

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

January 22, 2008

1:05 p.m.

**MEMBERS PRESENT**

Senator Albert Kookesh, Chair  
Senator Donald Olson  
Senator Bill Wielechowski  
Senator Gary Wilken

**MEMBERS ABSENT**

Senator John Cowdery, Vice Chair

**COMMITTEE CALENDAR**

Aviation Overview

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

FRANK RICHARDS, Deputy Commissioner  
Department of Transportation and Public Facilities (DOT)  
Juneau AK

**POSITION STATEMENT:** Presented overview of rural aviation in Alaska.

JESSE VANDERZANDEN, Manager  
Fairbanks International Airport  
Fairbanks, AK

**POSITION STATEMENT:** Presented an overview of Fairbanks International Airport.

MORT PLUMB, Manager  
Ted Stevens Anchorage International Airport  
Anchorage, AK

**POSITION STATEMENT:** Presented an overview of Ted Stevens Anchorage International Airport.

**ACTION NARRATIVE**

**CHAIR ALBERT KOOKESH** called the Senate Transportation Standing Committee meeting to order at [1:05:11 PM](#). Present at the call to

order were Senators Wilken, Wielechowski, Olson, and Chair Kookesh.

### AVIATION OVERVIEW

CHAIR KOOKESH announced the committee would hear an aviation overview.

FRANK RICHARDS, Deputy Commissioner, Department of Transportation and Public Facilities (DOT), introduced the managers of the Anchorage and Fairbanks airports respectively, Mort Plumb, Jesse Vanderzanden, and legislative liaison, Mary Siroky.

JESSE VANDERZANDEN, Manager, Fairbanks International Airport, said he would address five things: capitol improvements program, passengers, cargo, general business and aviation. The capitol improvements over the past five years and projected into the future were as follows: 2001-02, they extended and rebuilt a runway to 6500 feet from an original of 4200 feet. De-icing pads were completed in 2006 on the end of the taxiway -it allows then to isolate their glycol and remediate it for less expense. In the same year, Taxiway Alpha was rebuilt after 25 years of use. The cargo apron was relocated south to a new area because of the terminal expansion. Taxiway Alpha will be prepped to be the alternative runway for 2009 for when the main runway is rebuilt. The float pond and ski strip was expanded.

[1:09:58 PM](#)

MR. VANDERZANDEN said that from 2006-2009 the terminal will have greater development. The old terminal was 143 thousand square feet and the new terminal will measure 151 thousand square feet. He said it's really a net gain if we consider it from the point of view of efficiency. The terminal was approved by the airlines and the legislature for \$99 million. The current budget forecast is \$93.5 million. Completion is on track for 2009 and they're currently ahead of schedule.

[1:11:08 PM](#)

SENATOR WILKEN joined the meeting.

MR. VANDERZANDEN pointed out which parts of the terminal were open for business and which parts were under construction in 2007 and 2008. They expect the new terminal addition to open May 1 2008 in time for summer season. All of the mainline carriers will operate out of this new terminal addition. The regional carriers will operate out of the existing terminal. The middle

part will be demolished this summer. In spring 2009 the facility will be completed except for demolition of the regional terminal in winter 2008. An artist's rendering of the terminal was displayed, front and landside views.

He said domestic passenger service has seen a steady growth for the past 20 year averaging 2.3 to 2.9 percent. Delta Airlines was new in 2004. They're planning on expanding from 5 days a week to 7 days a week with weekend service. Alaska added an additional Seattle route in 2007 and another Anchorage route. ERA came into the terminal this fall with 3 flights daily to Anchorage. The airport also has a small community air service development grant that they're using to solicit additional service to the Rocky Mountain States, primarily Denver.

MR. VANDERZANDEN said International Enplanements have taken off. Japan Airlines (JAL) started with three winter charters in 2005 and has since expanded its schedule to 19 flights. He pointed out on the slide how the passenger counts have grown exponentially. The Condor/Thomas Cook direct flights to Frankfurt, Germany started slowly but have become more popular.

