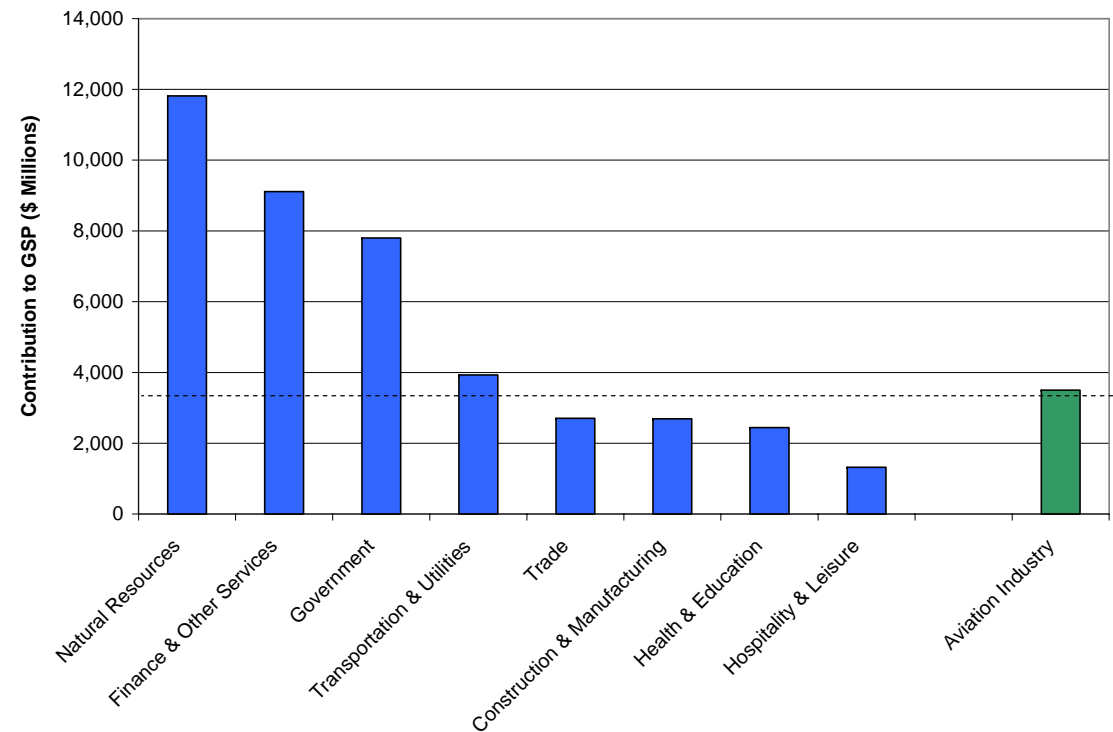


# Aviation Industry

## Economic Contribution to Alaska

### Strengths:

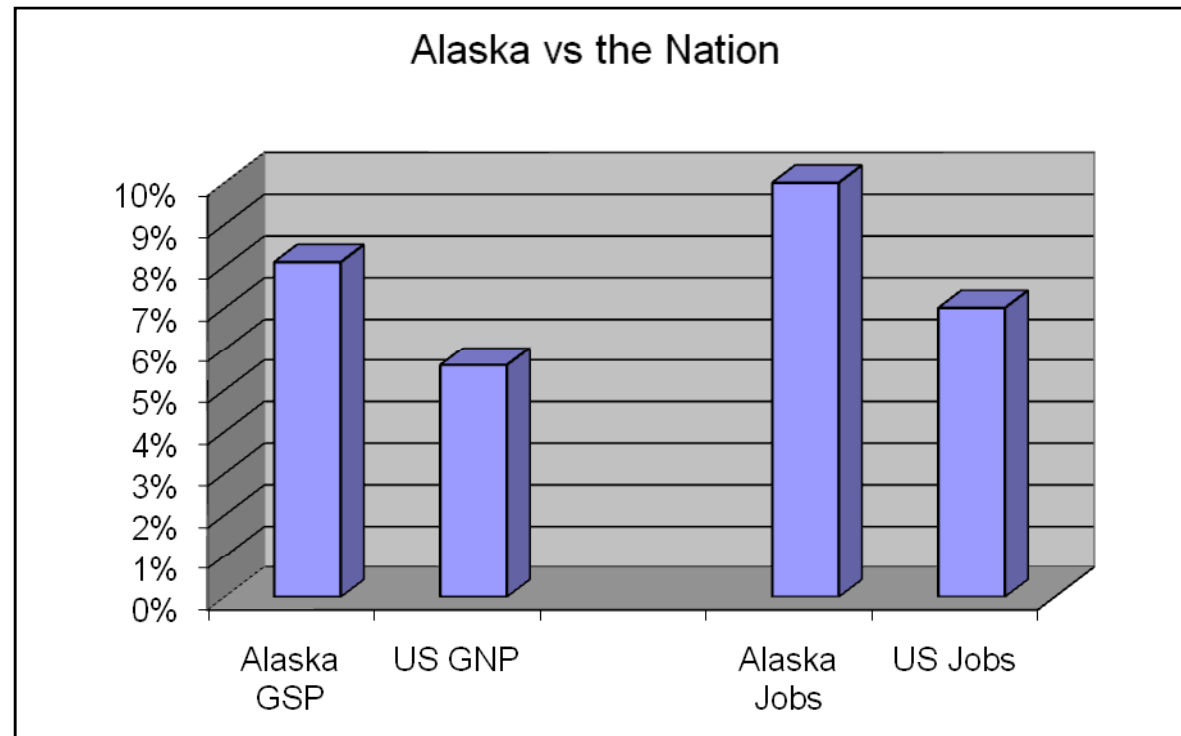
- 47,000 Aviation jobs statewide both rural and urban
- 5<sup>th</sup> Largest Provider of Alaska's Gross State Product
- Contributes >\$3.5B to \$44B Economy





