



Alaska Department of Transportation & Public Facilities

Aviation Overview

Joint Transportation Committee

January 24, 2013



Introductions

- **Deputy Commissioner Steven Hatter, PMP, CM**
 - Two primary “hats”—Alaska International Airports System (AIAS) Executive Director; As Deputy Commissioner, oversee DOT&PF’s Statewide Aviation mission
- **Mr. John Parrott, AAE, Ted Stevens Anchorage International Airport Manager**
- **Mr. Jesse VanderZanden, AAE, Fairbanks International Airport Manager**



Mission Statements

DOT&PF:

“Get Alaska moving through service and infrastructure.”

Alaska International Airports System (AIAS):

“To keep Alaska flying and thriving.”



Topics

- **Alaska International Airports System**
 - Structure
 - Alaska Advantage
 - Future
- **Statewide Aviation**
 - Rural System Scope and Scale
 - DOT&PF Aviation Org Structure
 - Stakeholders

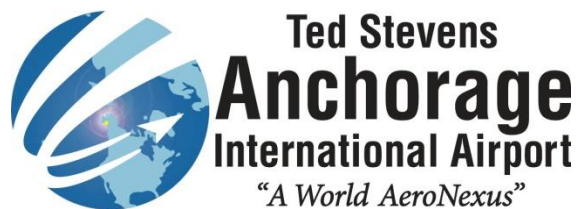


AIAS Structure



AIAS Structure

Created Fifty Years ago by Ch88 SLA
1961 - (AS 37.15.410-550)



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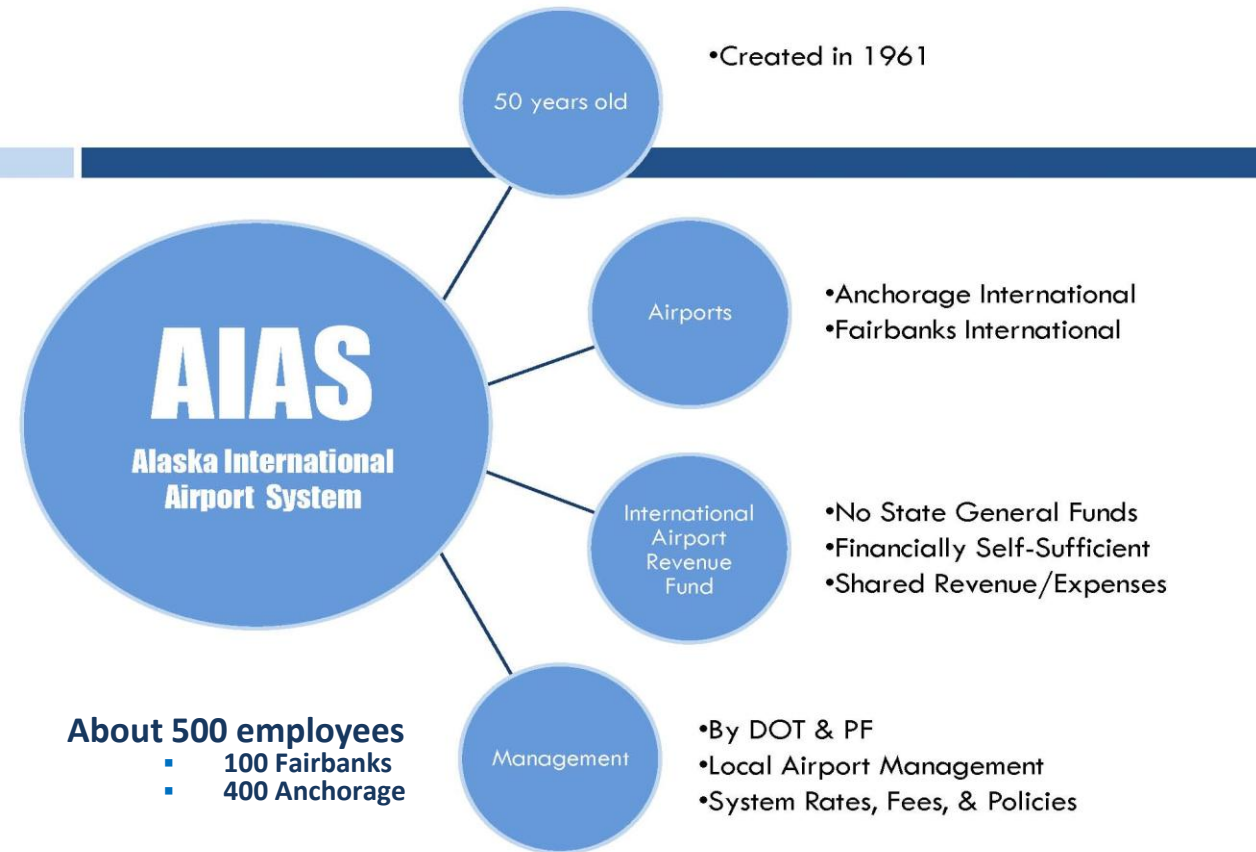
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Alaska
International Airport
System
"A World AeroNexus"



