

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 29, 2015

1:04 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Shelley Hughes, Co-Chair
Representative Benjamin Nageak
Representative Louise Stutes
Representative Matt Claman
Representative Dan Ortiz

MEMBERS ABSENT

Representative Charisse Millett

COMMITTEE CALENDAR

OVERVIEW: DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
(DOT&PF) - DEPARTMENT-WIDE

- HEARD

OVERVIEW: DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
(DOT&PF) - AVIATION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JOHN BINDER, Acting Commissioner; Deputy Commissioner -
Aviation, Department of Transportation & Public Facilities
Anchorage, Alaska

POSITION STATEMENT: Presented a PowerPoint overview of the
Department of Transportation & Public Facilities (DOT&PF) and
aviation program.

CONNIE MACKENZIE, Legislative Liaison
Office of the Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Testified during the overview of the aviation program.

ACTION NARRATIVE

[1:04:09 PM](#)

CO-CHAIR NEAL FOSTER called the House Transportation Standing Committee meeting to order at 1:04 p.m. Representatives Stutes, Claman, Ortiz, Hughes, and Foster were present at the call to order. Representative Nageak arrived as the meeting was in progress.

OVERVIEW: DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
(DOT&PF) - DEPARTMENT-WIDE

[1:04:24 PM](#)

CO-CHAIR FOSTER announced that the first order of business would be a department-wide overview of the Department of Transportation & Public Facilities (DOT&PF).

[1:05:02 PM](#)

JOHN BINDER, Acting Commissioner; Deputy Commissioner - Aviation, Department of Transportation & Public Facilities (DOT&PF), stated that he currently serves as Acting Commissioner and will for a few more days until the new commissioner, Marc Luiken, arrives. In addition, he also serves as the Deputy Commissioner - Aviation and he will continue in that position. Today's briefing will be a broad overview of the DOT&PF since the committee has previously heard overviews on the DOT&PF's public facilities, surface transportation, and marine highway system programs. He would like to spend most of his time presenting a PowerPoint on the DOT&PF's aviation program.

[1:05:49 PM](#)

ACTING COMMISSIONER BINDER said that during times of fiscal constraint it is very important to ensure that the department's day-to-day activities feed back to the statutory requirements [under AS 44.42.020] [slides 2-3]. Instead of reading the entire statute to members, he focused on and identified key words in the DOT&PF's statute that outline its authority, including to plan, design, construct, and study existing transportation modes; develop comprehensive long-range transportation plans, and cooperate and coordinate with federal,

state, and local government agencies. He also emphasized that the department "shall" study alternative means of transportation in the state. In addition, the department has the responsibility to develop and manage facilities and supervise aeronautics, ensuring that air carriers operate in accordance to statute. Further, the DOT&PF inspects weights and measures, including monitoring commercial vehicle enforcement by operating weigh stations.

ACTING COMMISSIONER BINDER highlighted the department's mission to "Keep Alaska Moving through Service and Infrastructure" [slide 4]. The department accomplishes this by providing day-to-day services, such as maintenance and operations (M&O) to keep roads cleared, airports open, and ferries running to serve Alaskans. Alaska faces significant challenges compared to other states since Alaska provides multi-modal access. He emphasized the importance of transportation infrastructure to assist in finding opportunities for exploration and development of areas in Alaska that have not yet been touched.

[1:07:51 PM](#)

ACTING COMMISSIONER BINDER reviewed the DOT&PF's organizational structure, commenting that the new commissioner, Marc Luiken, will begin work next week [slide 5]. Currently, the DOT&PF has three deputy commissioners, with Kim Rice overseeing highways, the equipment fleet, and the new information systems and services division. He stated that he serves as the deputy commissioner overseeing the aviation system, including the international airport system, the rural aviation system, and measurement standards and commercial vehicle enforcement. The department has one vacant deputy commissioner position that oversees the marine highway system and special projects, he said. Rob Campbell currently serves as the Central Region director and also as acting director of the Northern Region. He stated that the SouthCoast Region director's position recently became vacant, as well. He anticipated that the DOT&PF will work with the new administration to fill the vacant director positions soon.

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ACTING COMMISSIONER BINDER highlighted that the Aviation Advisory Board, Marine Transportation Advisory Board, and Knik Arm Crossing, formerly KABATA, all fall under Commissioner Luiken.

