



# **Alaska International Airports**

## **Alaska Dept. of Transportation Legislative Update**

March 23, 2009

Christine Klein, AAE  
Deputy Commissioner



## Overview:

### I. System Advantages & Strengths

1. Alaska System Global Advantage
2. Airport System Strengths
3. Economic Impacts

### II. Traffic, Trends, Concerns

1. Growth of Past 10 Years
2. Weakening of 2008 Events
3. AIAS Responses

### III. Future Outlook

1. AIAS Tie to Global & National Markets
2. Responsiveness and Competitive
3. Cautious Stable Growth



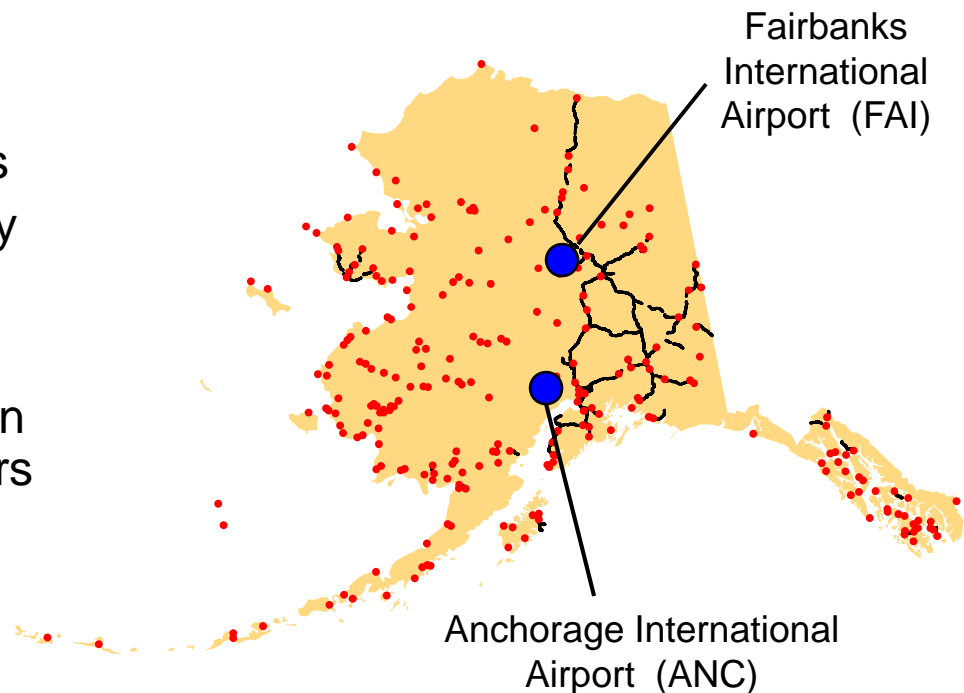
# **I. System Advantage & Strengths**

1. Alaska International Airport System
2. System Strengths
3. Economic Impact



# Alaska International Airport System (AIAS)

- **Established in 1961**
- **Airports of ANC and FAI**
  - Shared Assets & Resources
  - Capital & Bonding Capability
- **Aviation Support across vast and remote distances**
  - Aircraft Alternate & Diversion Options for weather/disasters
- **Serving Alaska and World**
  - Part of the National Priority International Airport System



# Alaska's Global Advantage

## Payload vs Range





# Alaska System Advantages

## Regulatory:

- ➔ Progressive Clearance
- ➔ International to International Cargo Transfers
- ➔ USDOT awarded Cargo Transfer Flexibility in '96
  - On-line transfers
  - Commingling foreign domestic Foreign-domestic, foreign-foreign transfers
- ➔ Expanded Cargo Transfer '03
  - Expands transfer authority for foreign carriers with revenue relationship w/U.S. carrier

## Location & Cost:

- ➔ Strategic Location for Trans-Pacific Asia Cargo
- ➔ Pay-load vs Range
  - Aids Carrier Profit Margin
- ➔ Growing Asia Market and Base of Chinese Freighters
- ➔ Close alternate airport
- ➔ No Slots or Curfews
- ➔ Parts exchange program
- ➔ Competitive airports: each with same low rates & fees



## AIAS Strengths

- One Revenue System
- Two Large Intl. Airports
- Competitive Rates & Fees
- Diverse Revenue Sources
- Wide Mix of Air Carriers
- Air Cargo center for Asia
- Long-term Commitments
- System Capacity for Growth
- Economic Engines for the State of Alaska and the Local Communities