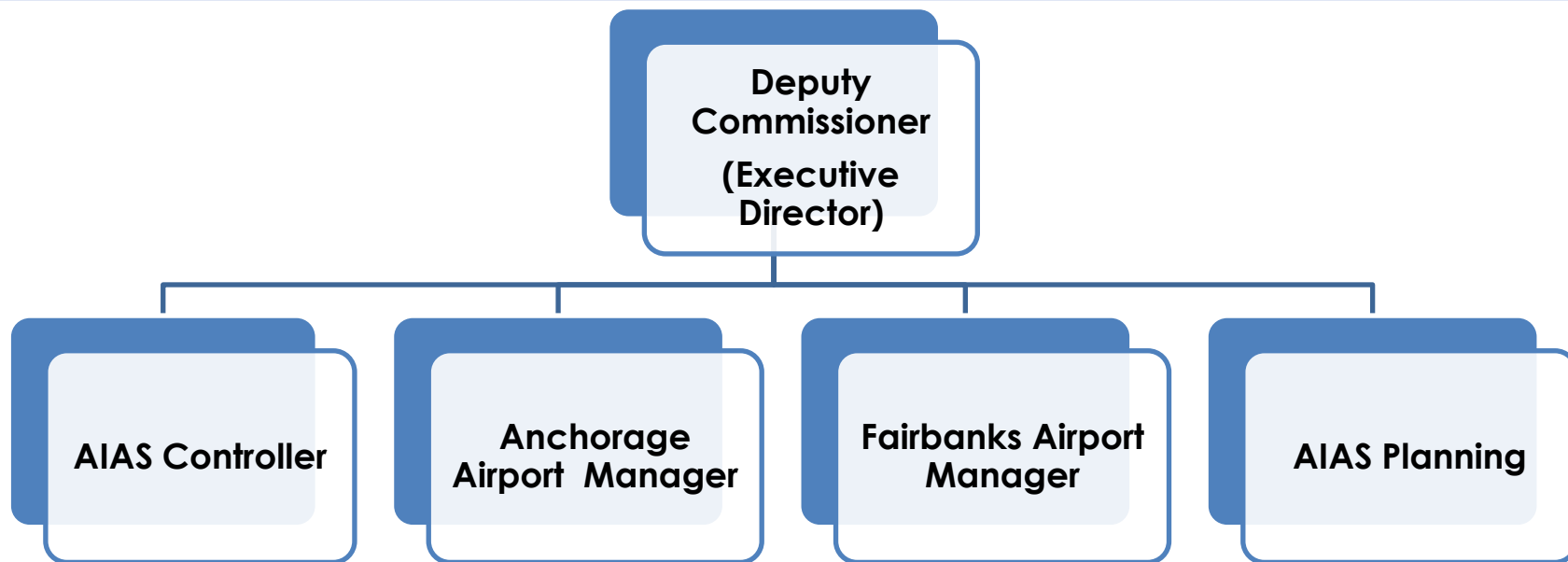
Self-Sustaining



**Funded by user fees
not State General
Funds (small PERS
contribution)**



Organization/Leadership



491 Personnel

- Administration
- Operations
- Facilities
- Field & Equipment Maintenance
- Police and Fire



State Economic Engine

Anchorage

- 15,577 Jobs – one in ten jobs
- About \$724 million in direct annual payroll
- Another \$303 million in annual payroll for jobs in the community

Fairbanks

- 1,900 Jobs - one in twenty jobs
- \$225 million in economic output
- Ranked 85th in the nation in weight of total mail and freight (2010)