1:09:43 PM

ACTING COMMISSIONER BINDER directed attention to the executive organization and the management team, consisting of the commissioner, the three deputy commissioners and the three regional directors [slide 6]. In the past 18 months, the department has been working so all deputy commissioners work across modes and avoid silos, noting each one will still have the technical responsibility of overseeing their respective mode of transportation. First, management has worked hard to improve communications, attempting to avoid using jargon and using plain talk instead. Second, despite the fiscal resource challenges, the department has a policy of "no whining" and management, in particular, recognizing it has sufficient assets to do the job. In fact, many functions the department provides can't be predicted due to the influences of the weather. Finally, the department tries to find ways to achieve its goals without first saying "no." Ultimately, "no" is sometimes the right answer, but there's usually a better way to initially respond, he said.

1:11:19 PM

ACTING COMMISSIONER BINDER reviewed the DOT&PF's assets, including highways, airports, harbors, ferries, and weigh stations [slide 7]. In response to Representative Stutes, he offered to provide information on how many of the 11 ferries operate 12 months per year.

ACTING COMMISSIONER BINDER directed attention to the Governor's Endorsed FY 16 Budget totaling \$628 million. This includes a small sliver of federal funds designated for federally-mandated programs, \$286 million in program receipts, and \$85 million for the International Airport System (AIAS), even though the airport system generates its own revenue through rates and fees. He said the general fund [of \$339 million] is self-explanatory. In response to a question by Representative Claman, he answered that the Governor's endorsed capital budget figures being discussed today were submitted by Governor Walker [slide 9].

1:13:30 PM

ACTING COMMISSIONER BINDER reported on the proposed capital budget at \$1.2 billion, with the majority of funding stemming from federal funding. He pointed out slivers on the pie chart that represent the general fund monies that cover deferred maintenance, harbor grants to municipalities, and general fund matching fund monies. Other slivers show the amount designated

for international airport funds, which are not general fund funds, with about \$12 million for statutory-designated program receipts for cooperative reimbursable grants to municipalities for the purpose of utility relocations that will be reimbursed by municipalities.

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REPRESENTATIVE NAGEAK asked whether the [International Airport] construction bonds are state bonds.

ACTING COMMISSIONER BINDER answered that those funds are derived from airport-generated rates and fees to carriers. In further response, he explained that the airport has statutory authority to issue construction bonds via the Department of Revenue.

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ACTING COMMISSIONER BINDER offered that the department has reported on some of its major capital projects and is scheduled to go into a little more detail on the Knik Arm Crossing (KAC), formerly the Knik Arm Bridge & Toll Authority (KABATA), and the Juneau Access (JA) projects. Although the department currently has contracts in place and has performed some preliminary design work on these projects, any discretionary funding or additional funding has been placed on hold per the governor's administrative order, AO 271. Commissioner Luiken and the administration will review those projects and the DOT&PF will keep the committee informed on updates to the projects [slide 10].

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CO-CHAIR FOSTER asked the department to provide expenditures and budgets for the big transportation projects.

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CO-CHAIR HUGHES said she appreciated the department referring to the projects as "big projects" instead of megaprojects. She related her understanding that AO 271 directed the department to halt discretionary spending on the Knik Arm Crossing (KAC) and the Juneau Access (JA); however, she asked whether the administrative order also halted spending on the Alaska Class Ferry (ACF) and the MV Tustumena replacement or if these projects were still on the "big projects" list.

ACTING COMMISSIONER BINDER answered that the department has paused projects but AO 271 only affected the Knik Arm Crossing (KAC) and the Juneau Access (JA) projects.

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REPRESENTATIVE STUTES presumed that the difference between the Alaska Class Ferry (ACF) and the MV Tustumena is that the ACF is essentially an inter-island vessel and MV Tustumena is an ocean going vessel.

ACTING COMMISSIONER BINDER answered that is correct; the Alaska Class Ferries will be smaller fast vessels designed for quicker round trips of shorter durations whereas the MV Tustumena is a larger mainline vessel designed to carry larger payloads.

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ACTING COMMISSIONER BINDER highlighted the DOT&PF's 2014 accomplishments, commenting that much of what the department does goes unnoticed unless something goes wrong [slide 11]. The department provides routine services and operations, including maintenance programs to keep roads and airports functioning. The department's capital program last year was slightly over \$1 billion and that appropriation will provide funding on projects for the next couple of years. In addition, the department inspects several hundred commercial vehicles each day at weigh stations. The department also measures scales, fuel dispensers, and natural gas dispensers as part of its weights and measures function. In response to a question by Co-Chair Foster, he reported that Dan Smith is the current division director, but the function also falls under his deputy commissioner responsibilities. In further response, he agreed that Dan Breden was the prior director.