## 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	<b>Aviation System Plan</b>	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...

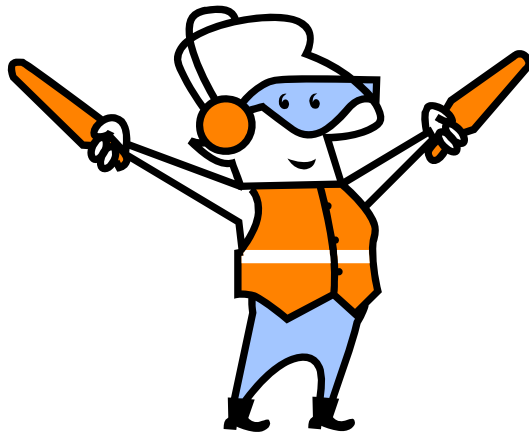


### 2. Sustainability:

- 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

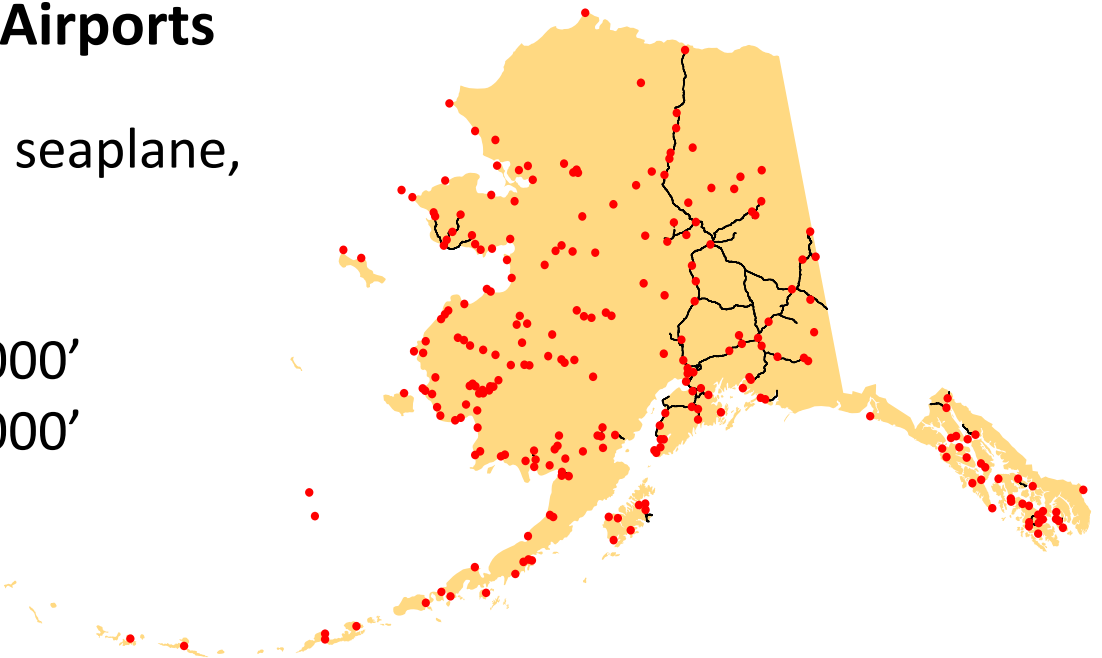
## Current Conditions

### 256 State owned Rural Airports

- 173 gravel, 45 paved, 37 seaplane, 1 heliport (Diomedes)
- 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



