



Alaska Department of Transportation & Public Facilities

The Alaska International Airport System – An Economic Engine

Deputy Commissioner John Binder

January 24, 2017

Keep Alaska Moving through service and infrastructure



Aviation Mission Statements

Department of Transportation & Public Facilities:
***“Keep Alaska Moving through service
and infrastructure***

Alaska International Airport System (AIAS):
“Keep Alaska flying and thriving”

Statewide Aviation (SWA):
***“Sustain and improve
the quality of life throughout Alaska”***



AIAS - Vision and Core Values

Our Vision:

By 2030, AIAS is a global nexus for aviation-related commerce

- We will be a model government-owned enterprise, adaptive and agile
- We will proactively address global changes and world markets
- We will operate safely while striving for efficiency
- We will optimize our contribution to Alaska's economy and quality of life
- We will involve, value, and balance the interests of stakeholders
- We will be a coveted place to work

Our Core Values:

Integrity: Honesty, dependability, unity, and a high ethical standard

Enterprising: Innovative, proactive, pioneering, business-centric airport system

Excellence: Commitment to improve and a passion to provide superior service and infrastructure

Respect: Professional regard for colleagues and customers

AIAS Structure

Created over 50 years ago by Ch88 SLA 1961 -
(AS 37.15.410-550)



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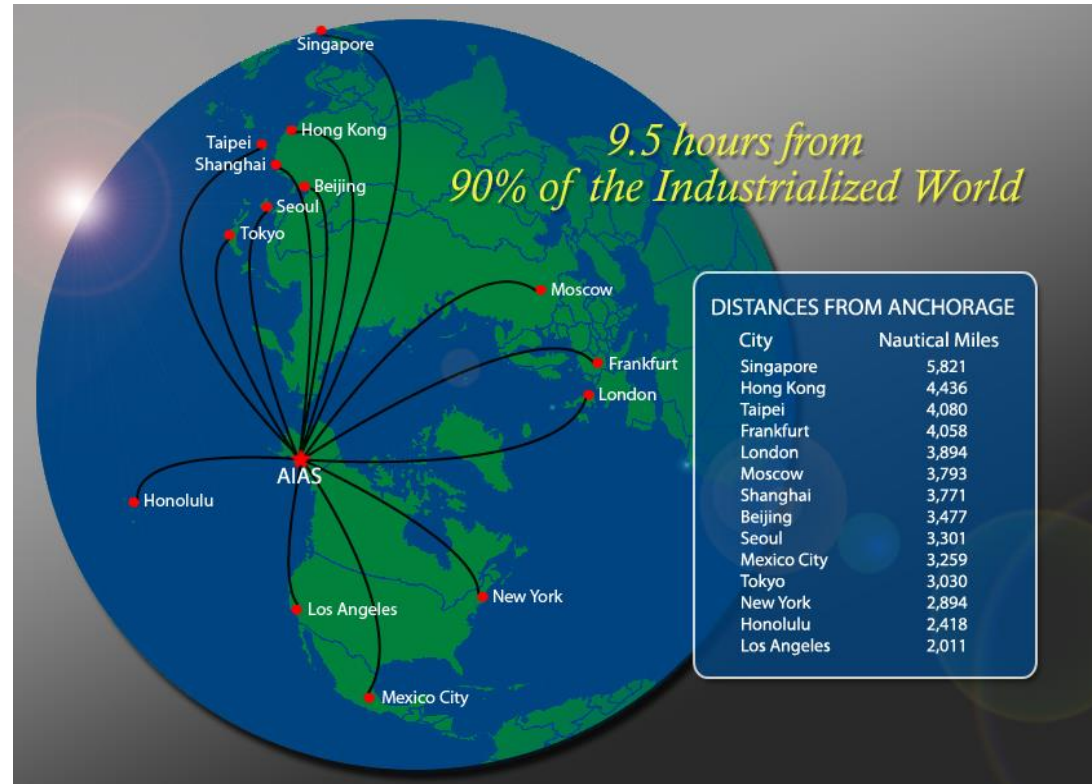
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Location and Two Airports