1:19:00 PM

ACTING COMMISSIONER BINDER directed attention to the Information Services and Systems Division (ISSD) previously mentioned. He offered that the department is excited about the information techy consolidation. He characterized the prior information technology function as a group of little groups performing well in their respective functions and divisions; however, the IT functions were not being coordinated department-wide. Thus, the department had numerous versions of Adobe Acrobat, AutoCAD, and other computer programs being used. The department has since consolidated its IT functions into a single division in Juneau

and the DOT&PF anticipates great advantages, including planning for future operations and infrastructure needs.

ACTING COMMISSIONER BINDER offered that the big driver to make regional boundary changes [and create the SouthCoast Region] was to even out the workforce. He reported that the Central Region has experienced rapid growth in population in the Anchorage bowl and the Matanuska-Susitna valley areas thereby dramatically increasing the Central Region's workload, but the Southeast Region remained constant. The federal MAP 21 [Moving Ahead for Progress in the 21st Century Act] funding focused on larger population urban areas and the National Highway System (NHS), which has shifted capital project work to the Central Region. He anticipated additional efficiencies in the department by consolidating the harbors, ferries, and coastal environment, coastal engineering and design in the SouthCoast Region in Juneau.

[1:21:12 PM](#)

CO-CHAIR FOSTER asked for copy of the map that shows the previous boundaries and the current boundaries.

[1:21:22 PM](#)

CO-CHAIR HUGHES asked for further clarification on what was combined or shaved off.

ACTING COMMISSIONER BINDER asked members to imagine a map of the state, noting that the area including the Aleutian Chain to Southwest Alaska was moved to the Southeast Regions. Thus, the two big peninsulas are now part of the SouthCoast Region, along with Southeast Alaska. In response to Co-Chair Hughes, he agreed that the Aleutian Chain was previously part of the Southcentral Region.

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ACTING COMMISSIONER BINDER reiterated that the federal MAP 21 creates challenges since it directs federal funding to urban areas. Therefore, the department will have considerably less flexibility in funding projects in smaller communities or to more evenly distribute the federal highway funds across the state. He predicted that more state funds will be needed to accomplish projects in smaller areas and communities.

ACTING COMMISSIONER BINDER advised members that the DOT&PF has been consolidating and working to find efficiencies to reduce its overall budget. Besides the IT consolidation, the department has recommended increased use of deicing chemicals on at intersections and on roads in larger population centers. In fact, deicing chemical use saves time and overtime needed to clear roads during freezing rain or heavy snow since the roads clear much easier with the deicing coating. Next, DOT&PF has also been using tow plows in several areas to allow for multiple lane clearing using one vehicle. Further, the DOT&PF has reclassified a maintenance and operations foreman who can fly in a state-leased aircraft to rural villages and provide training to rural contractors who often lack heavy equipment experience. Since this "flying foreman" also has electrical expertise, the DOT&PF can avoid contracting with Anchorage electricians. This training also helps reduce damage to equipment, runways, and lighting systems. The department hopes to expand this model to other parts of the state, such as Fairbanks, Kotzebue, and Nome [slide 12].

[1:24:03 PM](#)

ACTING COMMISSIONER BINDER directed attention to impacts the fiscal constraints may have. While the department will maintain its priorities of keeping the major roads and airports cleared, budget reductions will likely result in increased time to plow roads and depending on the weather events, will likely add a few extra hours or an extra day to clear side roads.

**OVERVIEW: DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
(DOT&PF) - AVIATION**

[1:24:58 PM](#)

CO-CHAIR FOSTER announced that the final order of business would be an overview of the Department of Transportation & Public Facilities - Aviation.

[1:25:15 PM](#)

ACTING COMMISSIONER BINDER said that his passion is aviation and Alaska is an exciting place to be since Alaska has the largest aviation system in the world. The Alaska International Airports System (AIAS) consists of Anchorage and Fairbanks airports. Although the Juneau airport is also an international airport, it is not a state-owned facility. He directed attention to the AIAS mission statement, "To keep Alaska flying and thriving," which relates to the AIAS's focus of generating its own rates

and fees. The rural or Statewide Aviation (SWA) mission statement, "To sustain and improve the quality of life throughout Alaska," relates to the importance of aircraft to rural villages and with 82 percent lacking roads, the rural airports provide critical access to services and goods, he said.

[1:26:25 PM](#)

REPRESENTATIVE NAGEAK expressed concern that the state aviation system in Bush Alaska lacks competition. Constituents regularly report that the cost of flying between the villages is extremely costly and places hardships on them when they want to visit family or friends in other villages. In fact, the cost is very high even if the travel distance between villages is only 75-90 miles, he said. He asked what can be done to reduce costs and increase competition.