[1:15:21 PM](#)

MR. VANDERZANDEN said that the cargo component hasn't worked as well and is underutilized. Fairbanks International Airport is the primary diversion for Ted Stevens Anchorage International Airport. They have cargo transfer authority and they are 9.5 hours from 90 percent of the northern industrialized hemisphere. He said the big hit to Fairbanks was the loss of Europe to central Asia traffic. With the opening of the Soviet airspace, it's a four hour savings one way for the airlines to go to Tashkent, Uzbekistan rather than transiting through Fairbanks. In 2006, the airport got Volga-Dneper Charters.

He explained that the airport funds its operations, absent rates and fees from airlines, with concession and land revenue. There has been significant growth in both over the last years. A portion of this was created by an increase in fees, but the majority increase came from additional lease lots. The increase in concession revenue came primarily from passengers.

Fairbanks International Airport is the largest general aviation airport north of the Alaska Range. It has one paved runway and one gravel runway. The float pond has 185 spaces and 365 tie-down spaces. There's a pilot's lounge and an airpark that's very popular in the summer, but it's not open in the winter.

[1:18:01 PM](#)

SENATOR OLSON asked if there was a need to increase the number of float slips and if there's a waiting list.

MR. VANDERZANDEN replied currently there's not a waiting list. The increase in slips is a by-product of expanding the general aviation runway.

SENATOR OLSON asked how they have dealt with people who were on the waiting list for 10 to 12 years.

MR. VANDERZANDEN explained that opening up the new float pond gave the airport 43 new spaces. They currently have 14 vacant slips.

SENATOR OLSON asked if the increase in new carrier service was at the expense of established carriers.

[1:19:55 PM](#)

MR. VANDERZANDEN replied it's too early to tell, but hopefully more people travel and the pie will get bigger.

SENATOR OLSON asked how they plan on to get passengers from one side of the terminal to the other in the winter.

MR. VANDERZANDEN replied they don't expect much cross traffic, but if it becomes a concern, some kind of accommodation will be provided.

SENATOR OLSON said some of his constituents from Anaktuvuk Pass or Barter Island continue on to Seattle.

MR. VANDERZANDEN agreed to take a closer look at the situation.

SENATOR OLSON asked what kind of provisions are in place for earthquake proofing the terminal.

MR. VANDERZANDEN replied three studies showed that the old building was seismically deficient so the new terminal has a lot of cross bracing and steel foundation work.

SENATOR OLSON asked about cost overruns for the project.

MR. VANDERZANDEN responded that they have stayed within or under budget. An Anchorage Consumer Price Index (CPI) escalator was built into the project which provided a small buffer for increased costs.

1:23:10 PM

SENATOR WILKEN referred to MOAs (Military Operation Area) and asked what the airport hears from civilians.

MR. VANDERZANDEN responded they are looking at eliminating IFR (Instrument Flight Rules) traffic, but they will allow VFR (Visual Flight Rules) traffic throughout the corridor. He said there's concern but the depth and breadth is difficult to gauge.

SENATOR WILKEN asked if communication is working between civilians and military and if civilian pilots rely on it.

MR. VANDERZANDEN replied that he doesn't know. They have encouraged the military and the FAA to coordinate closely. The amount of real time traversing through MOA is not very much. The closer you can get to real time the more airspace is open, minimizing the conflict. He said he's not as familiar with the civilian as the military.

SENATOR WILKEN said the fact that Mr. Vanderzanden doesn't know is positive because if there were trouble with that communication, Mr. Vanderzanden would know about it.

MR. VANDERZANDEN said they are encouraging the FAA to bring the disparate parties together.

SENATOR WILKEN commented the military knows that anytime an F16 or an F22 takes out a Piper Cub, it will be a problem for everyone.

SENATOR OLSON asked if certain parts of the day are closed to IFR into the airport.

MR. VANDERZANDEN replied that is currently proposed in the MOA. VFR is still allowed but not IFR.

SENATOR OLSON asked about funding the general aviation portion of the Capstone proposal from the governor.

MR. VANDERZANDEN deferred the question to Mr. Richards.

SENATOR OLSON asked what Fairbanks thinks about the FAA Capstone Program ("Capstone").

MR. VANDERZANDEN replied that civilian aircraft use Capstone to a limited extent. It's favored but costly. He thinks that people

are waiting to see if there will be some kind of program to support it.