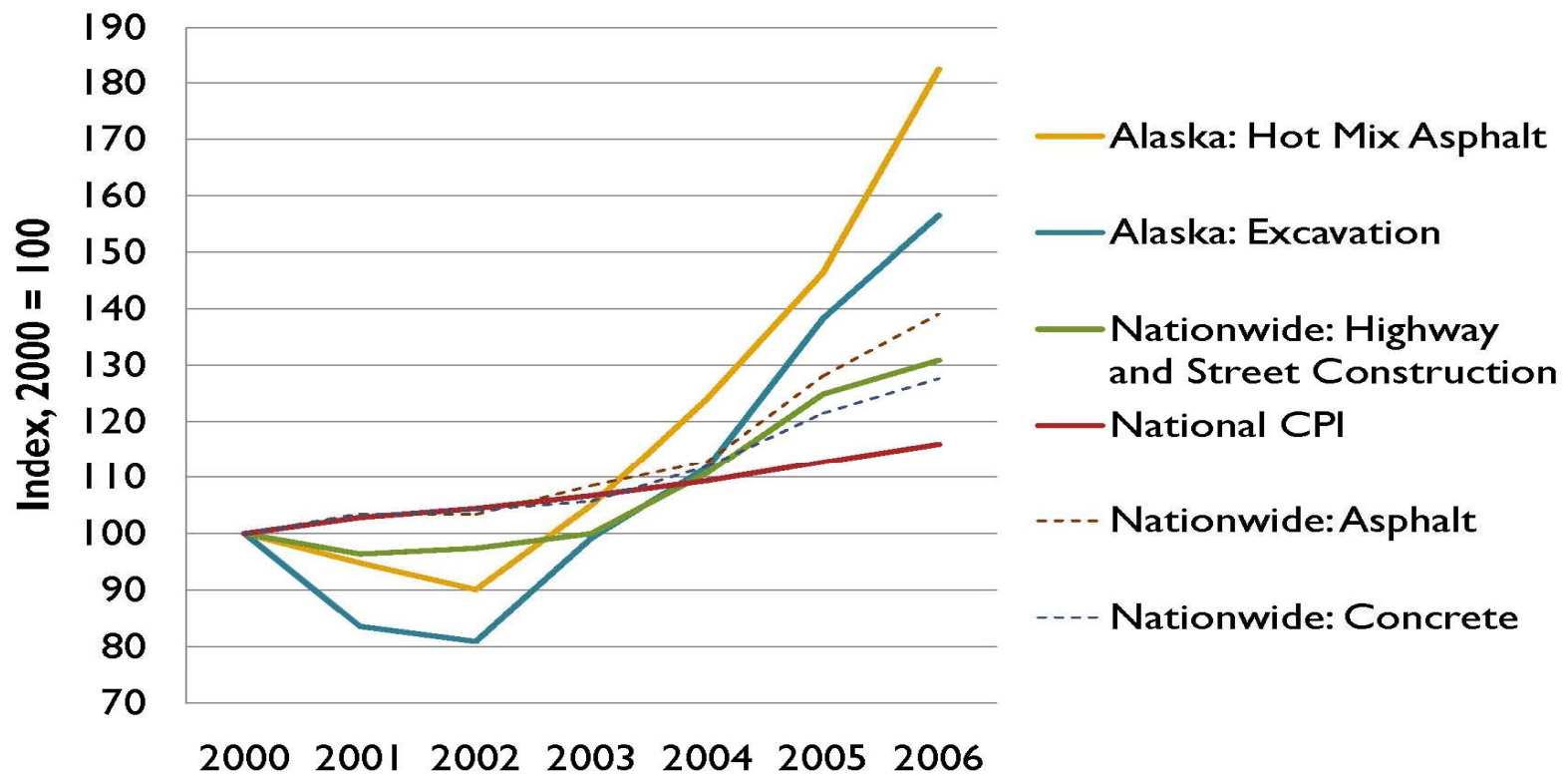
Sitka Airport





## 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

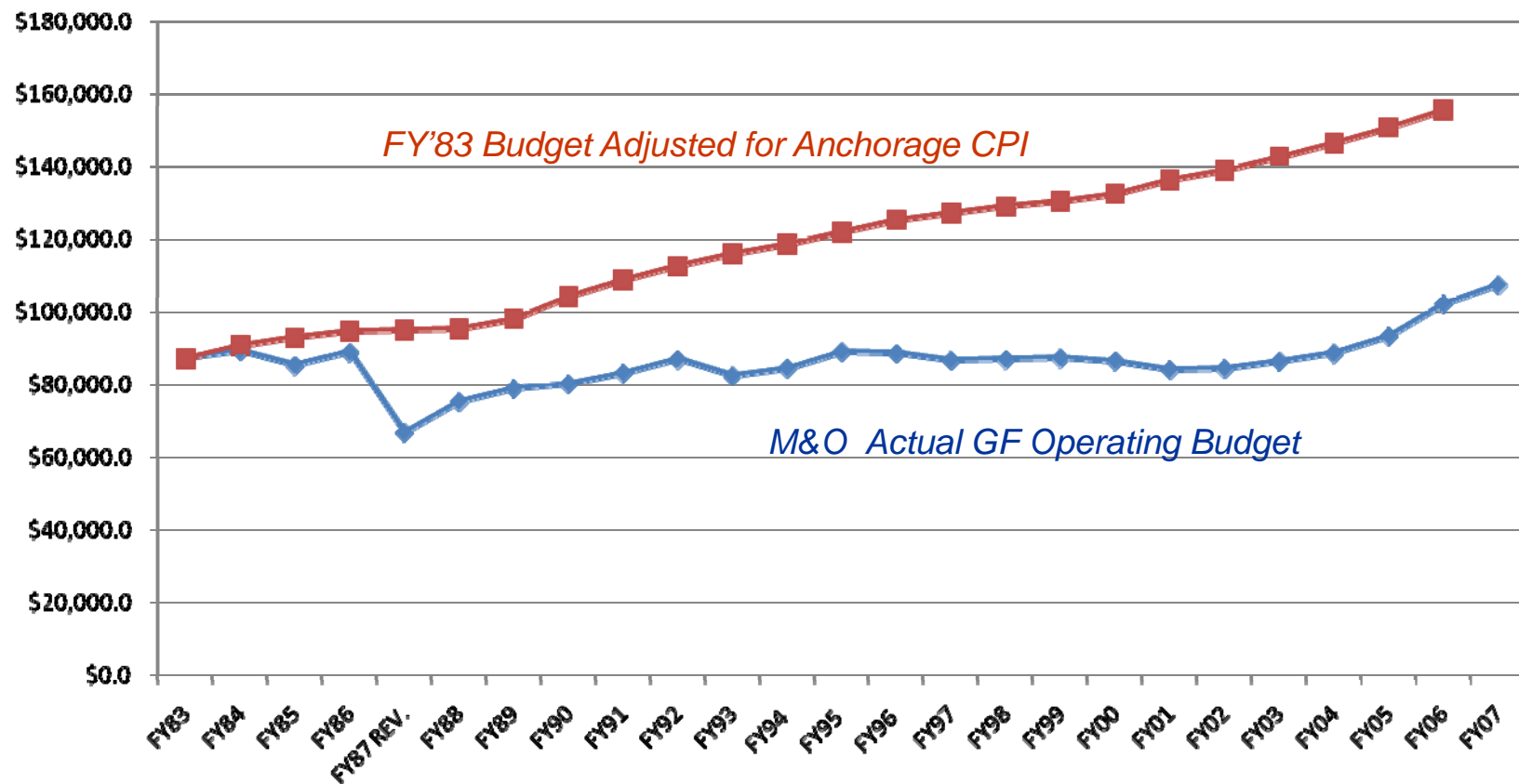
- Shishmaref
- Kivalina
- Newtok







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



## 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 3<sup>rd</sup> 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)**