ACTING COMMISSIONER BINDER answered that the message is "loud and clear."

REPRESENTATIVE NAGEAK interjected by asking whether roads are an option.

ACTING COMMISSIONER BINDER responded that it would be one option, but in the long run roads are more expensive to maintain than airports. In terms of competition, a large number of communities fall under the federal essential air service. Thus, the US Department of Transportation (US-DOT) does subsidize the air carriers in villages to reduce costs, but it is still very expensive.

[1:28:31 PM](#)

REPRESENTATIVE CLAMAN asked how well the Alaska International Airports System (AIAS) is doing to reach its goal of self-sufficiency, essentially self-funding through revenues.

ACTING COMMISSIONER BINDER answered that AIAS is required to be self-sufficient. The AIAS covers all its costs through rates and fees. He offered to cover this in more detail in his PowerPoint; however, if the AIAS did not collect enough, the carriers would be charged to make up the difference. He reported that no state general funds are directed to the international airports.

REPRESENTATIVE CLAMAN asked for further clarification as to whether the funds are directed to the AIAS or if the funds go to the general fund and are reappropriated.

ACTING COMMISSIONER BINDER answered that the funds are deposited directly to the International Airport Revenue Fund and not to the general fund.

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CO-CHAIR HUGHES asked for the amount of the federal subsidy to rural carriers and if the subsidy is typical for other rural areas in the Lower 48.

ACTING COMMISSIONER BINDER answered that it varies by each location. The US Department of Transportation puts out request for proposals (RFPs) for contracts to carriers, typically every two years and the contracts are awarded to the lowest offers with carriers subsidized to at least break even to operate the route.

[1:30:26 PM](#)

CO-CHAIR HUGHES asked whether rural carriers receive greater federal subsidies than those in the Lower 48 due to the longer distances and associated cost of travel in Alaska.

ACTING COMMISSIONER BINDER answered that Alaska is essentially the last state to receive an essential air service (EAS) subsidy, noting the rest of the US does not receive any essential air service funds.

CO-CHAIR HUGHES asked whether the DOT&PF is concerned about losing the funds or if the department is confident that these funds will continue.

ACTING COMMISSIONER BINDER answered that the essential air service (EAS) and the bypass mail system funds continue to come under scrutiny when the budget comes up in the Congress every few years. The federal subsidy for the bypass mail system helps to greatly reduce the cost of moving goods in Alaska, as well. He said the DOT&PF keeps engaged with Alaska's Congressional Delegation in Washington D.C., noting that the delegation is aware of these subsidies.

[1:31:38 PM](#)

CO-CHAIR FOSTER asked whether many communities or just a few receive the essential air service (EAS).

ACTING COMMISSIONER BINDER answered that approximately 50 very small locations receive the essential air service (EAS) since carriers would not be able to make enough money by providing that level of service to the villages.

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CO-CHAIR FOSTER recalled there was an issue related to why Little Diomedé was not included on the EAS list.

ACTING COMMISSIONER BINDER answered that the Federal Aviation Administration (FAA) changed its regulations in the late 70s, with respect to eligibility. Any community that was currently receiving air service was eligible for EAS, but since Little Diomedé did not have a runway at the time, it did not receive service; and therefore, Little Diomedé was technically not eligible for the program. He reported that the DOT&PF has been able to get Little Diomedé into another program to help to subsidize about half of the air service.

CO-CHAIR FOSTER commented that Little Diomedé Island has a runway a few months every year on the ice. He recalled that the community uses a tractor to create a runway on the ice and pretty decent sized airplanes land on Little Diomedé.

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ACTING COMMISSIONER BINDER directed attention to the organization and leadership structure for the aviation system. He stated that he serves as the executive director for the Alaska International Airport System (AIAS). He reported that the AIAS was created by statute many years ago, that it currently operates as a system although there were some years when the Anchorage and Fairbanks airports competed with one another [slide4]. The DOT&PF has combined many of the functions, including the combined airport systems office that handles administrative functions, the information technology, leasing, and concessions. The FAA requires a master plan for each of the international airports every few years.

ACTING COMMISSIONER BINDER AIAS reported that the majority of the revenue for the AIAS system stems from Asian carriers passing through with cargo. He emphasized the importance for carriers to know they have an alternate airport to use, noting

that both airports have never been closed at the same time, despite volcano eruptions and storms.

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CO-CHAIR HUGHES asked whether it was unusual for a state to own the two major airports in the state.

ACTING COMMISSIONER BINDER answered yes; that most states have an aviation division, but that typically entails cooperating with municipalities that own the airports.