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

+/- 10 minutes diversion Trans-Pac





AIAS – Alaskan Economic Engine

Ted Stevens Anchorage Int'l Airport

- **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**

Source: 2011 ANC Economic Impact Report

Fairbanks International Airport

- **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)**

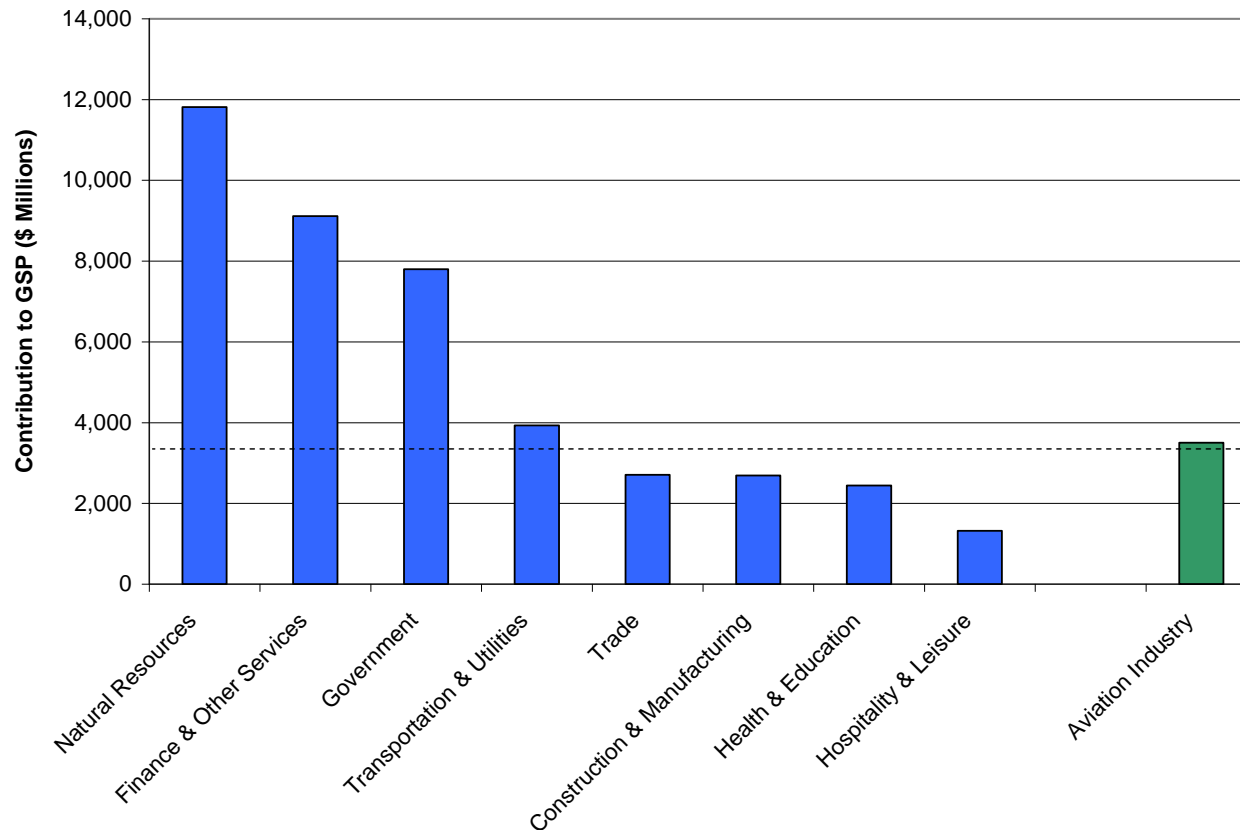
Source: 2011 Economic and Community Contributions
of Selected Alaska Airports: 12 Case Studies



Regional Impact

- Only 2% of Alaska's land area is accessible by road
- 82% of Alaska communities are not connected to the road system
- Year-round transport of people, freight and mail is primarily by air
- **CY2015 intra-Alaska movements** *(USDOT T100 Data)*
 - ANC origin - 890,000 passengers, 89 million lbs freight, 97 million lbs mail
 - FAI origin – 301,000 passengers, 13 million lbs freight, 4.5 million lbs mail
 - Population of Alaska in 2016 – 740,000 people

Economic Contribution



- **Alaska aviation industry impacts FY2007** (includes non-DOT&PF airports)
 - Over 47,000 jobs, almost 10% of the statewide annual average employment
 - \$3.5 billion dollars, ~8% of Alaska's gross state product

Anchorage International Airport

- **Three 10,500 foot runways**
- **60 Wide-Body Parking Positions**
- **CAT IIIb ILS**
- **24-7-365 Immigration, Air Traffic, U.S. Customs**
- **Multiple Fuel Suppliers / Ample Supply and Storage**
- **Fuel Hydrant System**



Anchorage International Airport

#2 Airport in North America for landed cargo weight

#1 Airport for Excellence, Air Cargo World 2015 – 5th year in a row!

#4 Airport in World for cargo throughput

Five-time recipient of the Balchen Post Award for excellence in snow and ice control.



Anchorage International Airport

- **Passengers: 5 million**
- **Cargo throughput: 2.4 million tons**
- **Widebody freighter movements: 49,400**
 - **An average of 136 landings and takeoffs per day**
- **Major gateway for FedEx and UPS**
- **Freighters operated for various business models**
 - **Integrators, scheduled, charter, single shipper, cargo transfer, ...**



Anchorage International Airport

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	Dubai
7	Louisville
8	Tokyo
9	Paris
10	Frankfurt

Data from Airports Council International for CY2015 metric tons cargo

Fairbanks International Airport

- One 11,800 foot runway
- CAT IIIB ILS
- 33 plus aircraft parking positions
- 97% VFR
- 24-7-365 Immigration, Air Traffic, Customs
- Ground service, deicing, catering for all size aircraft
- A convenient 1,065,800-square-foot Cargo Apron
- 5 Heavy Cargo Parking Positions



Fairbanks International Airport

- **Passengers: over 1 million**
- **Vital Connection to rural Alaska**
- **Popular winter tourism destination and the gateway to Denali Park**
- **Premier cold weather testing location**
- **Active GA area of the airport with multiple surfaces including a 6,000 ft. runway, a ski strip in the winter, a gravel strip in the summer, and a float pond water strip**