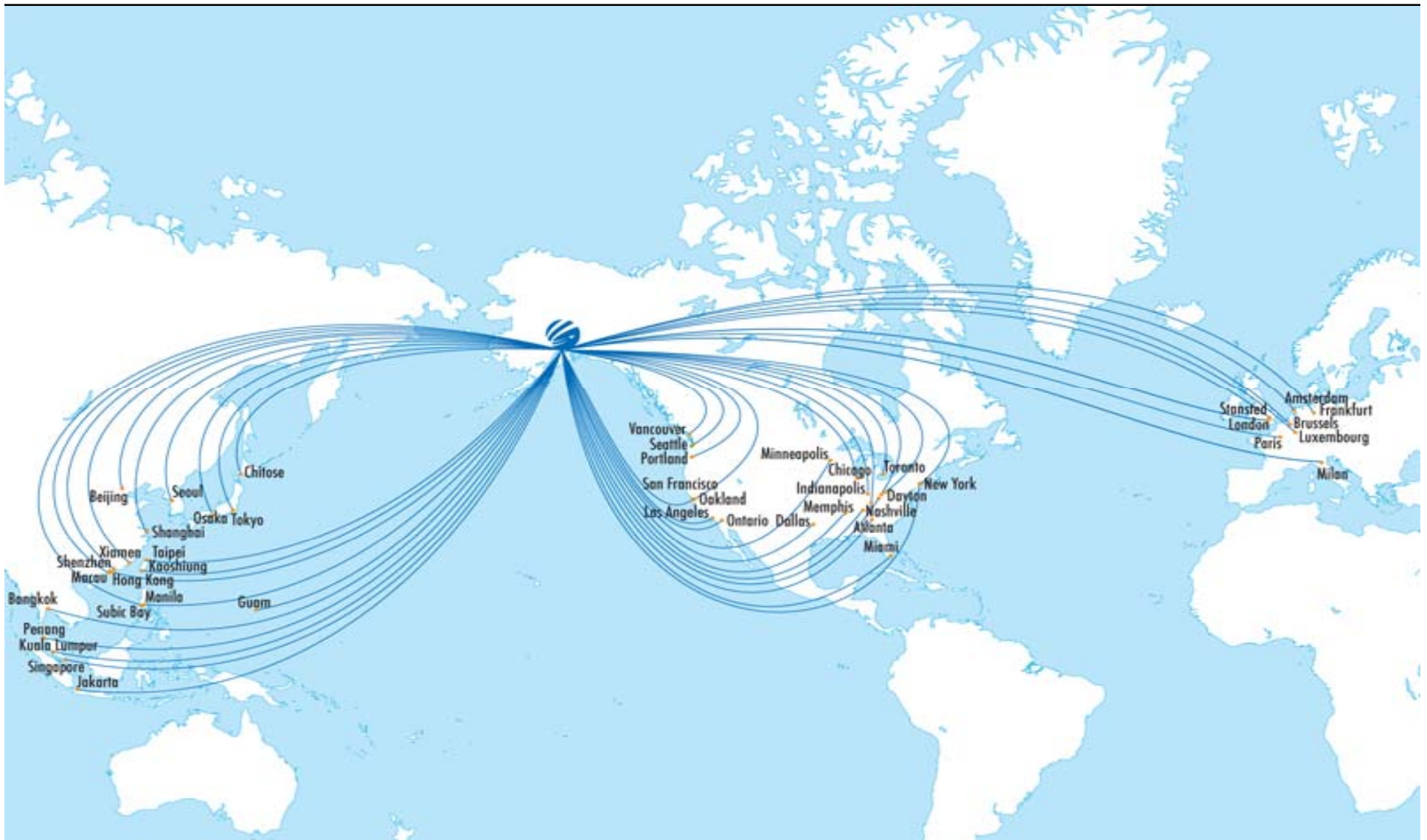
## AIAS Strengths

- 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:*