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REPRESENTATIVE ORTIZ mentioned that Juneau [International Airport] is not owned by the state. He asked whether that is also true for the Ketchikan airport.

ACTING COMMISSIONER BINDER answered it is true for Juneau, but not for Ketchikan. The state actually owns the Ketchikan airport and Ketchikan [Gateway Borough] leases it from the state and operates it. They charge their own rate structure to try to generate as much revenue as possible.

REPRESENTATIVE ORTIZ asked whether Ketchikan Gateway Borough (KGB) has any financial commitment with the state.

ACTING COMMISSIONER BINDER answered that as of several years ago the Ketchikan Gateway Borough has not been able to generate sufficient revenue to cover its costs; in particular, since they must operate the ferry between the mainland and the airport. Thus, the state has started providing a subsidy to the KGB in the past couple of years, he said.

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ACTING COMMISSIONER BINDER directed attention to the annual revenues and operations, maintenance, and debt costs, stating that generally the operating cost for the AIAS runs approximately \$85 million, with approximately \$450 million in debt in bonds [slide 5]. As stated earlier, this revenue is generated from landing fees, fuel flowage, and terminal rates, which typically are generated from the carriers. The rest of the items are divided between concessions and public parking, with passenger and facility charges (PFCs) being the few dollars charged to each ticket that help to cover terminal costs. The AIAS is required by debt service and bond covenants to raise 125

percent of the debt service for that year, which ends up driving rates and fees, as well, he said.

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ACTING COMMISSIONER BINDER pointed to the graph that shows the cargo activity [slide 6]. He indicated that the chart represents cargo activity, color-coded, with cargo shown in light blue, passenger traffic shown in green, and international passenger traffic shown in purple. The intrastate cargo shown in very dark blue is significant to the carriers and communities, but represents a small percentage of the cargo moved through the airports. He pointed out that since 2007, the airports are down about 30 percent in overall cargo. In fact, cargo is just now beginning to stabilize and passenger service is beginning to increase, he said.

1:39:18 PM

REPRESENTATIVE CLAMAN said his district has continued interest in the Anchorage International Airport. He referred to the graph, on slide 6, and said it was not likely that the airport will stabilize back to the 2007-2008 levels. He asked for his perspective on expansion issues and the length of time before it will be necessary for the airport to expand. He suggested that based on the chart, it might be many years before expansion will be necessary.

ACTING COMMISSIONER BINDER answered that he is absolutely right. The airport handled significantly greater traffic many years ago without an issue. He predicted it would be quite some time before the cargo activity reaches those levels. In addition, Anchorage and Fairbanks international airports just completed their master plans. For the first time ever, the two airports worked together to designate the other as alternates. He characterized the cohesiveness by stating that Anchorage already has a fourth runway, but it just happens to be 150 miles to the north. Rather than using a calendar, the department bases it on trigger events, such that if carriers start complaining about delays per flight, it will be time to consider expansion. Further, the airports have other options such as flight patterns, and which runway to use for departures. While those decisions can optimize operations, it can create more of a noise issue since it may mean aircraft taking off over the city during some of the peak periods during the day.

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REPRESENTATIVE CLAMAN suggested that any trigger events that could affect operations seems quite a long time away.

ACTING COMMISSIONER BINDER answered that is absolutely right, that part of it relates to carriers using larger, more efficient aircraft, which has resulted in the same amount of cargo being transported with fewer landings. The effect is to increase cargo capacity without impacting takeoff and landing times, even though revenue is also reduced since the airport charges per landing.

[1:42:19 PM](#)

CO-CHAIR HUGHES said she hopes for greater economic diversity in the coming years, as well as an earlier trigger point resulting perhaps from China's middle income population causing increased demand for goods. Referring to the cargo depicted in light blue on the chart on slide, she recalled hearing that planes arrive in Alaska full, but do not return full so open capacity exists. She asked for confirmation on whether open capacity exists on flights returning to Asia.

ACTING COMMISSIONER BINDER answered yes; however, open capacity is less due to the aforementioned dynamic, in which the growing Asian middle class can now afford the higher dollar items America tends to produce. This means less and less space is available on the return travel, resulting in large cargo volume and extra landings for refueling due to transporting extra weight.

CO-CHAIR HUGHES remarked that this is good news.

[1:43:45 PM](#)

ACTING COMMISSIONER BINDER directed attention to the primary revenue drivers and airfield activity through September 2014, although he noted he has updated information through December 31, 2014 not shown on the graph [slide 7]. The green line currently tracks slightly above the red line. He said this is encouraging and speaks to the stabilization in the cargo market; however, these trends are not just in Anchorage but are worldwide trends. He explained that all airlines suffered during the recent depression in 2008-2009, as well as from fleet changes.