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

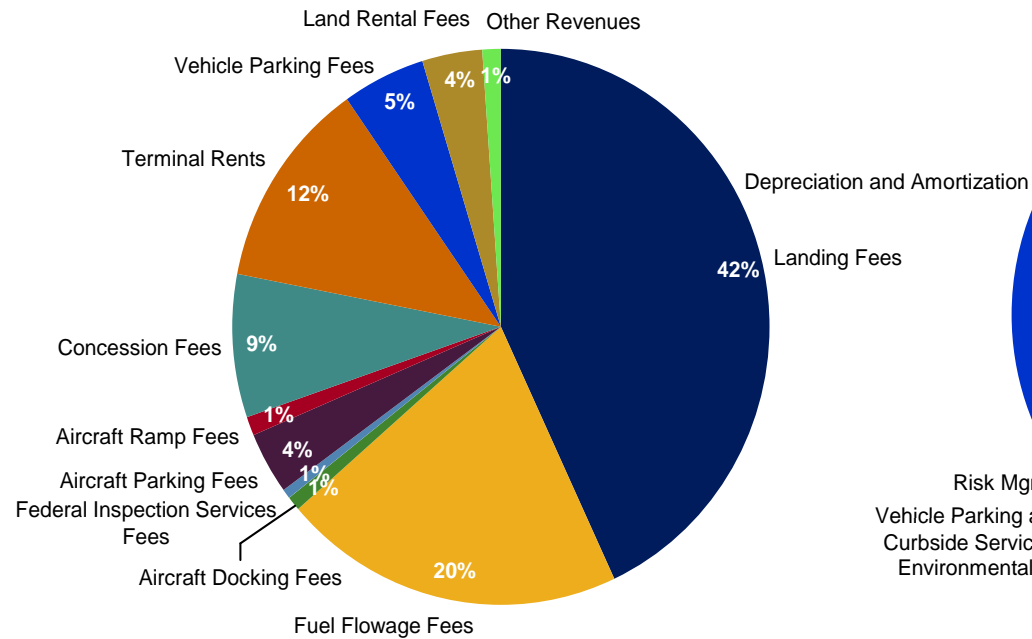




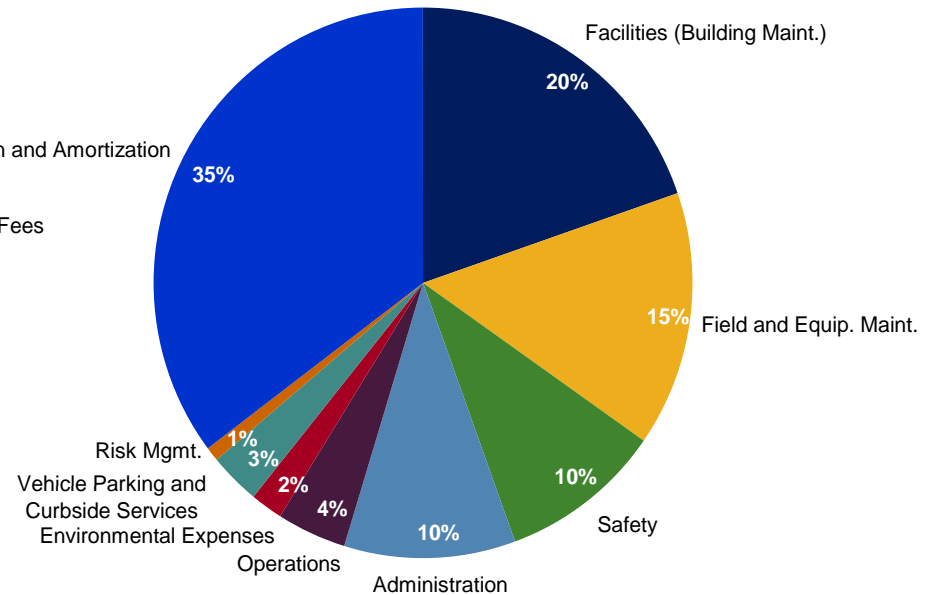
# Strength: Diverse Business Revenues

## FY 2008 Operating Revenues & Expenses

Operating Revenues  
(\$118.87 million)



Operating Expenses  
(\$111.52 million)





## Cargo and Diversity of Carriers

### Cargo Carriers by Home Country:

• USA	14
• China	5
• Japan	3
• Korea	2
• Taiwan	2
• Hong Kong	1
• Singapore	1
• Australia	1
• Canada	1

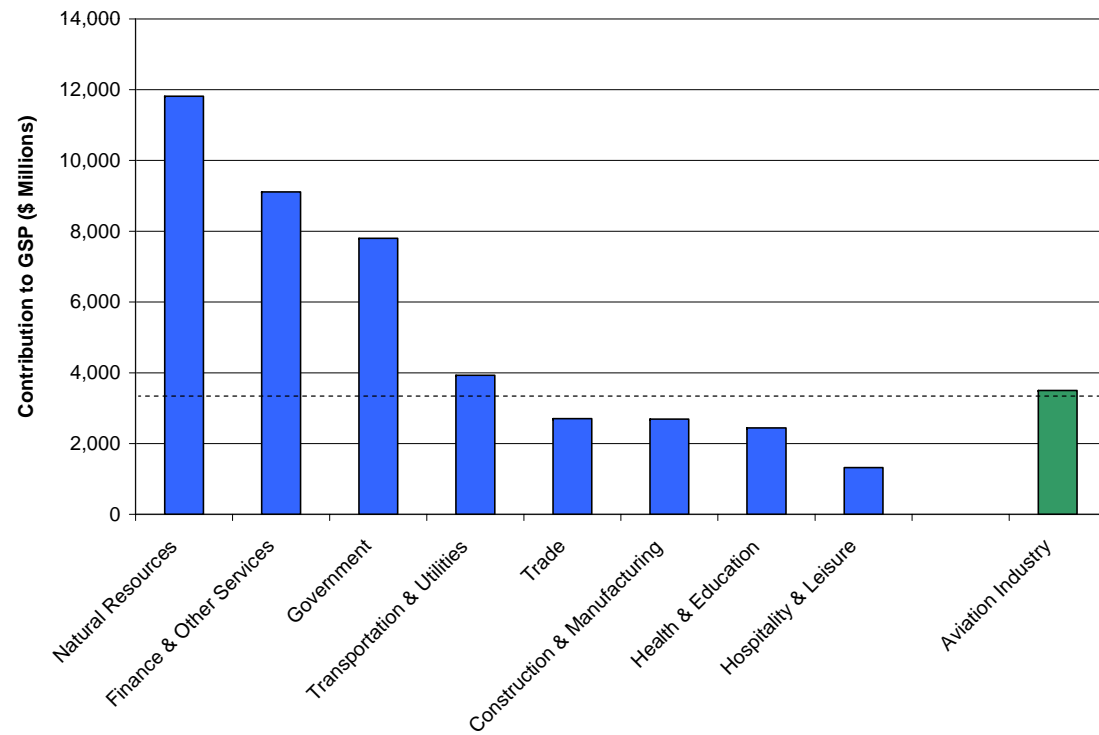
### Current Carriers (35):

- ACE Air Cargo
- ANA
- Air Atlanta Icelandic
- Air Canada
- Air China
- Alaska Airlines
- Asiana Airlines
- Atlas Air
- Cargo 360
- Cathay Pacific Airways
- China Airlines
- China Cargo
- China Southern
- Empire Airlines
- Eva Airways
- Evergreen International
- Everts Air Cargo
- Federal Express
- Focus Air Cargo
- Japan Airlines
- Kalitta Air
- Korean Air Cargo
- Lynden Air Cargo
- Nippon Cargo Airlines
- Northern Air Cargo
- Northwest Air Cargo
- Polar Air Cargo
- Qantas
- Shanghai Airlines
- Singapore Airlines
- Southern Air
- TradeWinds Airlines
- United Parcel Service
- World Airways
- Yangtze River Express



## Overall Statewide Aviation Economic Contribution to Alaska

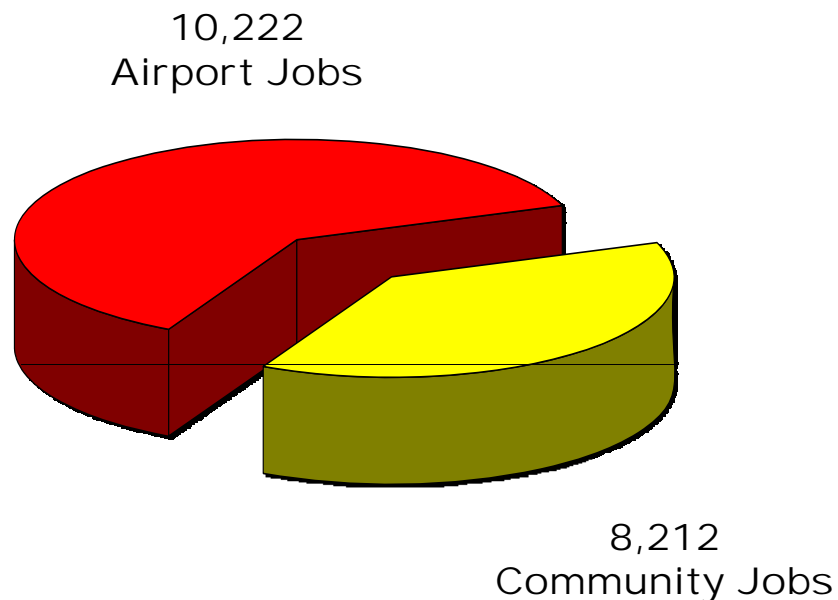
- **47,000 Aviation Jobs Statewide in Alaska**
- **5<sup>th</sup> Largest Provider of Alaska's GSP**
- **Over \$3.5 Billion of Alaska's \$44 Billion Economy**



(Economic Contribution from All Aviation Statewide in Alaska) Source: Northern Economics March 2009.