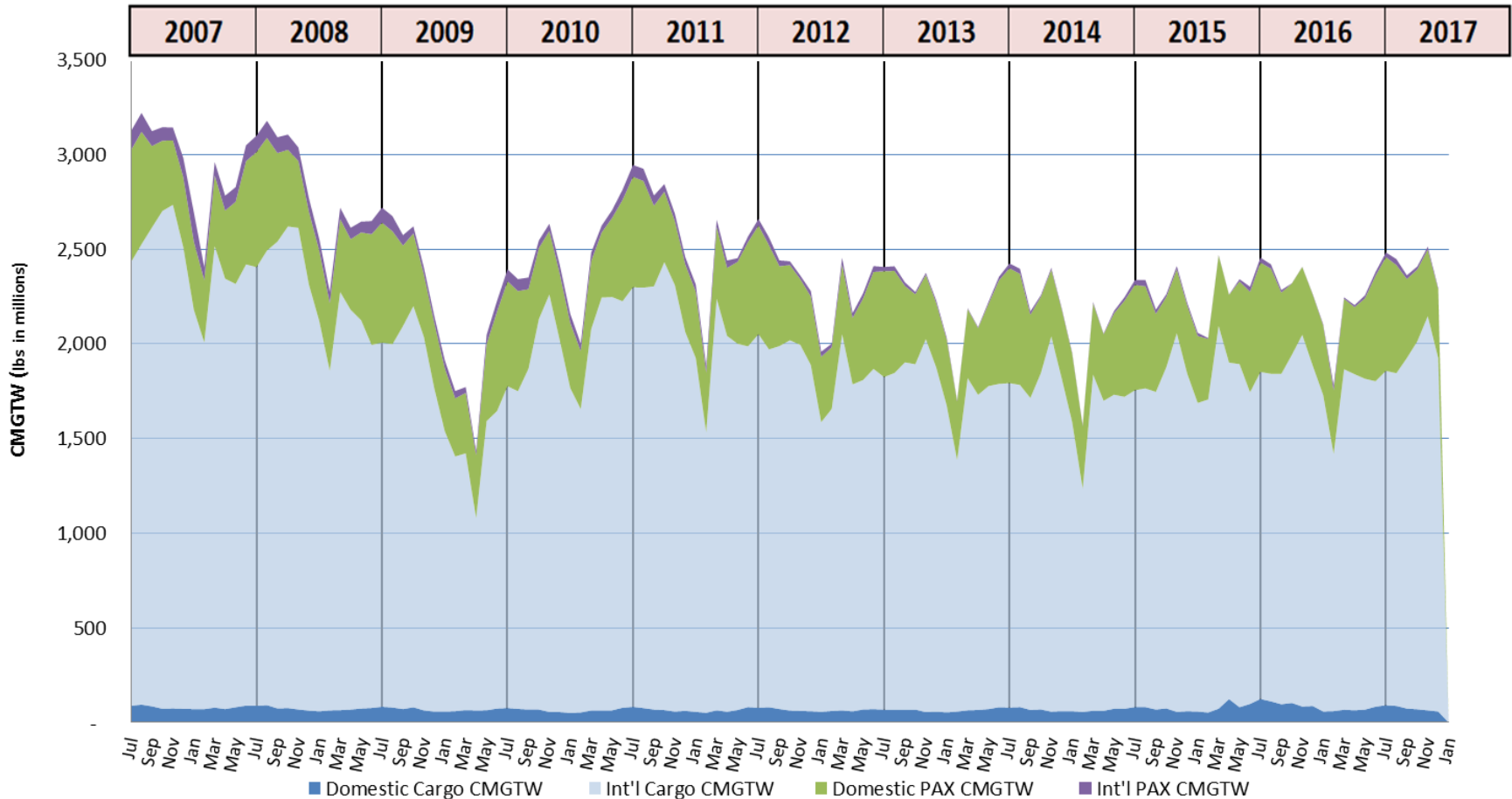


Operating Agreement with Carriers

- **Ten-year Operating Agreement commenced July 1, 2013**
 - **29 Airlines are Signatory**
 - **Signatory Carriers**
 - **Share financial risk in exchange for capital and operating input**
 - **Discounted fees**
- **Signatory Carriers organize and engage AIAS as Airline Airport Affairs Committee (AAAC)**
 - **Co-chairs are representatives from UPS and Alaska Airlines**
- **AIAS has authority to issue revenue bonds**