[1:44:32 PM](#)

ACTING COMMISSIONER BINDER turning to passenger activity, said that Alaska has seen a dramatic increase in international passenger traffic charter service in the winter. The Asian market has been excited about experiencing northern lights in the winter. He reported that Changsha, a city of 7 million people in the Hunan province of China began its first flight on December 28, 2014, and will have regularly scheduled international service in March to several US destinations, all passing through Anchorage.

ACTING COMMISSIONER BINDER directed attention to the operating agreement with carriers, stating that the 10-year operating agreement was established in July, consisting of 30 signatory airlines who have the agreement with carriers. He explained the process, noting that the agreement is a residual agreement. This means the AIAS sets its fees based on projected operational costs. At the end of the year, if costs are not met, the AIAS will send out billings to charge for the difference. The advantage for the airlines is slightly reduced rates over non-signatory carriers, plus the carriers have a much greater say in the type of infrastructure upgrades or terminal improvements, or capital projects the airport will undertake since they have a vested interest in the facility. The department has greatly improved communication with carriers. He said the carriers love the Anchorage and Fairbanks airports and he is excited about the relationship.

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CO-CHAIR FOSTER asked whether it would be possible to obtain a list of the signatory airlines and the members of the Alaska Aviation Advisory Board (AAAB).

ACTING COMMISSIONER BINDER answered yes; noting the Alaska Aviation Advisory Board (AAAB) consists of 11 members, but includes representatives of companies such as Northern Air Cargo and FedEx, as well as public members.

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CO-CHAIR HUGHES asked for interaction between the AIAS and the Alaska Aviation Advisory Board (AAAB) and the role of the AAAB.

ACTING COMMISSIONER BINDER replied that Lee Ryan, Vice-President, Ryan Air serves as the AAAB's Chair. He indicated that he speaks with him regularly. The board holds regular

teleconferences, as well as several board meetings per year to discuss aviation, the budget, and maintenance and operations issues. Most of the board members are heavily involved in carriers serving rural communities so they provide feedback and suggested improvements. As the deputy commissioner of aviation, the commissioner has delegated the primary interaction to him, he said. Further, the commissioner often attends these board meetings, he said.

CO-CHAIR HUGHES asked whether the Alaska Aviation Advisory Board (AAAB) considers issues and challenges on an ongoing basis and provides annual recommendations or if the board has statutory guidelines. She further asked whether the board must make annual recommendations and if he could expand on the AAAB's role.

1:49:14 PM

ACTING COMMISSIONER BINDER answered that the AAAB has a charter signed in 2003 or 2004, with specific guidelines, including providing specific recommendations related to budgeting, operations, maintenance, and capital projects. Thus, the AAAB constantly reviews those documents and provides input from the board's perspective. Members serve three-year terms and terms are offset, he said.

ACTING COMMISSIONER BINDER stated that the airport works to keep its business base and tries to expand the business [Strategic Planning and Marketing, slide 10]. From the airport's perspective, he characterized the task as nearly impossible to accomplish; however, the airport works to invest in the business it has, help carriers expand their business locally, and to retain its customers. The strategic plan was just updated in December, to figure out some of the key initiatives for this next year. The airport has included a business plan that has focused on how to add value to the cargo passing through the airport. Currently, the AIAS is just serving the airports and has very little input in what happens with the cargo. For example, certainly if it is possible to receive lots of different pieces for an assembly or distribution center, such as Amazon, value could be added to the cargo, which could benefit the community and the state.

ACTING COMMISSIONER BINDER, in terms of the marketing plans, reported that 90-95 percent of the cargo that comes through the AIAS is via Asian carriers. As executive director of the AIAS, he helps carriers understand the uniqueness of using Alaska; for

example, the DOT&PF's laws have provisions regarding cargo transfer rights that don't exist in the rest of the country. Most of the leadership changes every few years so it's necessary for the AIAS to provide ongoing information to these carriers.

ACTING COMMISSIONER BINDER stated that the AIAS accounts for about 1 in 10 jobs in Anchorage [slide 10].

[1:52:19 PM](#)

CO-CHAIR HUGHES, in addition to the Economic Development Corporation, said she hoped the AIAS communicates with the Division of Economic Development for statewide opportunities, especially with the open cargo.