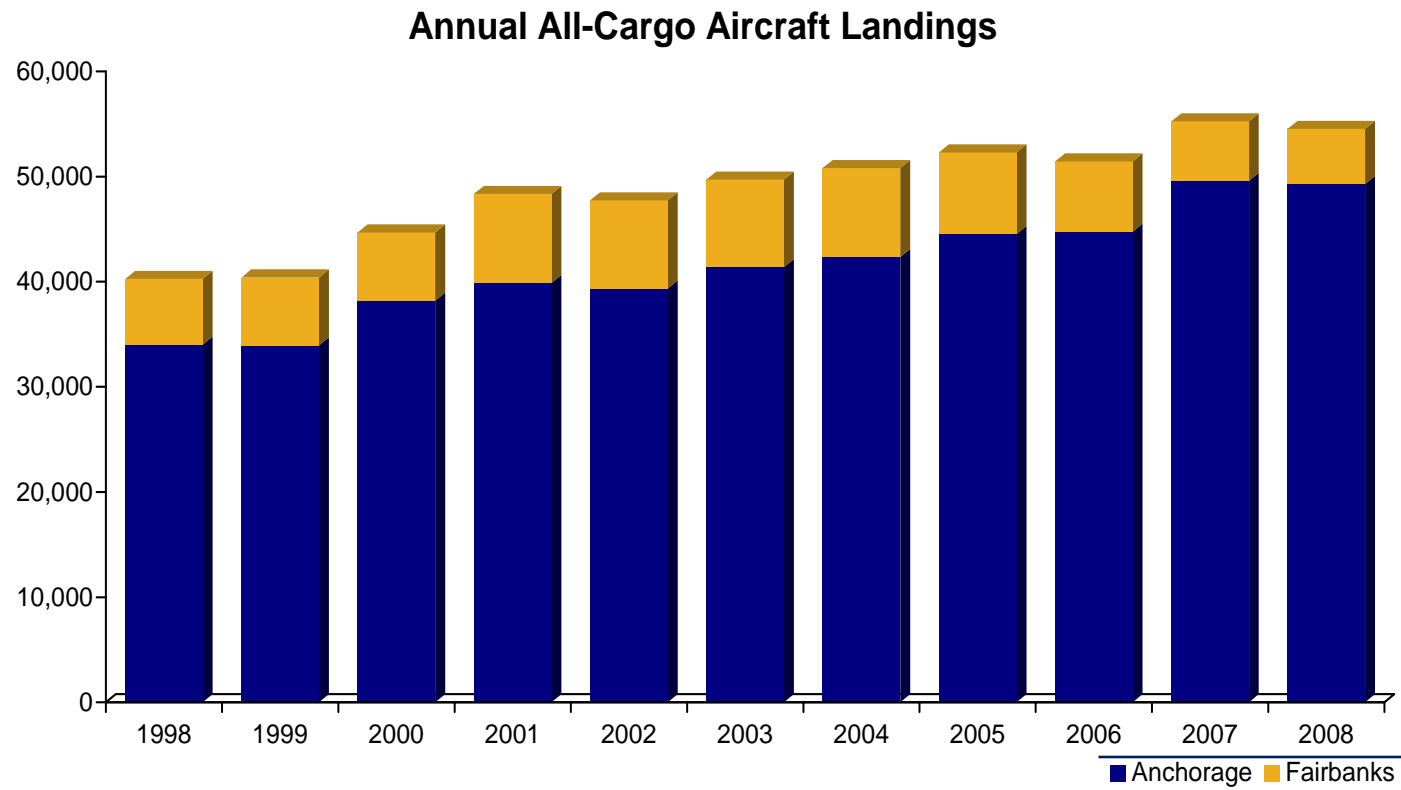
# AIAS Strategic Cargo Location







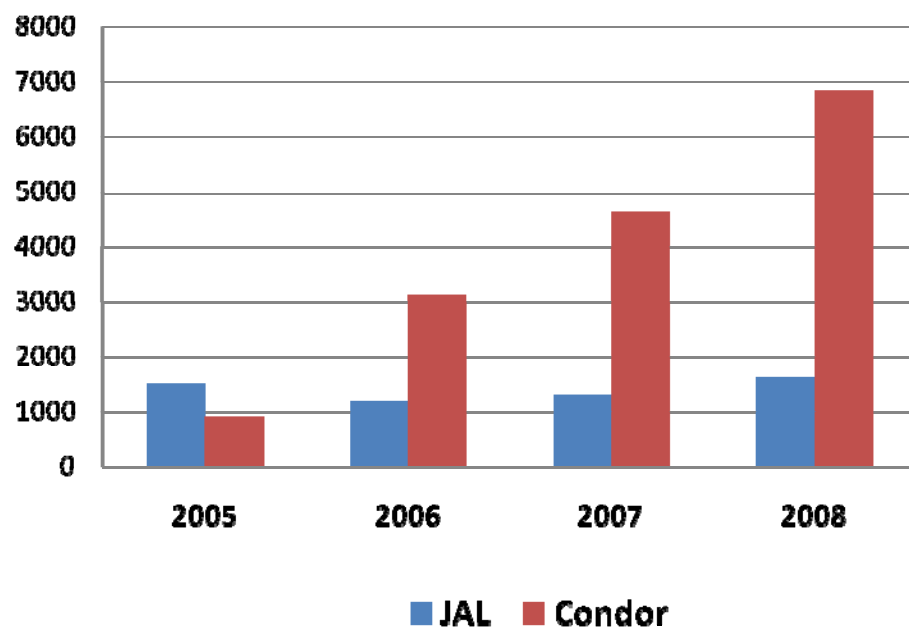
## Strengths: Cargo Operations