Cargo/Passenger Activity

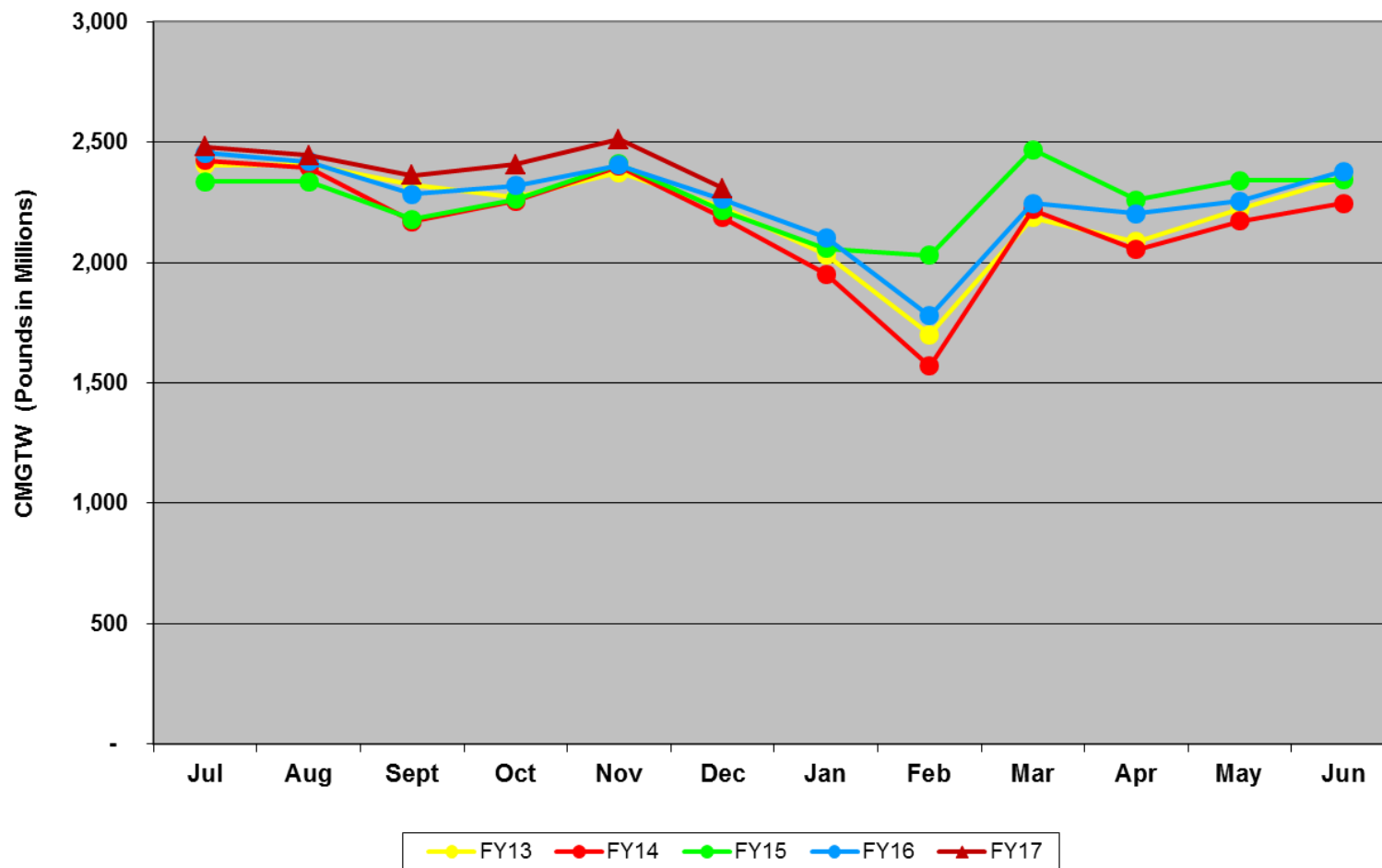
AIAS
Monthly Cargo & PAX CMGTW
- Domestic & Int'l -
FY07 - FY17 ytd (Dec 16)



Primary Revenue Driver - Airfield Activity (CMGTW): Down 0.5% FY16 / Up 2.6% FY17 ytd