ACTING COMMISSIONER BINDER, in terms of seafood, explained that Asian markets have different preference, such as they want the heads on fish whereas in Alaska, fish processing typically removes the heads. The department has been working with fishermen on issues such as these. He offered his belief this could provide some opportunity for westbound cargo traffic.

[1:53:19 PM](#)

CO-CHAIR HUGHES also suggested contacting Greg Wolf, executive director for the World Trade Center, to discuss the aforementioned Asian market needs.

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ACTING COMMISSIONER BINDER directed attention to the master plans, which are updated every ten years. He reported that the master plans are finalized, the process went well, and the AIAS had lots of community involvement. The last update in the 2005 was not very successful, in part, by trying to set dates for new airport infrastructure; however, he said he is happy with the direction the AIAS took this time.

[1:54:10 PM](#)

ACTING COMMISSIONER BINDER directed attention to the statewide aviation scope and scale [slide 13]. He stated that of the 249 airports, DOT&PF personnel staff 50 airports and the remainder are contract personnel with the local communities and villages. Using local staff requires significant training and oversight to ensure that the airports receive good maintenance and operations. He related that the Federal Aviation

Administration's Code of Federal Regulations (CFR), Part 139, relates to certificated airports and is based on the size of the aircraft that fly into the airport. For example, any airport that Alaska Airlines flies to must be certificated under the FAA, Part 139, which requires increased maintenance and scrutiny to ensure that the airport is operating safely. In addition, these airports must have crash and fire rescue capability available.

ACTING COMMISSIONER BINDER stated that the rural system is not self-sustaining and incurs approximately \$35 million in operating costs, but only generates approximately \$5 million through leasing revenue from the tenants at those airports. He characterized the rural airports as being heavily subsidized by the general fund.

1:55:42 PM

ACTING COMMISSIONER BINDER highlighted some of the FY 15 and FY 16 projects. He said that the FAA breaks out the funding by runway safety, pavement rehabilitation, rural access and buildings. The runway safety project at ADAK was a congressional mandate [slide 14].

1:56:11 PM

CO-CHAIR FOSTER asked whether communities seeking to have their airport runway lengthened, which is federally funded, must adhere to requirements and criteria so it largely determined by the FAA or federal government. He asked if the FAA makes decisions on runway lengthening or whether the state has any role in the determination.

ACTING COMMISSIONER BINDER answered that the state has a large say since the FAA requires states to have some type of scoring system in place to prioritize projects. The FAA mandates that it somewhat follows the national scale, although some leeway exists for disparities or differences in Alaska as compared to other states. The FAA has ascribed to the prioritization system the state uses. He said that if the state decided to select something with a lower priority, the state must have justification to do so. For example, it's possible that flooding at breakup might occur or some other situation could counteract the funding. With respect to the grant assurance process, the FAA requires "a whole bunch of strings" that the state must do to maintain the airport for the future.

[1:57:35 PM](#)

CO-CHAIR FOSTER asked whether runway extensions are part of the Surface Transportation Improvement Plan (STIP).

ACTING COMMISSIONER BINDER answered that the Division of Statewide Aviation has an Aviation Spending Plan, which similar to the STIP.

[1:57:57 PM](#)

REPRESENTATIVE NAGEAK, with respect to the Kotzebue and Barrow airports in his district, reported that the terminals are very small in Barrow and the parking is horrendous. Although there isn't any room for expansion on the town side of the runways, especially in Kotzebue, there is some space on the south side of Barrow. He asked whether there are any plans to expand on the state-owned land and remedy the problems.

[2:00:05 PM](#)

ACTING COMMISSIONER BINDER answered that the Division of Statewide Aviation just completed the master plan in Barrow, which is the starting point for the FAA. He acknowledged that depending on the decisions on Shell offshore development, the need for expanded infrastructure will be significant. Currently, the division will determine the traffic need with be there. He agreed that certainly south of the Barrow airport and around Kotzebue, due to type of land, upgrades are tremendously expensive. The FAA requires be a demonstrated need or valid forecast for the air traffic need if the state is to pursue upgrades; however, the FAA does not get involved in economic development projects, which fall more on the state, he said. Thus, the division must wait to show a demonstrated need, he said.

REPRESENTATIVE NAGEAK maintained there is a need.

[2:01:31 PM](#)

CO-CHAIR HUGHES asked for further clarification on the rural access category of FAA construction projects [slide 14].

ACTING COMMISSIONER BINDER stated that many rural areas have old or outdated lighting systems, instrument approach navigational aids to allow aircraft to use the facility in inclement weather or at night that impact access. In addition, when carriers

upgrade their fleet to larger aircraft they need longer runways to land and take-off. These projects are rolled into the prioritization system since there would be a demonstrated need for the expanded infrastructure.