1:29:37 PM

MORT PLUMB, Manager, Ted Stevens Anchorage International Airport, showed old photos of the airport from before its construction in 1938 through the 1953 airport dedication and up to the present. He said the Anchorage and Fairbanks International Airports were appropriated by the 80<sup>th</sup> Congress in 1948 at \$13 million for both. The first polar flight took place in 1957 by SAS (Scandinavian Airlines).

1:32:30 PM

Japan Airlines used the airport until 1989 when the Berlin Wall came down and the former Soviet Union airspace opened. The airport today has three fully operational runways each over 10,000 feet in length.

MR. PLUMB said the airport's primary goals are safety and security and managing at an efficient cost. It is the number 1 airport in the US as measured by the landed weight of cargo. In 2005 and 2007 the airport won awards from a national agency for service voted on by freight forwarders and airlines. It is the number 3 airport in the world for cargo throughput. About 5 million people travel through the airport per year. He said the airport is the busiest and largest aviation base in the world. 72 percent of revenue is derived from cargo operations. It is 9.5 hours from most of the industrialized northern hemisphere and equidistant between Tokyo and New York City.

He said the payload versus range is very helpful. For example, if you go from Shanghai to Oakland, it's about 6000 miles and you can carry 65,000 kilos. If you stop at Anchorage for an additional 144 miles, you can carry 130,000 kilos. The difference, at \$2 a pound, is about \$90,000 per aircraft. If you're Fed Ex or UPS, etcetera, with about 5 flights per day, that's about \$450,000 per day incremental revenue, which is about \$2.25 million incremental revenue per week or \$117 million per year per company. Fuel is competitively neutral but to get more dollars out of a gallon of gas, it makes good dollar sense to stop at Anchorage.

MR. PLUMB said that China is about 35 percent of the market with 260 landings per week by 12 airlines. More international carriers are coming out of China taking advantage of the 2003 accord. He pointed out a graph that listed the landed weight of

the top ten airports in 2005 showing Anchorage as number 1 at 20.7 billion pounds.

1:37:38 PM

Infrastructure development to handle this capacity has a total budget of \$454 million, the largest chunk for completion of the A and B Concourse remodel on schedule and to be completed in 2009 with a new connector.

Ted Stevens Anchorage International Airport does not use any general state funds. It gets funds through the federal government, bonds and airlines revenue. It receives an FAA issued LOI (Letter of Intent) in 1998 for \$48 million and in 2003 for \$60 million.

Prior to 1999, most of the construction was cash funded. In 2003 and 2006, when they applied for a bond rating, they were able to demonstrate that they had the potential for a higher rating and received it.

They may be able to reduce the current debt by \$6 million if they attempt a re-finance next year (and the current interest rates continue) when their early bonds become callable.

MR. PLUMB said the passenger peak is in July when they have over 10,000 traveling through per day down to 4500 per day in February.

From 1995 to 2005, they doubled the landing weight. Cargo entitlements and passenger entitlements combined provide about \$20 million.

He said the airport is very competitive in the domestic and international market regarding landing fees.

1:41:52 PM

SENATOR WIELECHOWSKI asked if Anchorage is undercharging.

MR. PLUMB responded that the airport has a residual agreement whereby the airlines will pay all the fees whether or not they stay. In return, they are able to vote on some of the airport projects. He said the airport fees are competitive because 72 percent of revenue comes from cargo which keeps the landing fee down.

The ticketing area rental rate is also low compared with other airports due in part to a small subsidy from the landing fee to the terminal area.

MR. PLUMB said they have not asked for an increase for the last couple of years. They are right on budget this year. They have recycling and a green program. They are an economic generator for the city and state.

With regard to environmental stewardship, in addition to recycling they are working on glycol recovery. Through RSIP (Residential Sound Improvement Program) they are putting in new windows and insulation in homes that are within the 65 decibel range. In addition, with new generation engines that are coming out, they're seeing less decibels as well as more fuel efficiency.

MR. PLUM said that the airport is the four-time winner of the Balchen Post Award for snow removal for large airports.

Regarding FAA re-authorization, an omnibus bill was passed which takes them to February 29, 2008 and allows them to collect excise tax from airlines.

Kulis Air National Guard Base plans to be fully moved to Elmendorf by September, 2011. Airline lease negotiations are coming up.