## Anchorage Specific Economic Impact: 18,434 Jobs



- One in eight jobs
- About \$562 million direct annual payroll
- Another \$288 million in annual community jobs payroll
- \$2.36 billion total annual Anchorage impact

*Source: Institute of Social and Economic Research, University of Alaska Anchorage, September 2007*

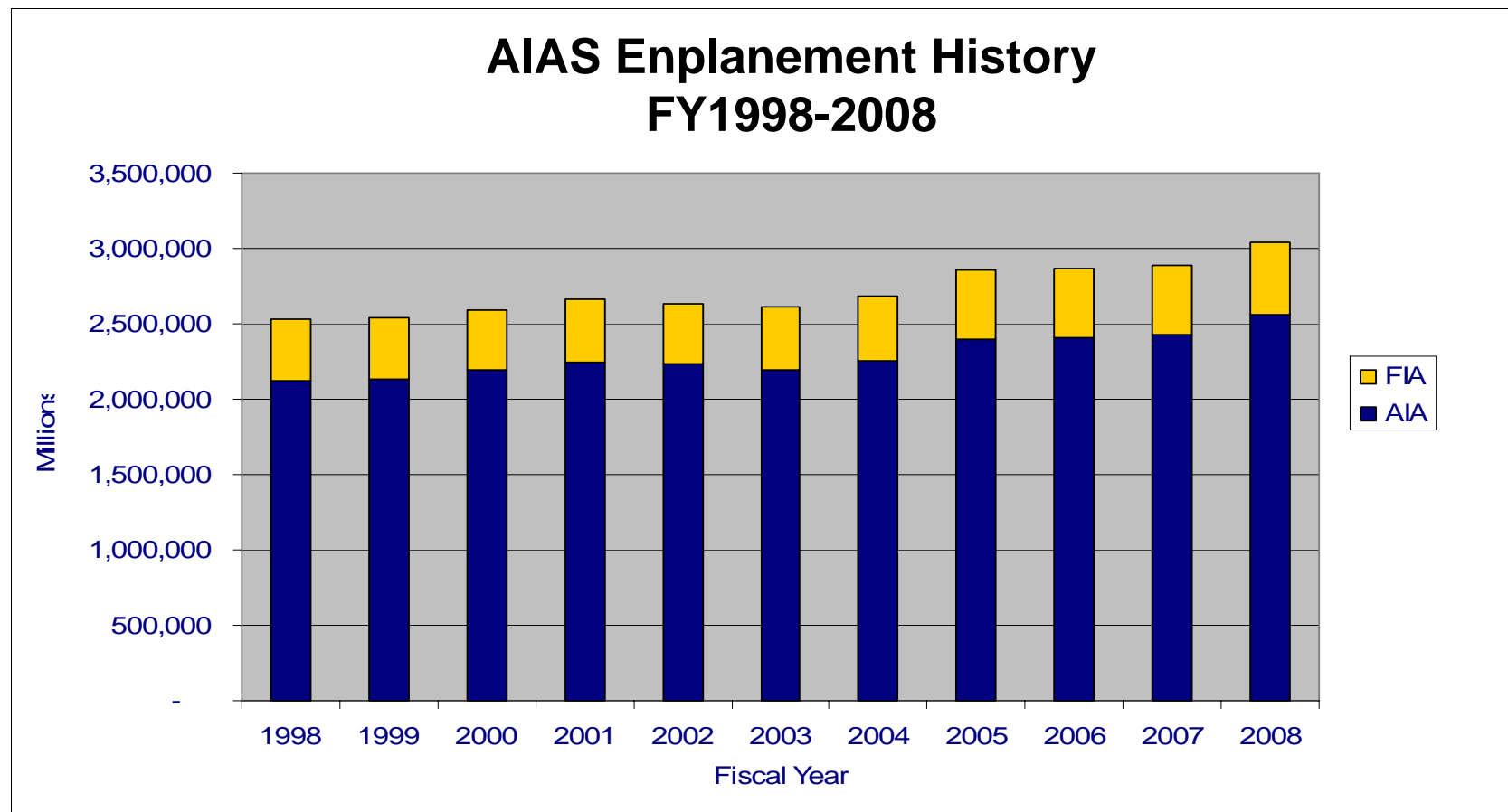


## II. Traffic, Trends, and Concerns

1. Growth Past 10 Years
2. Past Year 2008 Weakened
3. Traffic Downturn & Concerns
4. AIAS Responses



## Traffic: Passenger Growth

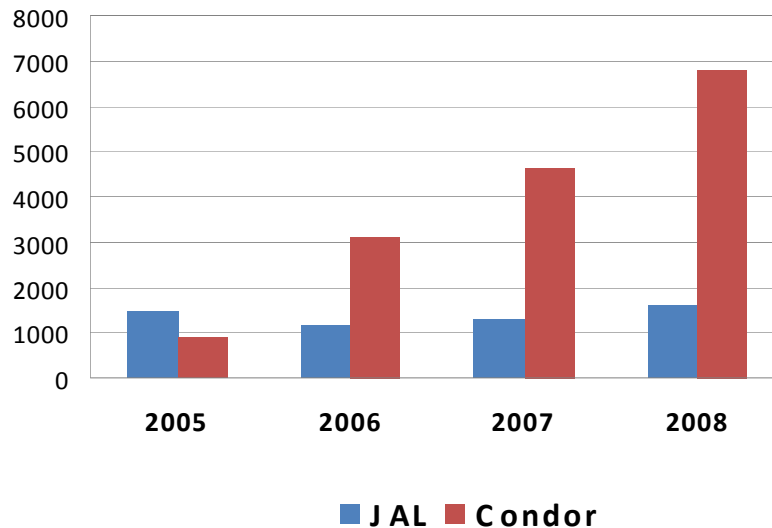




# Fairbanks: a Star in Winter

## International Passenger Enplanements

International Enplanements  
Fairbanks International Airport



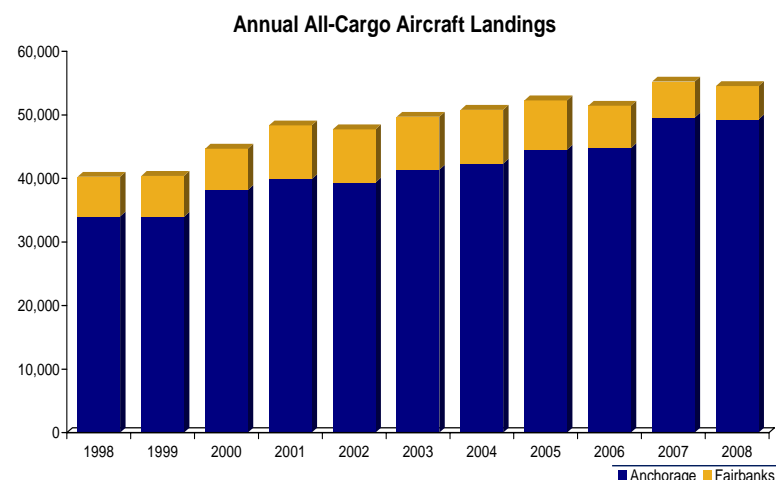
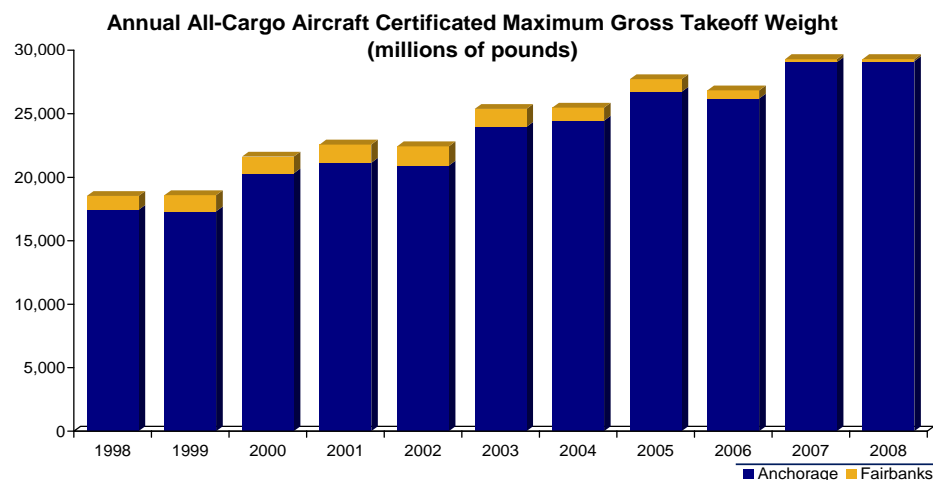
### FAIRBANKS INTERNATIONAL AIRPORT



*a Vision of Growth*



## Traffic: Cargo Growth

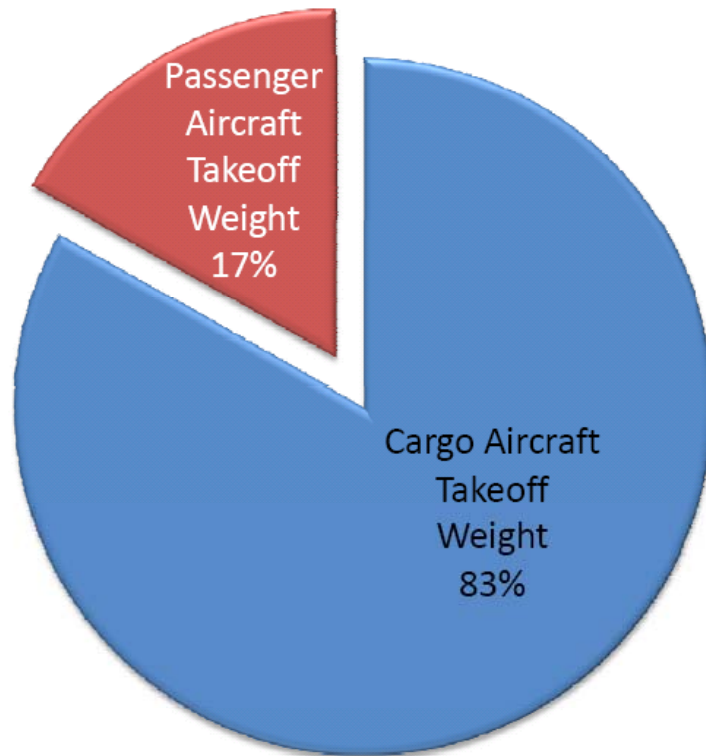


### Compound Annual Growth Rate

	All-Cargo Take-off Weight	All-Cargo Aircraft Landings
1998-2008	4.26%	2.80%
2006-2008	4.48%	6.04%



## International Cargo is Big Business



Air cargo dominates airfield activity at ANC and generates most of ANC aircraft landing fees

- Nearly 35% of AIAS International Cargo traffic is from China
- 2000 – 15 landings per week
- 2006 - 198 lpw
- 2007 - 260 lpw

*Total China-US air cargo market in 2007 is equal to 36.7% of all Asia North America air cargo*