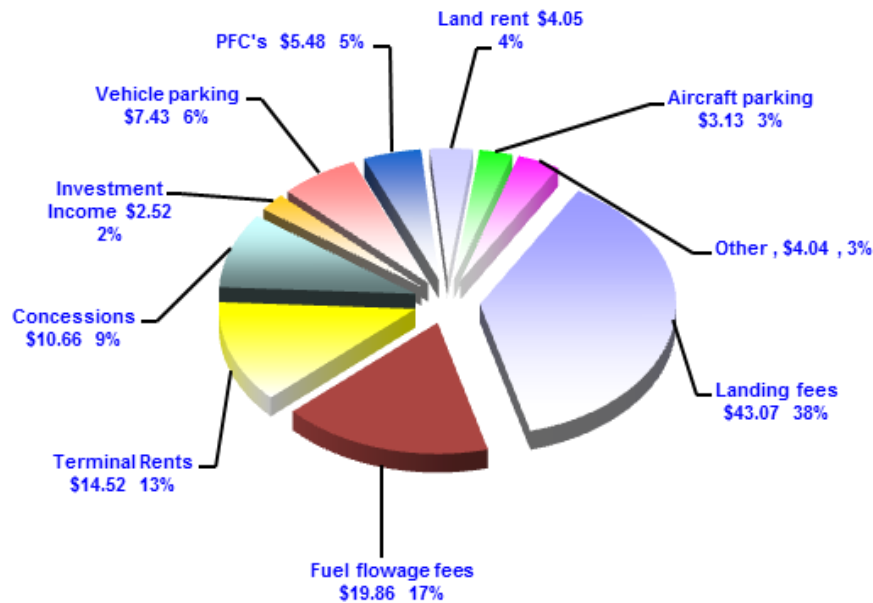
*Source: 2011 McDowell Group Study

*Source: 2011 Alaska Aviation System Plan Study



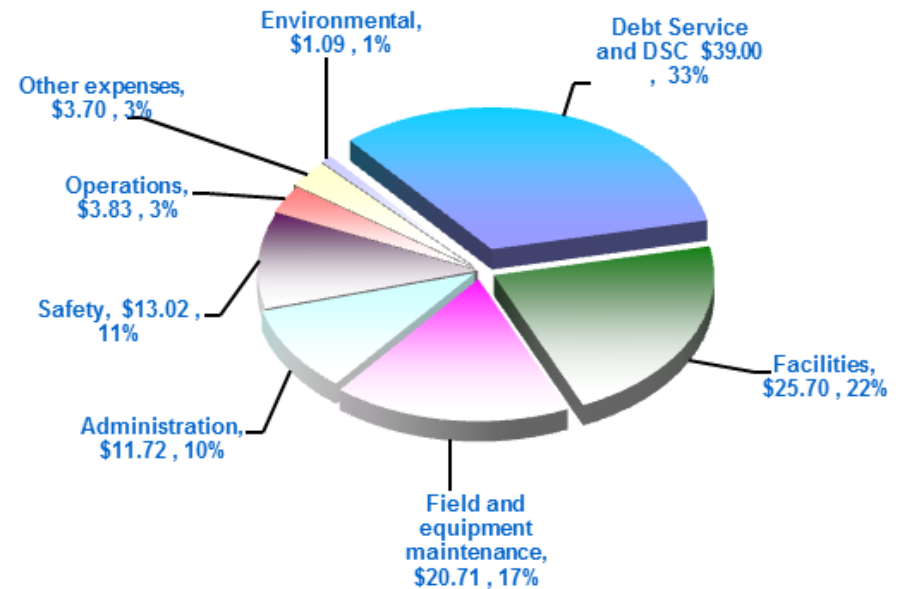
Annual Revenues and Operations, Maintenance and Debt Costs - Funded from Customer Charges -

**AIAS 2012 Revenue
Sources (in Millions)**



\$115M in Operating Revenues

**AIAS 2012 Annual Operating Costs
(including Debt Service and Coverage)
(in Millions)**



**Costs are covered by adjustments to
rates and fees – self sustaining system**



Operating Agreement with Carriers

- **Residual Cost Model**
 - Signatory Carriers underwrite
 - Signatory Carriers have a voice—Operating, Capital
- **Signatory Carriers organize and engage AIAS as Airline Airport Affairs Committee (AAAC)**
- **AIAS has authority to issue revenue bonds**
- **Current agreement expires 30 Jun 2013**



New Operating Agreement

- **Negotiated Operating Agreement (OA) with Signatory Airlines (28)**
- **Capital Improvement Program**
- **Reviewed rates and fees model**
- **Reviewed next OA term**
- **New OA to be effective 1 Jul 2013**



Collaborative Relationships

We're working closely with airline partners to navigate tough economy and traffic downturn. The following is AAAC's written response to AIAS's November 2011 rate increase:

"The State worked collaboratively with the AAAC Chairs...to determine the most prudent course to take."