[1:47:54 PM](#)

MR. PLUMB said twenty-five hotel companies have responded to an RFP and there's a plan for development of West Airpark. In the future, he said there will probably be a tunnel to the airpark and another runway as well as a move of the tower.

SENATOR WIELECHOWSKI expressed thanks for a great job. He asked if there would be a bid to expand Kulis.

MR. PLUMB responded that Kulis is leased to the military so this is just termination of a lease. They have gone through a needs request within the state. The school district has looked at it possibly on an interim basis. There could also be commercial interests. They will keep the firehouse.

SENATOR WIELECHOWSKI wondered about a rumor he heard about moving the airport should a bridge be built.

MR. PLUMB said that has been discussed. There are more significant wetland and noise issues to consider and he believes it will be a long time before that happens.

SENATOR WIELECHOWSKI asked if they're getting more complaints about noise.

MR. PLUMB responded that he thinks they're getting less because of sound insulation, different runways, and new engine technology. They're working very hard on this issue, he said.

SENATOR WILKEN asked about the interface between civilians and military.

MR. PLUMB explained that the Air Force is trying to work these issues into MOA (Military Operating Airspace). He pointed out that they are, however, a public service agency and need to represent even the one person that has a cabin that the low level flyers go over. He doesn't think the in-route from Asia to the Anchorage airport will be adversely affected by MOA.

SENATOR WILKEN said the committee wants to assure that private industry is okay before final decisions are made by the FAA.

MR. PLUMB responded that the Airman's Association watches that closely. What Alaskans have to be concerned about, he said, is that the infrastructure throughout the state makes it possible for pilots to use Capstone in their planes.

SENATOR WILKEN asked about Tashkent.

[1:57:42 PM](#)

MR. PLUMB explained that Soviet airspace got cheaper, fuel costs became more predictable and the four-hour time differential are factors that make Tashkent a competitor. It has affected Anchorage with JAL but most of it has been offset by increased traffic. He said that there are more airlines operating today than can do so cost effectively. He predicted that there will be airline consolidations and mergers. As an airport they need to protect themselves to make sure they're flexible to accommodate changes.

SENATOR WILKEN asked if the loss of routes due to renewed Soviet airspace through Anchorage will continue.

[2:00:56 PM](#)

MR. PLUMB responded that he was encouraged to hear recently that Dubai is looking at Anchorage as a model. However, there still could be additional loss.

SENATOR WILKEN asked if all the upgrades were completed for the 380 (Airbus A380) and if one has landed yet.

MR. PLUMB said one has not landed, but the upgrades were great safety improvements, adding 100 feet to the taxiway.

[2:02:50 PM](#)

SENATOR OLSON commended Mr. Plumb for making Anchorage such a hub and asked what the Ted Stevens Anchorage International Airport has done for general aviation.

MR. PLUMB said the airport has done more for general aviation in the last ten years than was done in the previous 40, including lake bank stabilization, safe lighting, and parking with electric potential.

CHAIR KOOKESH asked about a report on rural airports.

[2:05:39 PM](#)

SENATOR OLSON noted the increased number of hangars which is important for safety. One complaint he's heard is that you've got to have a flight physical to maintain a tie-down spot.

MR. PLUMB responded that is required.

SENATOR OLSON asked if the pilot could renew his spot for his son.

MR. PLUMB responded that he tried grandfathering. He thinks there should be a way to take care of people who have been there for a long time. There's also an equal number who have waited their time.

SENATOR OLSON asked if the number of lifeguard flights has increased as well.

MR. PLUMB responded that he didn't know.

SENATOR WIELECHOWSKI asked about the aviation issue regarding the wind farm on Fire Island.

MR. PLUMB responded he didn't know if it had been resolved.

[2:08:37 PM](#)

CHAIR KOOKESH thanked Mr. Plumb for his presentation.

MR. RICHARDS presented an overview of the rural system. He showed a photo of the Little Diomed Heliport demonstrating the unique kind of facility his agency can provide. In Alaska, DOT owns the majority of the publicly owned airports, a total of 256. About 30 are owned by villages and other agencies. DOT owns and operates airports in every village in the state. 70 of DOT's runways are less than 3000 feet in length and the goal is to increase them to at least 3300 feet. 28 of DOT's airports still don't have permanent lighting. Hours of operation have been expanded. The operations are performed out of regional offices. These offices plan construction and deal with air quality. The FAA is the regulator as well as funding partner. The largest challenge is the FAA mandate to build 1000 foot safety areas on each end. The FAA also assumes direction of the environmental impact statements, but DOT would like to take over that role.