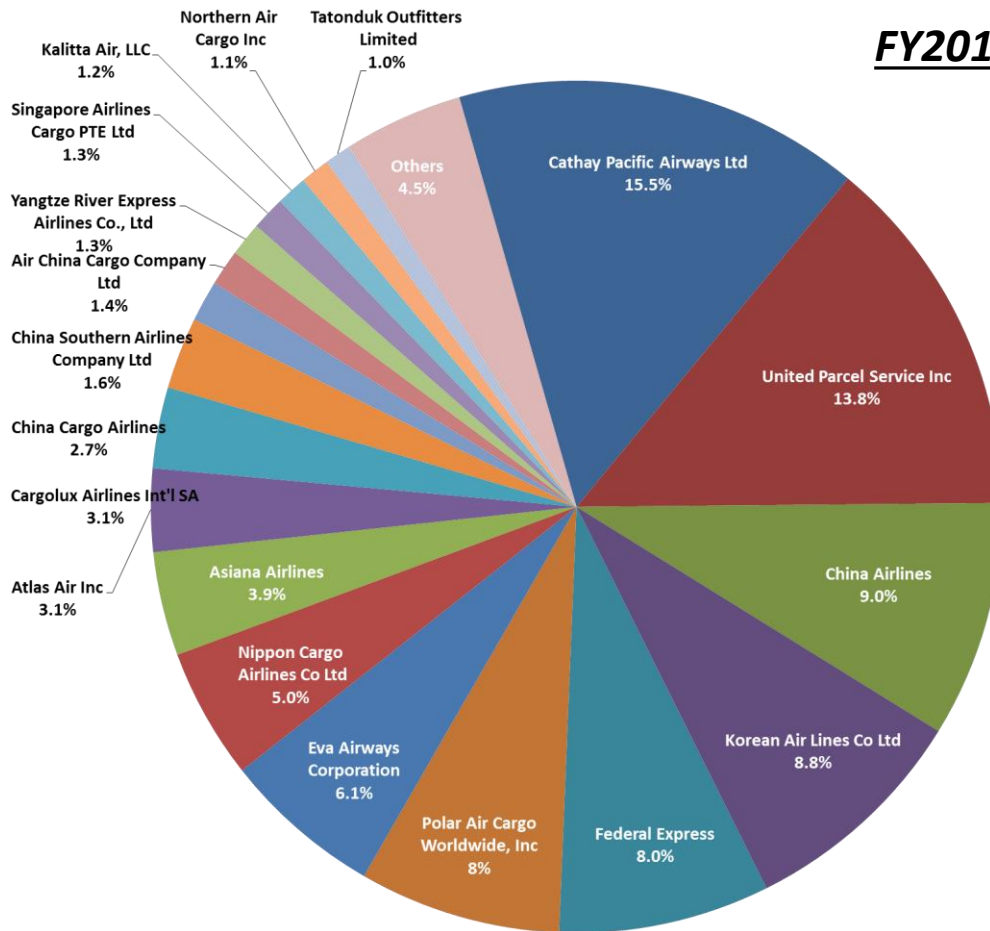


AIAS
FY13- FY17 YTD
Monthly Reported Combined Cargo - Pax CMGTW
As of December 31, 2016



Cargo Airline Customers

FY2016 Carrier Market Share by CMGTW



- International cargo hub for FedEx, UPS, Korean Air, Nippon, China Airlines, Polar Air Cargo and Atlas Air
- Cargo-related revenues account for nearly two-thirds of AIAS revenues

(1) AIAS airline reported FY16 records. Totals may not add due to rounding.

Int'l Cargo Markets*



* CY2015 ANC Cargo City Pairs w/frequency > 140 flights/year



Asia Centric Cargo Market

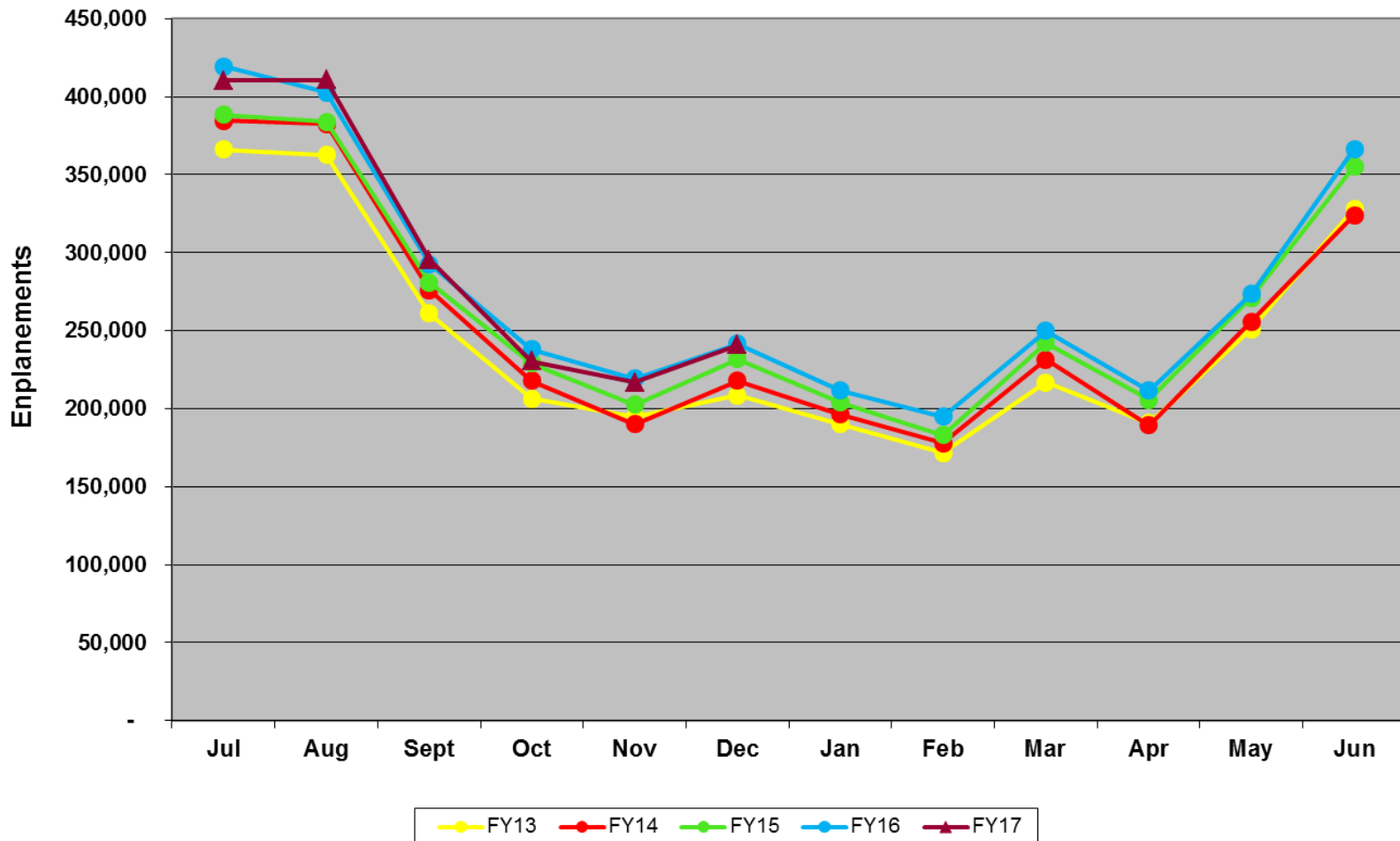
- **Over 99% of cargo through AIAS -- five Asian origins (Mainland China, Taiwan & Hong Kong, Korea, Japan)**
- **N. America - Asia cargo through AIAS expected to grow ~ 2-3%**
- **71% of all Asia-bound air cargo from U.S. goes through AIAS**
- **82% of all U.S.-bound air cargo from Asia goes through AIAS**
- **All Asia-North America cargo carriers have flights through AIAS**
- **Approx 80% of AIAS carrier generated revenue is cargo**
- **30% of China air cargo exports is carried by Chinese carriers (70% is carried by others)**