"The State has been very collaborative in their approach...to address the needs of both the Airlines and the Airport."

AAAC Co-Chairs

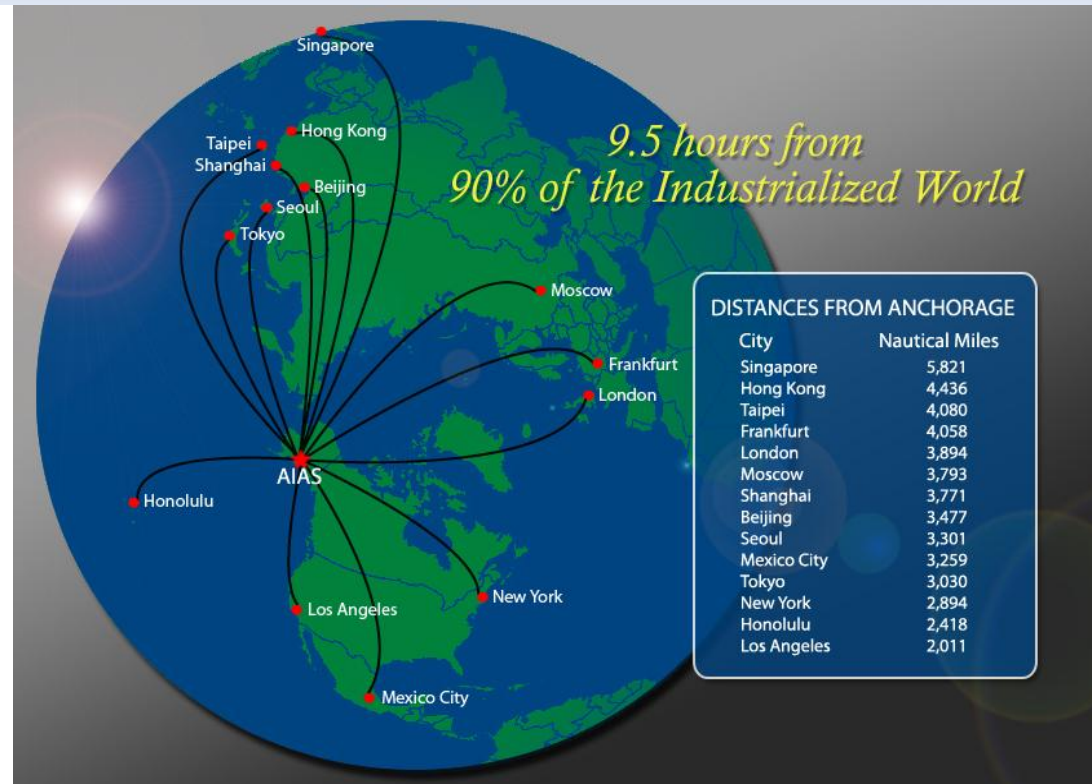


AIAS: The Alaska Advantage



Location and Two Airports

- 9.5 hours from 90% of Industrialized World
- Never a same day closure (except 9/11)