[2:15:47 PM](#)

MR. RICHARDS said the Transportation Security Administration governs the security provisions in airports that receive jet traffic. In Alaska, there are three security directors. Cost of construction has seen a steep escalation. Dust is a big problem. Air quality monitoring has been installed. Particulate exceeded national air quality standards in some airports. He said this is of concern because it could enable the FAA to direct where federal funds are spent. DOT is addressing the situation with dust palliatives with some success.

[2:19:48 PM](#)

He said the airports are also experiencing floods and coastal erosion. DOT is especially concerned about the communities of Kivalina, Newtok, and Shishmaref.

MR. RICHARDS said DOT has developed a budget for funding needs of \$955 million for primary and non-primary airports. Most of the funds come from federal aviation and airport improvement programs. DOT also gets General Funds through the legislature to address safety issues and maintenance. The most recent projects are in South Naknek and an airport for the community of Chignik Lagoon.

Maintenance and operations are predominantly funded by General Funds. He said in 2007 \$123 million was allocated for the rural system.

SENATOR WILKEN asked if that is an annual appropriation.

MR. RICHARDS said the hope is that the federal re-authorization will be at higher levels.

SENATOR WILKEN asked if it becomes part of a formula once the authorization goes through.

MR. RICHARDS said they get entitlements for the state of Alaska based on cargo and passengers. He showed a comparison of how money has been distributed between rural and international systems.

He said the FAA has been very generous especially on runway safety areas and is not requiring those funds to be deducted from the annual allocation. The FAA requires that the runway expansion be completed by 2013.

[2:25:00 PM](#)

When Mr. Richards started in the department 10 years ago, the budget was \$3-5 million; now the budget is between \$12-15 million.

He said a large portion of the new Angoon airport will be in the wilderness. It will have a road, which is an indication of money being spent around the state for rural Alaskans. For the future, new community airports, in addition to Angoon, include one in Akutan in the Aleutians. The challenge there is no flat spot to put it on so it will need to be on an adjacent island which will require a shuttle ferry or hovercraft.

The introduction of larger turbine aircraft into rural Alaska will require airport upgrades. FAA has imposed on larger carriers the requirement to fly in only when there is fair braking action which requires a certain friction range. Huge costs accrue from snow blowers, graders, plow trucks, sand and chemicals to create the right condition.

USPS has proposed expanding mail hubs in 14 new communities. For DOT this means expansion of airports. The USPS would save \$2 million per year. The question is does the cost accrue to the state.

The governor is presenting a proposal to the House and Senate for a loan program to fund Capstone technology for private owners to install. Security regulations are expanding.

CHAIR KOOKESH asked if Mr. Richardson's slide presentation is available online.

MR. RICHARDSON replied it is.

SENATOR WILKEN asked Mr. Richardson to discuss the Aviation Advisory Board from the prior administration.

MR. RICHARDSON said it is still an active board. The next meeting is scheduled next week in Fairbanks.

[2:32:07 PM](#)

SENATOR OLSON, referring to a slide, asked if people are still living in Platinum. Ten years ago they were having a difficult time keeping the school open.

MR. RICHARDSON said people do live there.

SENATOR OLSON asked if people are bringing mail and food from Fairbanks to Kayenna because you've got to refuel in Kotzebue. He asked what the administration's stance is on the new hubs.

MR. RICHARDSON said he's asked staff to identify what improvements will be needed. He said a minimum length of 5000 feet is necessary. There'll be a dialogue with the postal service to see if it's worthwhile. He said airlines also have infrastructure requirements.

SENATOR OLSON asked if the governor's loan proposal satisfies federal requirements.

MR. RICHARDSON said the federal government is looking for some entity to come up with 34 million to fund Capstone for 4000 aircraft which represents 90 percent of flight hours in Alaska. Since DOT is not providing that safety factor for other transportation entities, it came up with the plan for a loan program.

[2:35:49 PM](#)

CHAIR KOOKESH adjourned the meeting and said there would be no meeting next Thursday.