Passenger Activity

Up 4.5% FY16 / Down 0.5% FY17 ytd

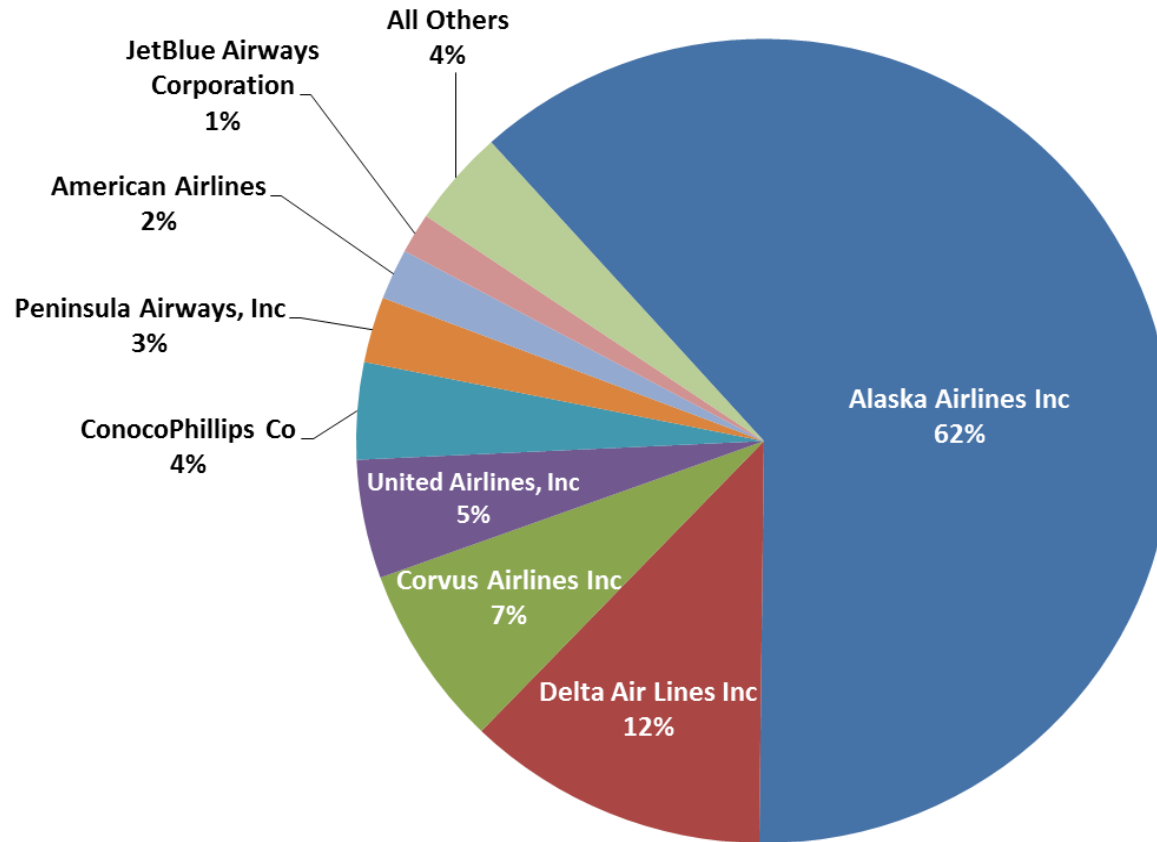


AIAS
FY13 - FY17 YTD
Monthly Enplanements
As of December 31, 2016

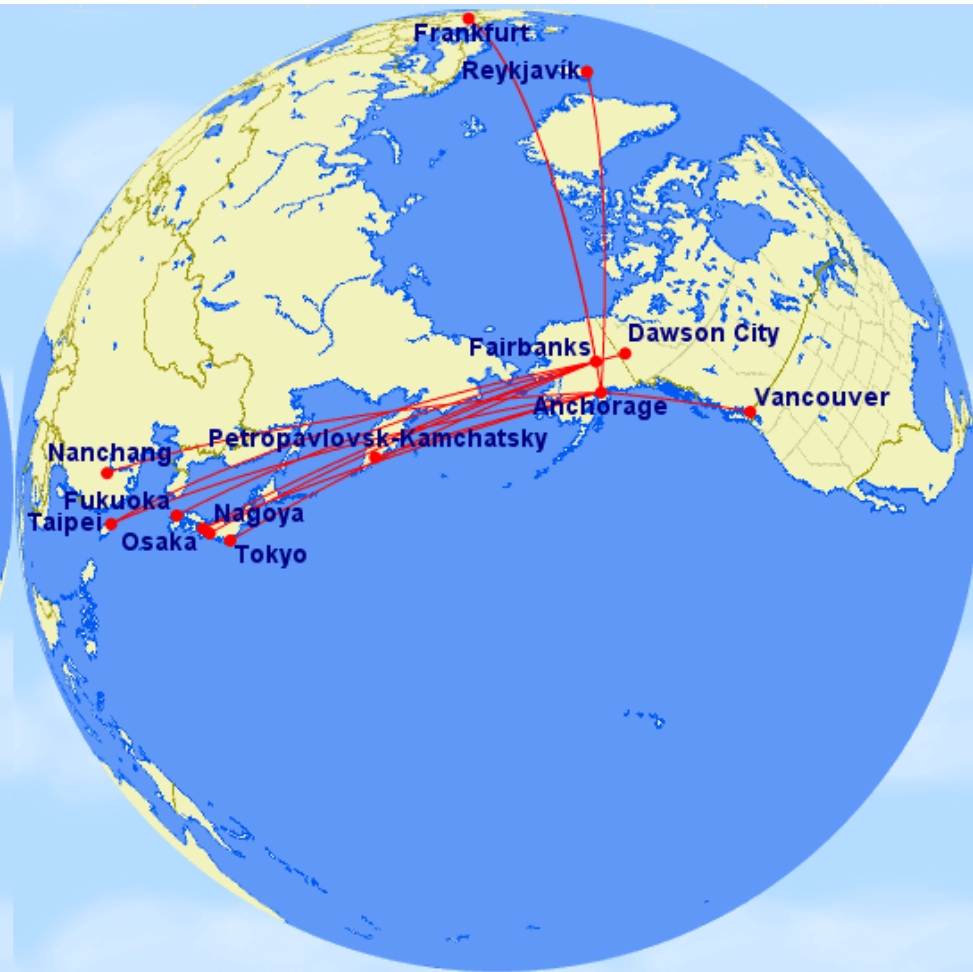


Passenger Airline Customers

AIAS FY16 Passenger Enplanements: +4.5%



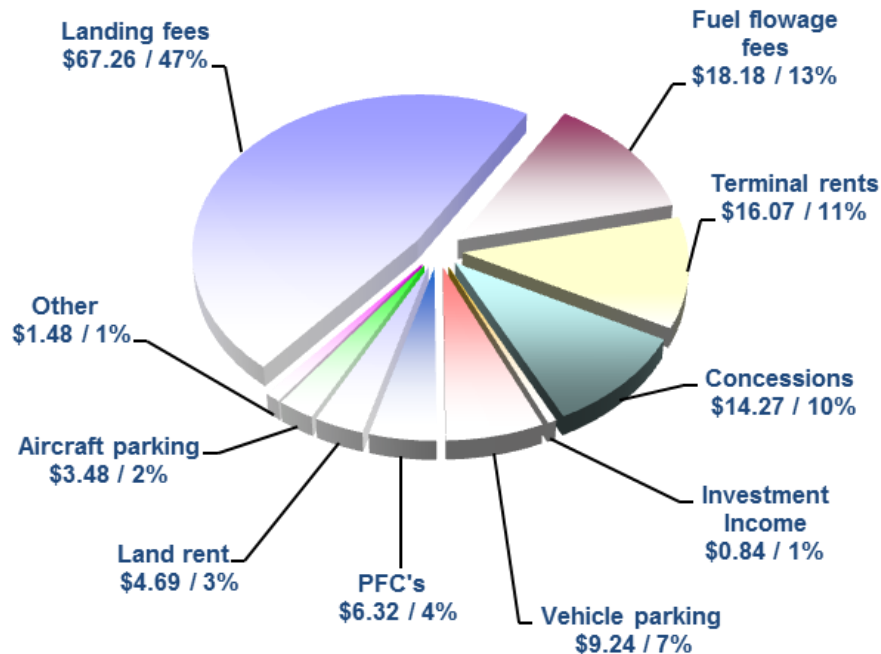
Direct Passenger Service



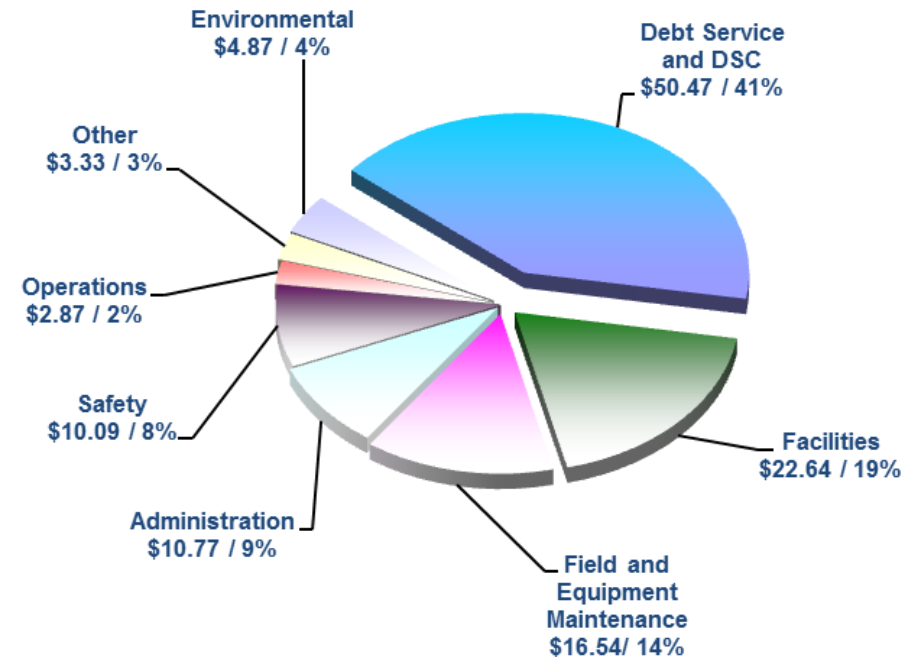
* CY2016 Scheduled and Charter Service

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

**AIAS FY2016 Revenue
Sources***
(\$141.9 Million)



**AIAS FY2016 Annual Operating
Costs and DSC****
(\$121.6 Million)



** Revenues from Airline & Tenant Customers*

*** Expense does not include rates & fees funded capital costs
Unaudited*



Capital Funding

Airport Improvement Program (AIP)

FFY2016

	<u>Discretionary</u>	<u>Entitlements</u>	<u>Total</u>
ANC	\$11.7M	\$15.7M	\$27.4M
FAI	\$0.0	\$4.1M	\$4.1M

Anticipated FFY2017

	<u>Discretionary</u>	<u>Entitlements</u>	<u>Total</u>
ANC	\$24.5M	\$18.2M	\$42.7M
FAI	\$4.5M	\$3.0M	\$7.5M

Airport Improvement Program (AIP) for DOT&PF Airports in FFY'16

FAA airport capital improvement project funding program (~\$169.8M)

- **Cargo Entitlement (\$12.7M)**
 - **Earned by airports with more than 100 million pounds landed weight**
- **Primary Passenger Entitlement (\$29.2M)**
 - **Earned by airports with more than 10,000 passengers (enplanements) and scheduled commercial service**
- **Non-Primary Passenger Entitlement (\$11.7M)**
 - **Earned by airports with less than 10,000 passengers annually**