+/- 10 minutes diversion Trans-Pac

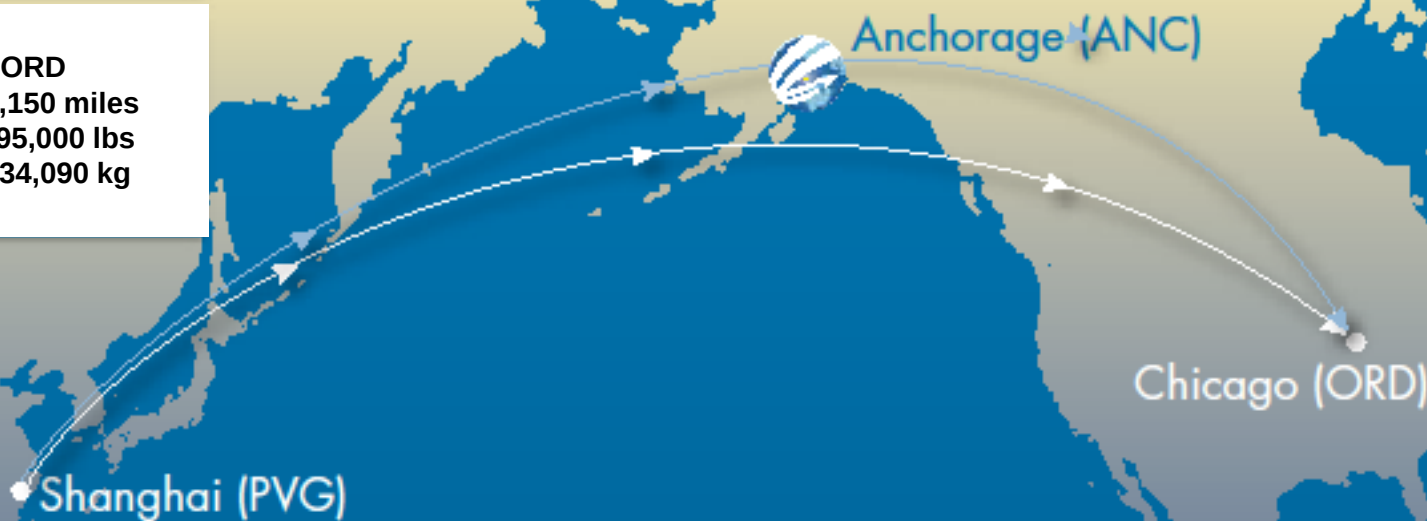




Payload vs. Range

PVG-ORD Direct
Distance: 7,050 miles
Payload: 170,000 lbs
 77,273 kg

PVG-ANC-ORD
Distance: 7,150 miles
Payload: 295,000 lbs
 134,090 kg



At \$1.00 per lb:
 PVG-ANC-ORD = \$295,000
 PVG-ORD = \$170,000
 ANC Stop = \$125,000

For 747-8F:
 Increased Revenue with ANC stop is \$125,000

$\$125,000 \times 5 \text{ days/week} \times 52 \text{ weeks} = \$32,500,000$



US/Global rankings

Rank	City
1	Memphis
2	Anchorage
3	Louisville
4	Miami
5	Los Angeles
6	Chicago
7	New York
8	Indianapolis
9	Newark
10	Atlanta

Rank	City
1	Hong Kong
2	Memphis
3	Shanghai
4	Anchorage
5	Incheon
6	Paris
7	Frankfurt
8	Dubai
9	Tokyo
10	Louisville

Data from Airports Council International for CY2012 metric tons cargo

Integrity - Enterprising - Excellence - Respect



Large and Diverse Customer Base



**Approximately 30
passenger and 40
cargo airlines
operate through
AIAS.**



Cargo Anchor Tenants

UPS

- Operates 11 wide-body aprons in a 90,000 sq.ft. facility
- Established ANC as pilot domicile in 2007
- Opened 27,000 sq.ft. pilot training facility in 2008 – \$35M investment



FedEx

- Invested in excess of \$150M in ANC facilities
- ANC serves as primary hub
- Completed multi-phased expansion of package sorting facility in 2007 / MD-11 simulator





Asia Centric Cargo Market

- **Over 99% of cargo through AIAS -- five Asian origins (China, Taiwan, Korea, Japan, Hong Kong)**
- **N. America - Asia cargo through AIAS expected to grow ~ 1-2%**
- **71% of all Asia-bound air cargo from U.S. goes through AIAS**
- **82% of all U.S.-bound air cargo from Asia goes through AIAS**
- **All Asia-North America cargo carriers have flights through AIAS**
- **Approx 80% of AIAS carrier generated revenue is cargo**