# International Cargo at Anchorage

## FY 2008 Cargo Market Share

By Take-Off Share		
Airline	Total lbs. (000's)	Market Share
Federal Express	3,203,331	11.70%
United Parcel Service	3,155,728	11.53%
Cathay Pacific Airlines	2,602,562	9.51%
China Airlines	2,556,930	9.34%
Korean Airlines	2,361,720	8.63%
Eva Airways Corporation	1,938,868	7.08%
Northwest Airlines, Inc.	1,636,800	5.98%
Japan Airlines International	1,382,469	5.05%
Southern Air, Inc.	1,102,520	4.03%
Asiana Airlines	911,760	3.33%
Singapore Airline Cargo	841,192	3.07%
Nippon Cargo Airlines	660,366	2.41%
Air China	512,164	1.87%
Kalitta Air	498,126	1.82%
China Eastern/Cargo Airlines	454,429	1.66%
All Others (23 Airlines)	3,714,816	12.99%
<b>Total</b>	<b>27,533,781</b>	<b>100.00%</b>

By Revenues		
Carrier	Revenues	Market Share
Federal Express	\$7,943,319	11.10%
United Parcel Service	7,728,110	10.80%
<b>Cathay Pacific Airlines</b>	7,720,284	10.79%
<b>China Airlines</b>	7,563,925	10.57%
<b>Korean Airlines</b>	6,550,629	9.15%
<b>Eva Airways Corporation</b>	5,735,710	8.01%
Northwest Airlines, Inc.	5,460,525	7.63%
<b>Japan Airlines International</b>	3,785,451	5.29%
<b>Asiana Airlines</b>	2,338,233	3.27%
<b>Singapore Airline Cargo</b>	2,033,132	2.84%
<b>Nippon Cargo Airlines</b>	2,025,426	2.83%
Southern Air, Inc.	1,944,774	2.72%
<b>Air China</b>	1,437,394	2.01%
Kalitta Air	1,239,042	1.73%
Northern Air Cargo, Inc.	1,023,806	1.43%
All Others (23 Airlines)	7,045,916	9.84%
<b>Total</b>	<b>\$71,575,676</b>	<b>100.00%</b>