- **State Apportionment (\$22.3M total less Muni Sponsors = \$17M)**
 - **An area/pop. formula used after cargo/passenger entitlements calculated**
- **Alaska Supplemental (\$21.3M total less Muni Sponsors = \$17.8M)**
 - **Legislative amount based on 1980 amounts**
- **Discretionary (\$109.2M less Muni Sponsors = \$80.7M)**
 - **What remains – divided among 50 states**



Economic Development Study

- **Strategic assessment of the market potential for attracting air cargo oriented investment**
- **Supply Chain Analysis – potential opportunities**
 - **Pharmaceutical - reverse logistics and clinical trial component distribution**
 - **Aerospace - distribution of production materials and spare parts**
 - **Automotive - forward deployment of component customization and final inspection**
 - **Electronics - forward deployment of final assembly, customization, inventory control**
 - **Toys and fashion considered, but assessed as very low opportunity**
- **Competitive analysis for ANC**
 - **Advantages – reliability, transport time, air service availability**
 - **Challenges - available property, labor readiness, certain operational costs**



Business Development

- **Moving forward**
 - **Develop a competitive Alaska business proposition**
 - A forward looking supply chain solution
 - Describe a tangibly lower-cost “all-in” operation
 - Potential aircraft maintenance facility
 - **Market our solution(s) to target companies**
 - **Challenge – what agency or body develops and moves this forward?**