***Source: 2011 McDowell Group Study**



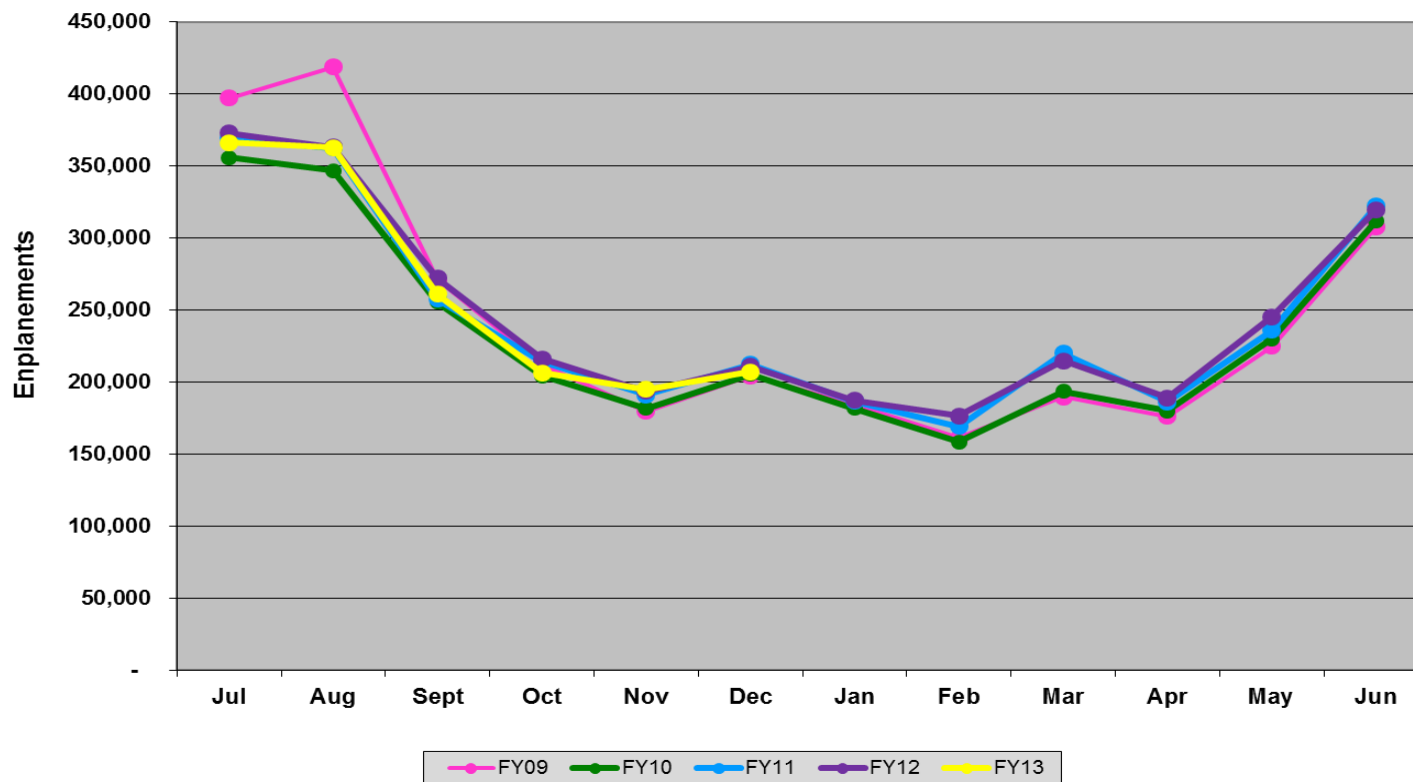
Competition

- **Portland, Seattle, Vancouver, and Prince George have all visited Asia in an effort to recruit cargo.**
- **Canadian airports operate under a completely different system.**
- **FAA prohibits US airports from direct payment incentives, i.e., risk abatements. As a result, these programs are generally state or local government funded.**
- **Airports allowed to waive fees for a limited period.**
- **AIAS implemented Passenger and Cargo Incentive Program in 2011 that waives landing fees for up to twelve months for new city pairs or relocated cargo flights.**