## 2007 ACI Cargo Traffic Stats (Metric Tons)

Rank	Airport	Total Cargo	% Change
1	MEMPHIS (MEM)	3 840 491	4.0
2	HONG KONG (HKG)	3 773 964	4.5
3	<b>ANCHORAGE (ANC)</b>	<b>2 825 511</b>	<b>0.6</b>
4	SHANGHAI (PVG)	2 559 310	18.0
5	INCHEON (ICN)	2 555 580	9.4
6	PARIS (CDG)	2 297 896	7.9
7	TOKYO (NRT)	2 254 421	(1.2)
8	FRANKFURT (FRA)	2 127 646	8.4
9	LOUISVILLE (SDF)	2 078 947	4.8
10	MIAMI (MIA)	1 922 985	5.1



## Weakening in 2008

- **US Economic Recession**
  - Passenger downturn elsewhere
- **Aviation Industry in Crisis**
  - Airline Bankruptcies & Mergers
  - High Fuel Costs
  - Fewer Flights & Capacity
- **AIAS Activity & Revenue**
  - Cargo Activity Declines
  - Fuel Flowage Down
  - High Debt





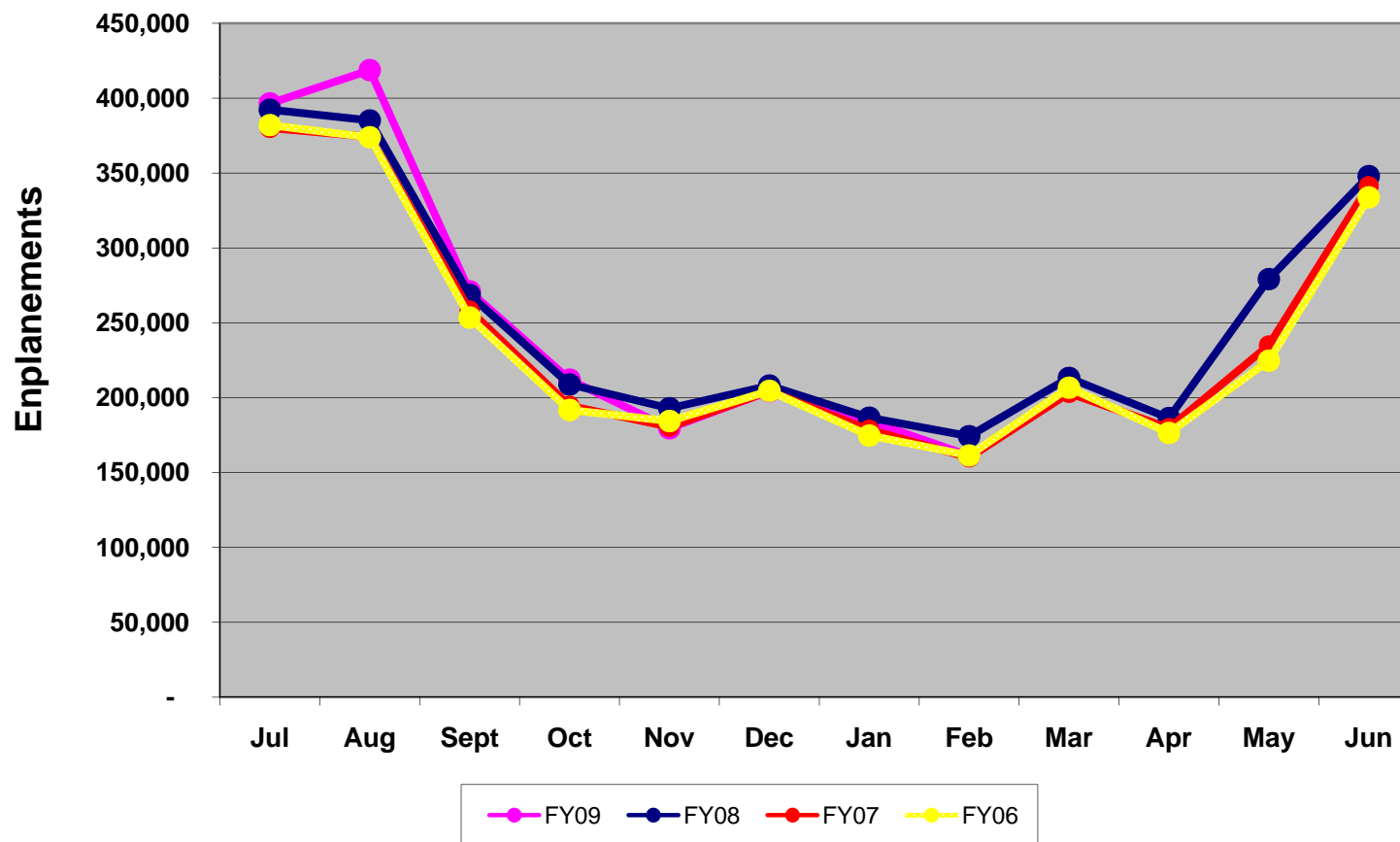
## Summary of Fiscal Year 2008 AIAS Activity