## AIAS Strengths

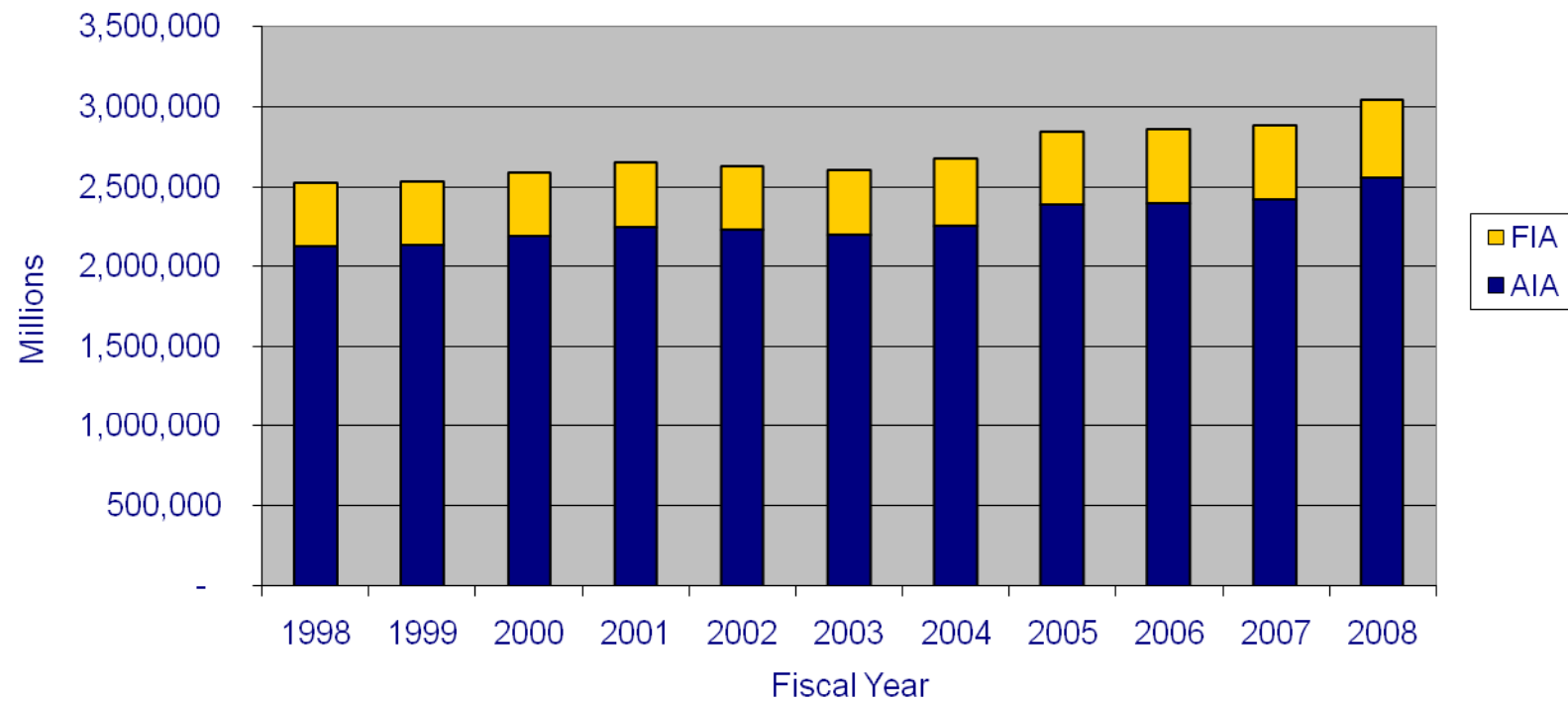
**International Enplanements  
Fairbanks International Airport**