Passenger Activity

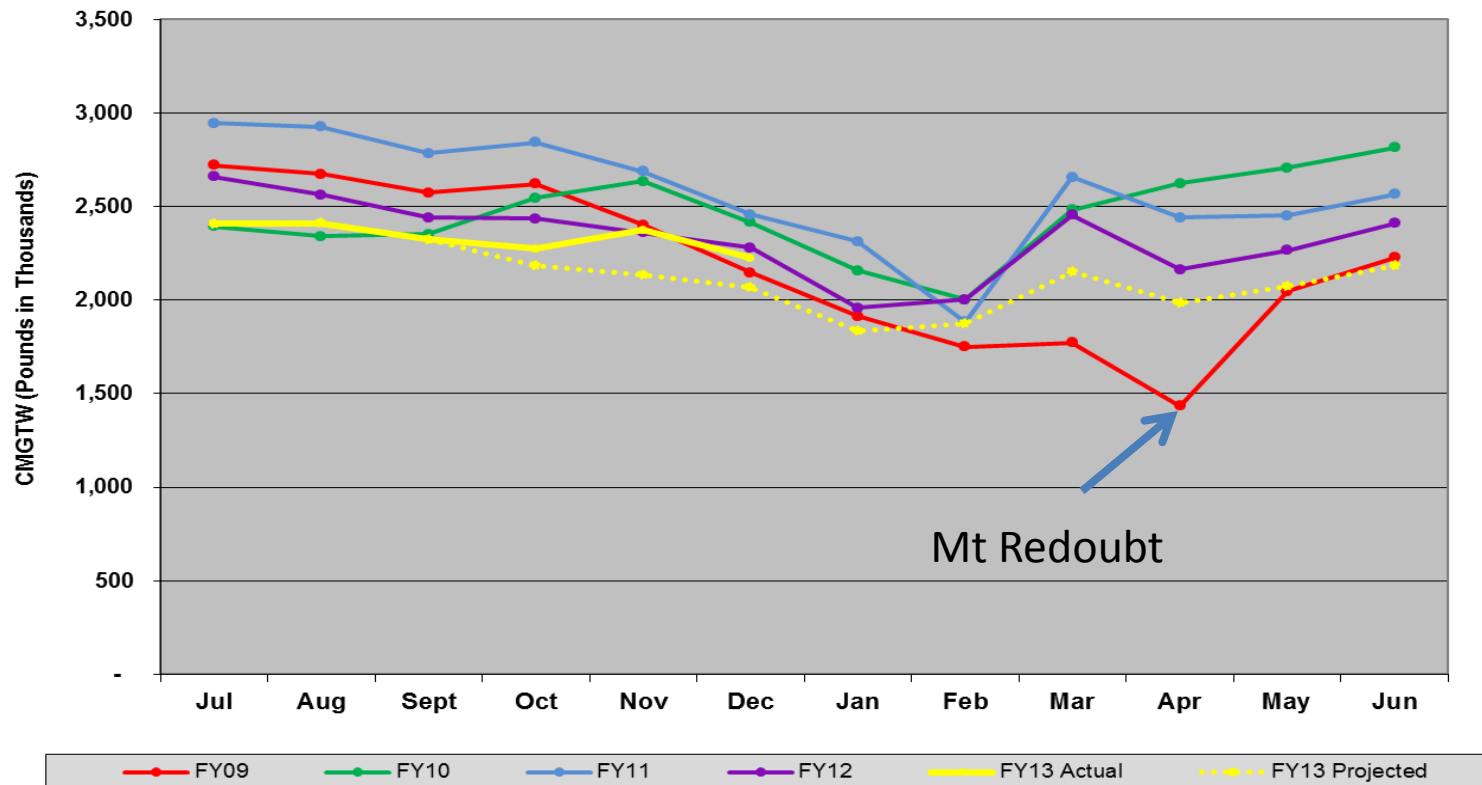
AIAS
FY09 - FY13 YTD
Monthly Enplanements
As of December 31, 2012





Cargo Activity: -10% FY12 /-5% FY13 ytd

AIAS
FY08 - FY13 YTD & Projected Oct - Jun FY13
Monthly Reported Combined Cargo/Pax CMGTW
As of Dec 31, 2012





What Causes Decreased Activity?

- The global economy.....
- Other risk factors:
 - Fleet mix (passenger 777)
 - Potential competitor airports
 - Perceptions that operating at/through AIAS doesn't "pencil"
- We aggressively and collaboratively manage those factors within our control, while also proactively marketing and myth busting



AIAS Future



Kulis

- **Background:**
 - 129 acres in ANC South Airpark
 - Leased from State by USAF from 1959 to 2011
 - USAF licensed Alaska Air National Guard to operate as Kulis Air National Guard Base.
- **Base Realignment and Closure (BRAC)**
 - Initiated in 2005
 - Action: Close Kulis Air National Guard Base (ANGB), AK. Relocate the 176th Wing (ANG) to Joint Base Elmendorf-Richardson, AK.
 - Lease terminated Oct 2011
 - DoD performing contaminated soil clean-up through summer 2013



Kulis

- **Leasing Interest:**
 - **Must conform to FAA grant assurances**
 - Examples include compatible land use and revenue self-sustainment.
 - **Government Entities**
 - Various State and Federal agencies have expressed interest in the non-aeronautical facilities.
 - **Private Corporations**
 - High level of interest to lease non-aeronautical buildings as corporate campus for large private entities. Third party developers looking to sublease to private entities.
 - Northern Aviation Service (NAS) servicing Shell



Fuel Supply

- Fuel market is entirely private
- 2009 fuel shortage caused by swift and unexpected recovery in air cargo market
- Some carriers opted to overfly AIAS lacking confidence in fuel supply
- Fuel price and supply a large part of airline routing decisions
- New suppliers entered the market
- Private industry has added 16 M gallon storage
- Status today: low risk of a repeat of 2009



Preserving/Increasing Cargo Activity

- Working cooperatively with airlines
- Held Alaska Cargo Summits in 2010, 2011
- Followed up with Asia trips
 - Build relational equity and market Alaska advantages
- Comprehensive AIAS Strategic Planning begun in 2011
- Implemented Cargo Incentive Program