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

*(Fiscal Year 2008 is July 1, 2007 through June 30, 2008)*



## AIAS FY06-FY09 YTD Monthly Passenger Enplanements





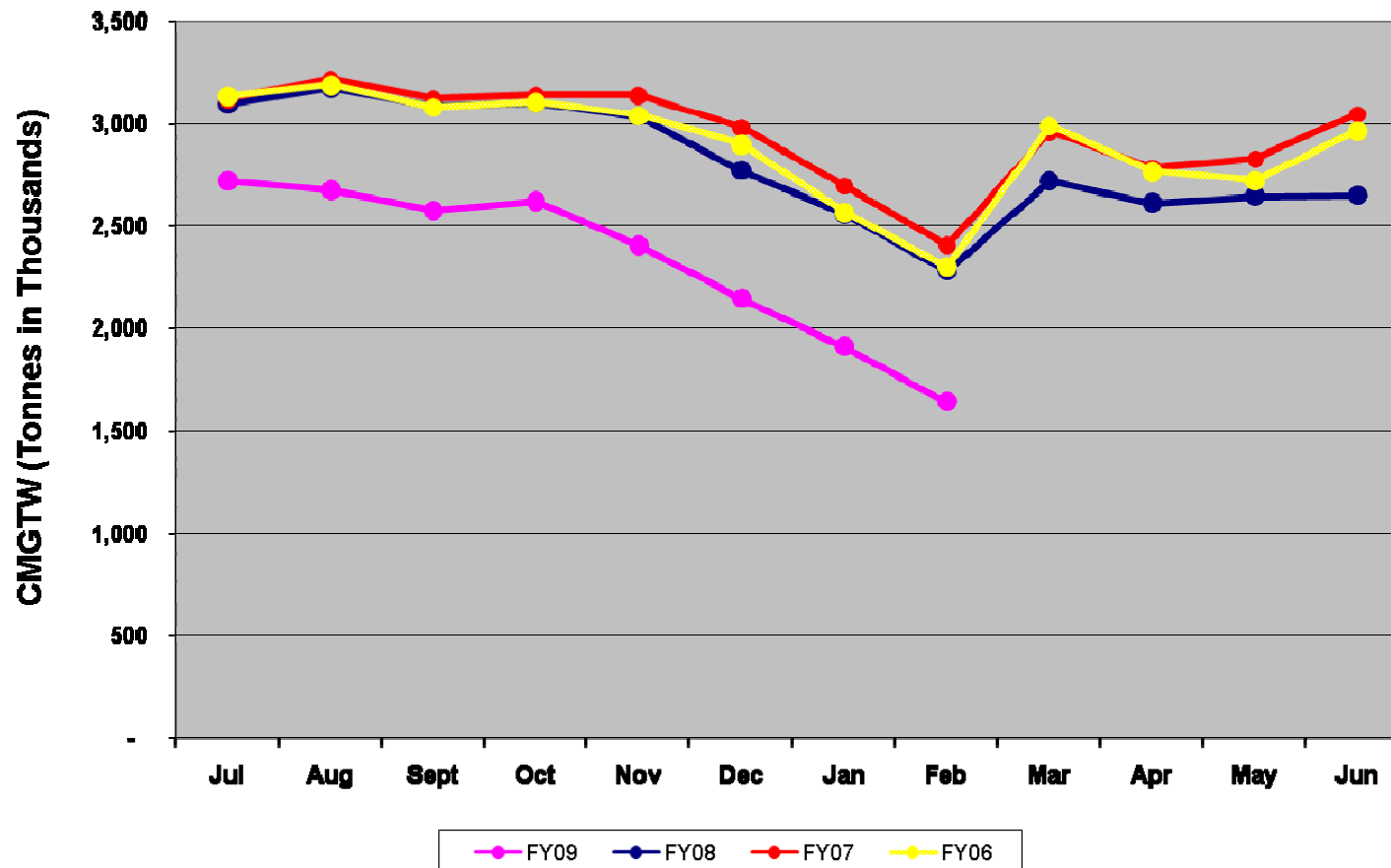
# **Landing Revenue by Aircraft Certified Maximum Gross Take-Off Weight**

- Cargo aircraft
- Passenger (Pax) aircraft
- Airport's as a standard, charge landing fees to air carriers for use
- Airport Landing Fees are charged by the aircraft manufacturer's Certified Maximum Gross Take-Off Weight (CMGTW) for each use
- Air Carriers are required to report aircraft weights monthly in certified activity reports (CAR's) to the airport's they utilize



## AIAS FY06 - FY09 YTD

### Monthly Combined Cargo - Pax CMGTW





## Airport CMGTW Concerns and Comparisons

### AIAS:

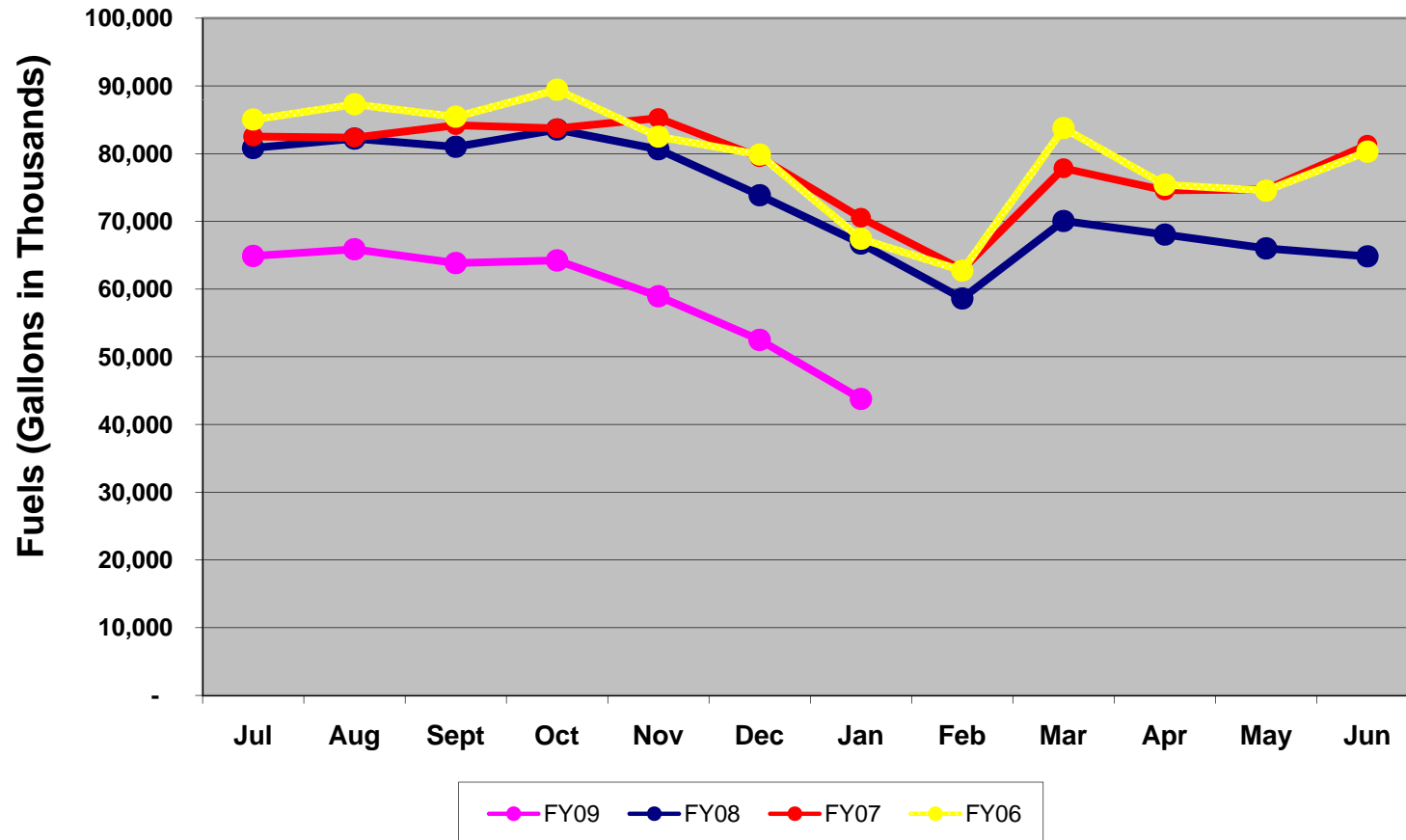
- Month of December CMGTW compared to same month of prior year down 22.50%
- FY09 (with 7 months of year) shows a CMGTW average decline 19.92%

### Other Airports:

- San Francisco freight for December down 43%
- Los Angeles freight for December down 24.3%
- *IATA reports “22.6% collapse in air freight volumes for December as export volumes fell 20-30% in the US, Asia, and Europe”*