Report on AIAS website at:

http://dot.alaska.gov/aias/assets/AirCargo-Economic_Development_Opportunity.pdf



Strategic Planning / Engagement

- **System planning/responses to previous Management reviews**
 - Strategic Plan (2017)
 - Business Plan (2016-17)
 - Marketing Plans / System Branding (Ongoing)
- **Proactive communications**
 - Work with sister State agencies; Convention and Visitors Bureaus and Economic Development Corporations to strategize opportunities
 - Attend passenger and cargo conferences to promote AIAS
 - Pursue Asian market & air carriers



Master Plans

- **AIAS Strategic Plan (AIAS Team)**
 - Progress on Results Based Alignment, market indicators, revenue-expense and system optimization
 - Annual review scheduled for Feb 2017
 - 2016 Plan located at <http://dot.alaska.gov/aias/news>
- **Lake Hood Master Plan (DOWL Team)**
 - Public comment period for draft plan completed Jan 16, 2017
 - Final plan early spring 2017
 - Draft report located at <http://www.lhdmasterplan.com>



Aviation Challenges – Future

- **Fleet Changes**
 - International wide-body aircraft
 - In-state changes (SAAB 2000, 737 freighter, Q-400)
- **Climate Change**
 - Increasing number of freezing rain/ice events
 - Rural runway subsurface maintenance
 - Coastal erosion
- **Ever-increasing federal compliance requirements**
 - Access controls/ID management
 - Obstruction criteria
 - Friction requirements
 - NEPA determination requirements for non-AIP development



Thank you!

Questions?