Passenger Activity

- Nearly 3 million enplanements per year...2.5 million at Anchorage and 500,000 at Fairbanks. Approximately 1/5 were out-of-state and international.
- Japan Airlines summer charters ANC/FAI
- Korean Airlines summer charters ANC
- Jet Blue initiated ANC-Long Beach for second summer ANC
- United initiated FAI-DEN last summer FAI
- United initiating FAI-ORD (Chicago) this summer FAI
- Icelandair Anchorage-Reykjavik 2013 ANC
- Working with Alaska “Coalitions of the Willing”
- Implemented Passenger Incentive Program



Strategic Planning & Marketing

- **System planning/responses to previous management reviews**
 - Strategic Plan (2011)
 - Business Plan (2012-13)
 - Human Resources Study (2011/12)
 - Marketing Plans / System Branding (Ongoing)
- **Proactive communications**
 - Work with sister State agencies; Convention and Visitors Bureaus (CVBs) and Economic Development Corporations (EDCs) to strategize opportunities
 - Attend passenger and cargo conferences to promote AIAS
 - Pursue Asian carriers



Master Plans

AIAS Strategic Plan (DOWL/HNTB Team)

- FAI Master Plan(RS&H Team)
- ANC Master Plan (RS&H Team)



Takeaways

- **Two Airports - One System**
 - Local, regional, national and global resource
- **Self-sustaining - no general funds**
- **Business-centric: rates and fees and self-supporting bonds**
- **Economic engine of regional, state, and global significance**
- **Critical aviation enabler in our nation's most aviation-centric state**
- **Working cooperatively with the airlines – they shoulder the financial risk - unilateral state action puts this relationship at risk**
- **Aggressive strategic planning to protect and enhance our system**
- **Great people doing great things for our state**

To Keep Alaska flying and thriving!



Statewide Aviation



Rural System Scope and Scale

- 253 DOT&PF owned/operated airports & seaplane bases
- 172 gravel & 47 paved airports; 33 Sea Plane Bases & 1 heliport
- 19 Part 139 certificated airports
- Primary access for 82% of Alaskan communities off the contiguous road system
- Rural System is not self sustaining; primarily funded by GF, some revenue via leases



DOT&PF Aviation Organization Structure

Statewide Aviation

- Strategic Direction
- Policy
- Federal Programs (AIP)
- Leasing/Revenue
- Statewide Digital Mapping Initiative (SDMI)
- Safety
- Stakeholder Engagement

The Regions

- Program/Project Delivery Management (Planning & design through construction)
- Maintenance and Operations



Stakeholders

Government

- USDOT, FAA, TSA, EPA, USPS
- Federal CODEL
- State Legislature
- Sister State Agencies
- Municipalities, Boroughs, Local Governments

Private Sector

- Alaskans!
- Alaska Air Carriers Association (AACA)
- Alaska Airmen's Association
- Aircraft Owners and Pilots Association (AOPA)
- Alaska Airports Association
- Medallion Foundation
- Safety Organizations



Major Rural System AIP Construction Projects

Expected to be Funded in FFY'13 & '14

- **Runway Safety Areas**

- Nome
- Kodiak
- Kotzebue
- Adak

- **Pavement Rehab**

- Sitka
- Nome
- Ketchikan
- Bethel
- Talkeetna
- Gulkana

- **Rural Access**

- Tununak
- Koliganek
- Ambler
- Hooper Bay
- Haines
- Pilot Station
- Golovin

- **Buildings**

- Unalaska
- Barrow
- Bethel
- Manley



Aviation Challenges--Current

- Meeting Federal Aviation Administration (FAA) requirements at 255 airports – most of which are rural.
- The increasing cost of winter maintenance chemicals and the federal ban on a common chemical (UREA) used at the largest airports
- Maintaining the current level of service at the International Airports, while developing new revenue opportunities in a dynamic and margin-oriented business.
 - Global air cargo market opportunities continue to change as economic and political conditions change in China, Asia Major, Russia, and central Asia.
 - Alaska's International Airport System (AIAS) must be managed to remain competitive and focused to meet these opportunities.



Aviation Challenges--Future

- **Evolving federal agency relationships**
 - Increasing regulatory pressure (FAA, TSA, EPA)
 - Lessening awareness of, and appreciation for, Alaska realities not present in lower 48
 - Likely Decreasing FAA AIP funding means greater competition among airport sponsors—sponsor lack of compliance could factor as a “tiebreaker”
- **Long term sustainment of infrastructure and service levels in austere funding environment**



Thank you!

Questions?