## AIAS FY06 - FY09 YTD Monthly Fuels





# AIAS Fuel Trends

## Fuel Flowage Fees

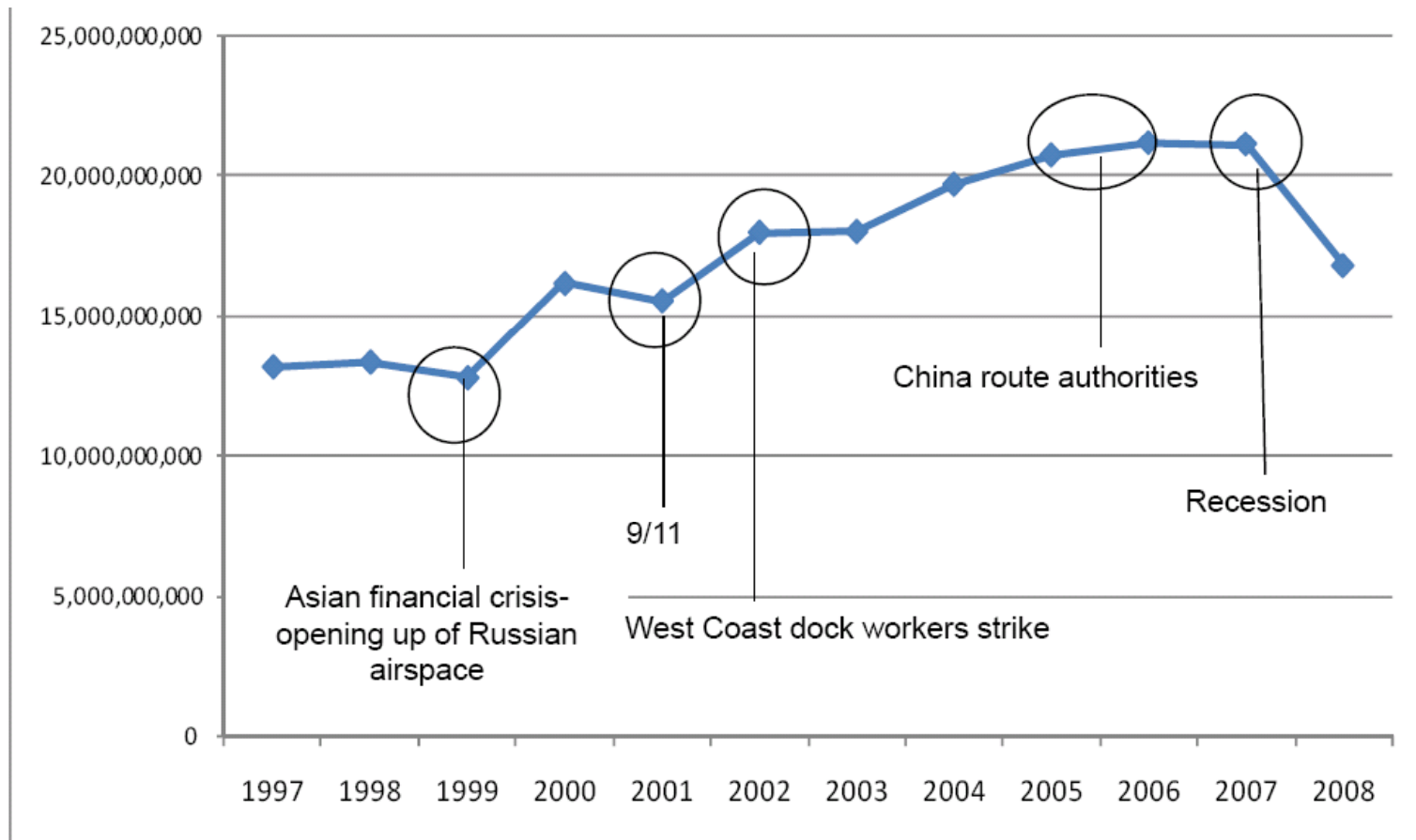
- Charged on each gallon of fuel
- \$0.027 per gallon for aircraft >12,500 (signatory carriers)
- Accounts for ~20% of the AIAS Revenue

## Changes

- Cargo Freight Down
- Old Aircraft Being Parked
- Airlines Improved Efficiencies
- Carrying Less Fuel Weight



## Trends in International Freight





## AIAS Responded Early to Trends

### Reduced Operating Costs:

- June: reduce '08 budget spending
- July: defer, delay, and cut capital projects by \$300 Million
- August: projected year traffic declines of 15 - 20%
  - Cut development funds
  - Hold utility increases & costs flat
  - Put TSA reimbursement to debt
- October: reduce '09 operating budget by \$3 Million (3%)
- March: further cost containment

### Stay Competitive:

- September: Initiated independent 3<sup>rd</sup> Party Asian Cargo Analysis Report... *(Keiser Phillips)*
- Assess and Track Other US Competing Airports...
- December: Airport Operating Agreement Lease completed in partnership with airlines



### III. AIAS and the Future Outlook

1. Tied to National & Global Economy
2. Responsive & Competitive Airport
3. Cautious Positive Growth



## AIAS Linked to the World

### Global Economy

- AIAS tied to World and US trends
  - Passengers US
  - Cargo International
- Economic Recession

### Response & Vigilance

- Respond to Market & Costs
- Track Airport Competition
- Assess Over-flights to US

### Realize Limitations

- Surface & Intermodal Limited
- Northern Climate Disadvantage
- No local manufacturing
- Limited air exports