## Strengths: Passenger Trends

### AIAS Enplanement History FY1998-2008

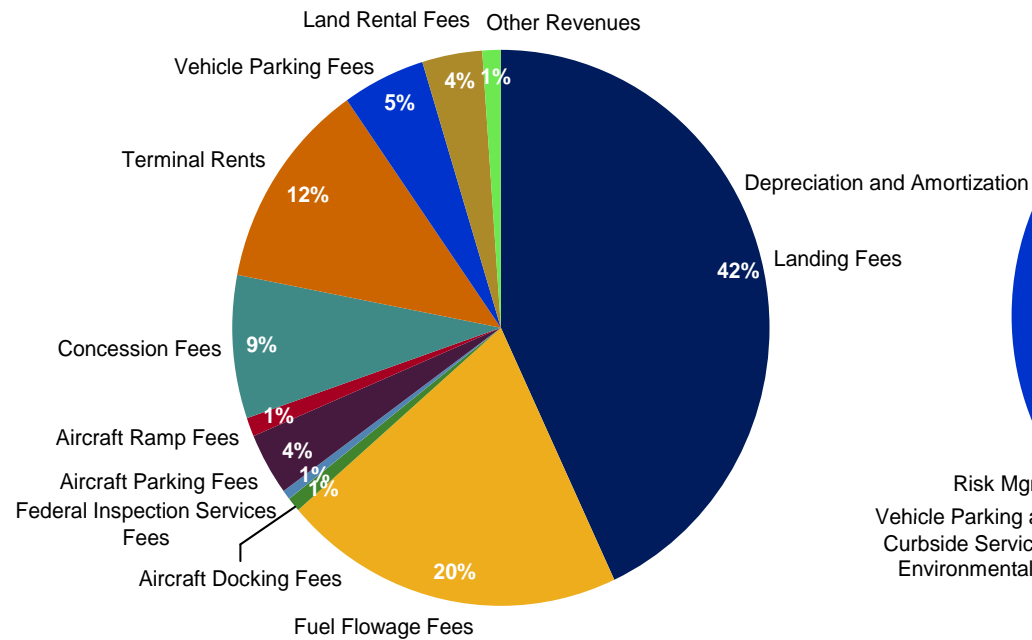




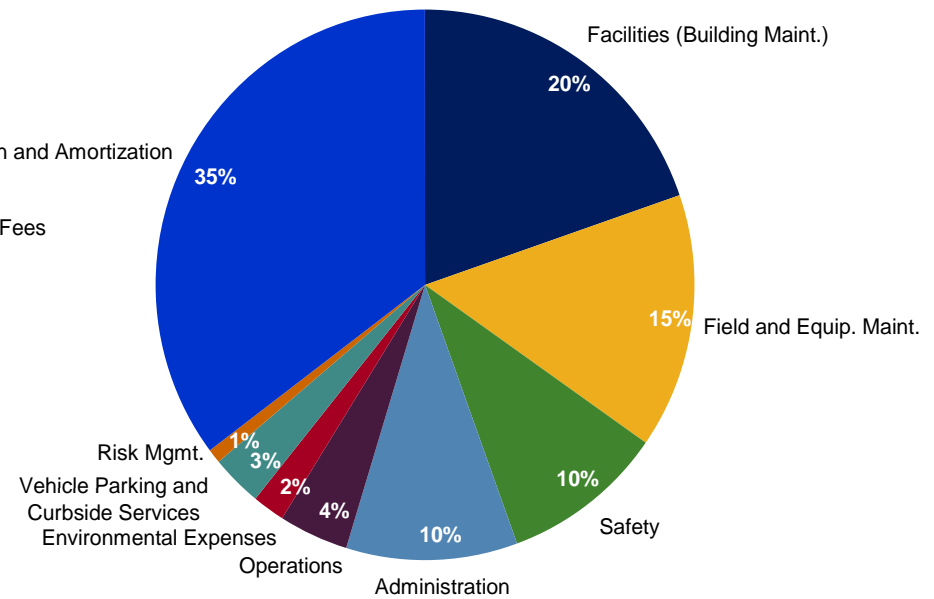
# Strengths: Diverse Business Revenues

## 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 3<sup>rd</sup> 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

**Christine Klein, AAE  
DOT&PF Deputy Commissioner  
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
- Chefnak 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