[2:02:21 PM](#)

CO-CHAIR FOSTER, on a personal note, said he has flown into at least 40 airports throughout the state. He characterized the program as being first rate and commended Acting Commissioner Binder.

ACTING COMMISSIONER BINDER acknowledged his staff does a great job.

[2:02:47 PM](#)

ACTING COMMISSIONER BINDER said the FAA requires each state to have an Alaska Aviation System Plan (AASP) [slide 15]. These comprehensive plans must include the airports for that state. Certainly, the DOT&PF owns so many airports that it tends to focus on the state owned airports; however, he has been working hard to include some of the rural airstrips and municipal-owned locations, as well. He highlighted some of the projects and plans in the AASP, including the Capital Improvement & Maintenance Program essentially provides a comprehensive needs assessment, including future forecast, an assessment of the current status, and what needs to be upgraded and fixed. Referring to the FAA Performance Measure Scorecards, he said the FAA is required to provide personnel classification numbers for all 19 airports. He said the FAA requires fees be at fair market value and the state prepares an Economic Regions Report that breaks up the state into economic regions to better calculate the fair market value, which can be challenging due to the subsistence in rural Alaska.

[2:04:17 PM](#)

ACTING COMMISSIONER BINDER directed attention to the aviation challenges in the future [slide 16]. He said that the biggest challenge in Alaska is the distance to Washington DC. He said that when federal agency staff fly to Anchorage or Fairbanks, they think they have seen Alaska. It doesn't begin to touch the challenges Alaska faces in rural Alaska aviation so he works to bring staff to fly to rural village communities to see the challenges that these communities face. He reported that the current FAA federal funding authorization bill will expire on

September 30, 2015 so the reauthorization process is underway. Typically, Alaska has fared pretty well, usually approximately \$180-\$200 million in airport funding. He hoped that would continue. In terms of winter maintenance, the division is in its second year for using chemicals the EPA requires for runway icing. He expressed concern since the new chemicals are half as effective and twice as expensive; however, the state doesn't have any choice. Fortunately, Alaska has experienced milder winters, which helps with road clearing and snow removal, but airports hover at the freeze-thaw temperatures, which cause icing and freezing rain conditions instead of colder temperatures that allow easy snow removal at airports. In response to Co-Chair Foster, he indicated the approximate costs are \$1 to \$2 million in Anchorage and Fairbanks. He offered to provide the statewide figures to the committee.

[2:06:51 PM](#)

CO-CHAIR FOSTER recalled that shipping oxygen in Nome was an issue. He asked whether it was resolved and if the hospital obtained a waiver.

ACTING COMMISSIONER BINDER was unsure. He surmised it is not an issue, but he offered to track down the information.

CO-CHAIR FOSTER recalled it was a federal issue.

CONNIE MACKENZIE, Legislative Liaison, interjected [from the audience], that she recalled the issue but did not recall how it was resolved.

[2:07:37 PM](#)

REPRESENTATIVE STUTES referred to the earlier discussion on essential air service (EAS). She mentioned that she participated at a leadership conference on Kodiak Island. Some village elders participated via teleconference. She recalled they were asking about EMS, and she wondered if the commissioner was familiar with a federal subsidy on marine service.

ACTING COMMISSIONER BINDER replied that he is not familiar with the program, but he will check into it.

REPRESENTATIVE STUTES said she would appreciate being notified if there is a program.

[2:09:05 PM](#)

REPRESENTATIVE CLAMAN complimented the department on the Airport Master Plan Process. Judging by the number of people attending and a general understanding of the significant community involvement, he noted that the end product reflected a better understanding in the community on the role the airport system plays in the state but also satisfaction in the public process. He said, "Nothing but compliments from me."

[2:09:51 PM](#)

CO-CHAIR FOSTER recalled that the state general fund for the aviation portion is \$35 million versus the \$5 million offset by the revenue. He recalled that the amount spent versus the amount generated is often mentioned with the AMHS. He asked whether the department can make a fair comparison of the three modes of transportation. For example, he understood that with surface transportation, there is a \$.08 fuel tax and licensing fees.

ACTING COMMISSIONER BINDER said that needs to be looked at a bit more. He recalled hearing that the AMHS serves 1 percent of the state population, whereas the aviation system serves a much larger percent of the population. He offered to try to obtain some figures.

CO-CHAIR FOSTER hoped the department could provide a one-page comparison of general funding and any offsetting revenues for all three modes of transportation.

[2:13:21 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:13 p.m.