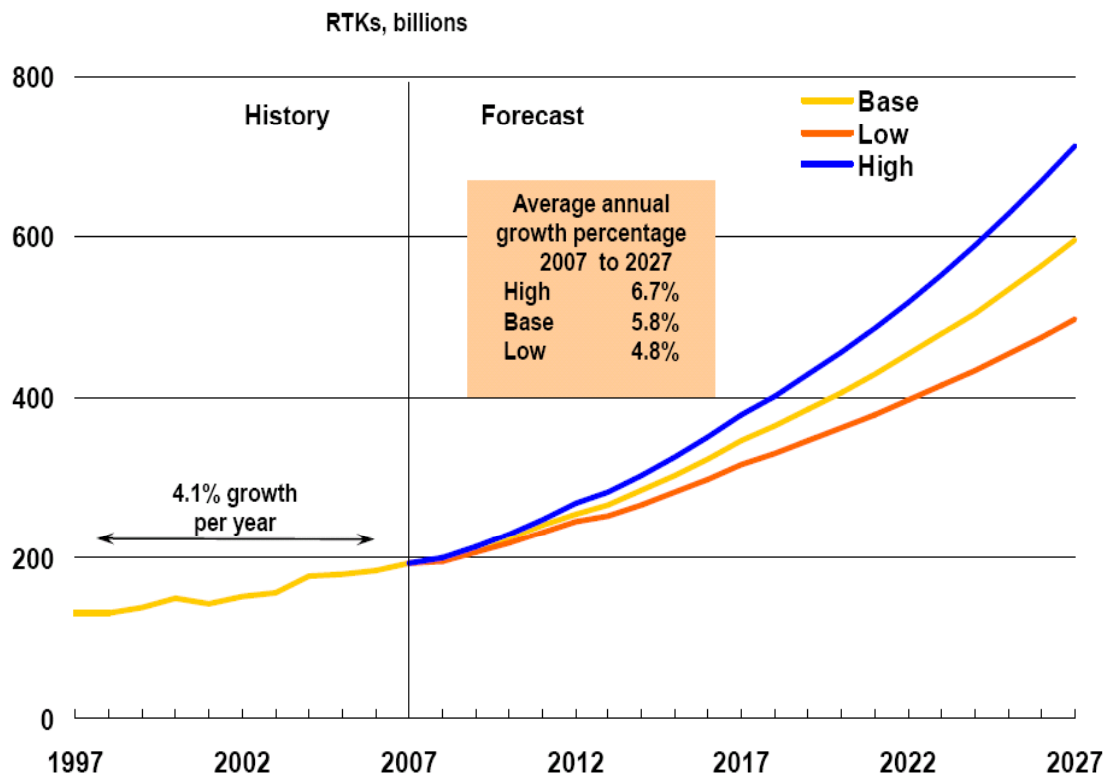




# Alaska Tied to World Air Trade

## Projections:

- Air Freight Growing Worldwide by 6% year
- Market size doubles every 10 years
- World Air Cargo will Triple over next two Decades (Boeing)
- US Cargo Share of Air Freight Revenue:
  - 5% Domestic Majors
  - 15% European Majors
  - 20-50% Asian Majors



Source: ANC Air Cargo Market Profile, Keiser Phillips Associates March 2009



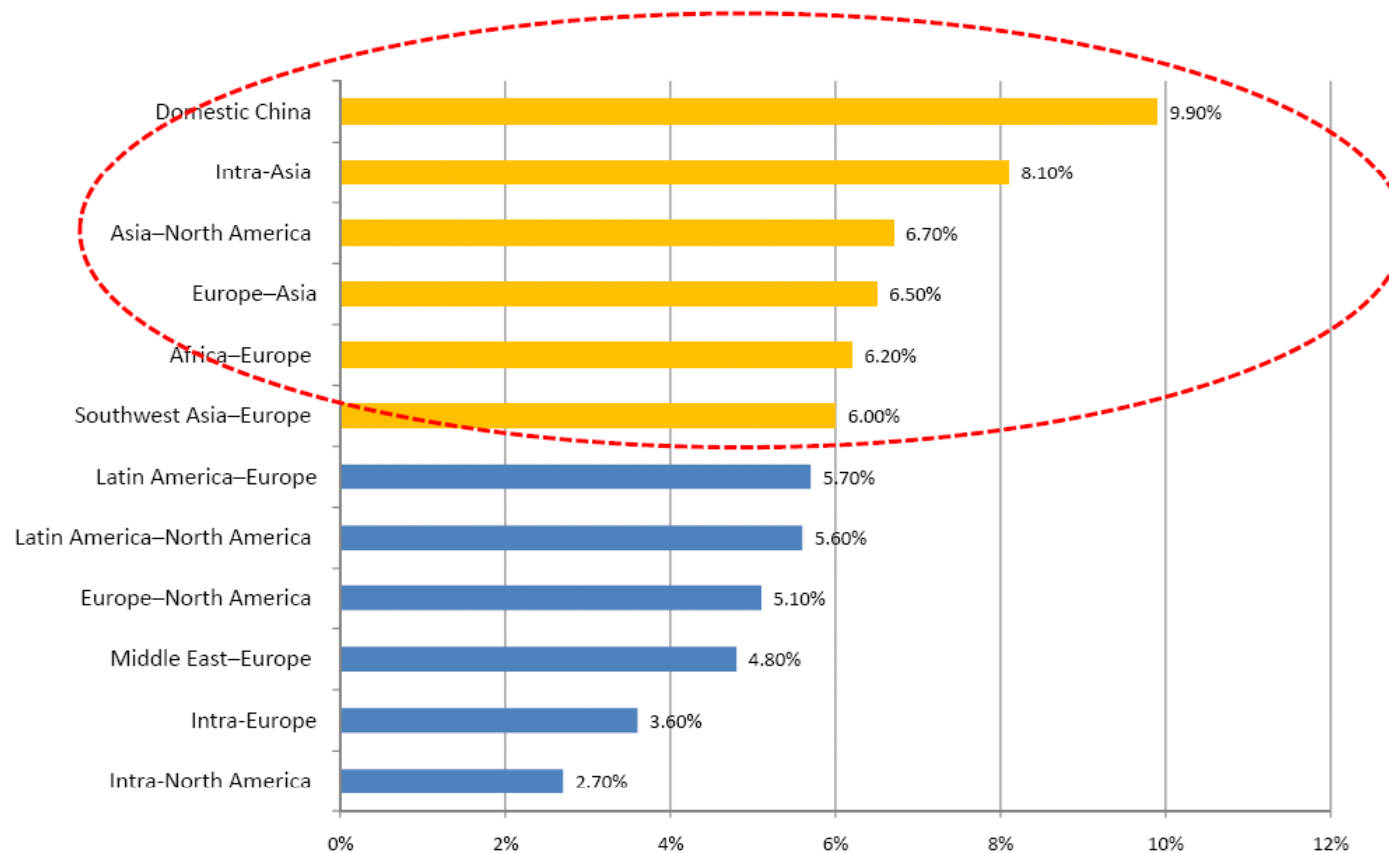
# AIAS on the Forefront

## Responsive:

- **Early Response to USA Economic Downturn**
  - Responded to Carrier's Requests for Relief (Fuel)
  - Focused on Debt & Rate Stability (Finance)
  - Reduced Operating Expenses
  - Lower Landing Fees
- **International Trade Impacts**
  - Asian Producers
  - USA Consumers



## Asian Market Projected to Lead Growth



Source: ANC Air Cargo Market Profile, Keiser Phillips Associates, March 2009.



## AIAS Remains Competitive

### Terminal Rent

	<u>Ticket Counter/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
<b>AIAS</b>	<b>\$61.50/\$61.50</b>

### Landing Fee

	<u>Cost 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
<b>AIAS</b>	<b>\$1,174.53</b>



## Conclusion: AIAS Leads the Way

### Responsive, Vigilant, and Serving

- **Assess the Competitors**
  - Other USA Cargo Airports
  - Asian Cargo Carriers & Markets
- **New Carrier Partnerships**
  - **NCA** - JFK Station
  - **Cathay Pacific** - New freighters and new stations
  - **Evergreen/Kalitta** - New China designation
  - **UPS** - Anchorage Training Center, China frequencies

*Air Crossroads of the World*

*Alaska*



*Anchorage*

- #1 Airport for excellent service
- #1 Airport in North America for landed weight of cargo aircraft
- #3 Airport in the world for cargo throughput

*Fairbanks*

- New four-wide body cargo aircraft apron
- 11,800-foot runway
- International and domestic processing facilities



**Thank you**

**Christine Klein, AAE**

Deputy Commissioner  
Airports & Aviation  
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