

SB

249

SFIN

FILE

SB 249 CAPSTONE AVIONICS INFORMATION

1) Suggestions for a more attractive loan program to get more of the general aviation population involved (per Sen. Olson's request);

Greg Winegar will be providing you written back up on this topic.

2) teleconference testimony from other jurisdictions, i.e. Ohio Valley, where this program has been implemented or is being implemented and what their experience has been regarding decreased accidents/fatalities and lower insurance premiums (per Sen. Dyson's request);

The Ohio Valley ADS-B test program is with the Cargo Airline Association – mainly UPS Airlines. The goal is to gain airspace efficiencies and increase capacity for the big aircraft (Boeing and Airbus). It does not address decreased accidents/fatalities and lower insurance premiums. DOT will work to get the UPS chief pilot or UPS Flight Technologies manager to testify for when the bill is rescheduled. However as stated Ohio is very different and not really applicable to Alaska where the goal is to equip the general aviation folks.

3) teleconference testimony from someone in the insurance industry that can offer some information about how this program may affect insurance premiums;

DOT is working with the Alaska Air Carriers Association, Alaska Airmen's Association and Alaskan Aviation Safety Foundation to have someone from the insurance industry testify on how rates are calculated and what capstone has and may do to rates.

4) A better definition for "substantial percentage of flight hours" to satisfy Sen. Elton's concern; and

FAA's goal is to achieve an aircraft equipage rate equating to at least 90% of total Alaskan flight hours. DCCED, DOT&PF would recommend that substantial percentage of flight hours be that same 90%.

5) I'm still waiting for funding information regarding exactly how much money the feds have spent on ground infrastructure, where that infrastructure is, and how much more money they plan to spend to finish the ground infrastructure and how long that will take.

Currently installed ground infrastructure

- Southwest Alaska contains 10 ADS-B ground sites
- Southeast Alaska contains 14 ADS-B ground sites

The Department is still working with FAA to determine what they spent for this capital investment. In their 2 pilot programs they installed ground equipment and as well as aircraft avionics and separating the two has been difficult to ascertain.

Attached is schedule for deployment of the rest of the state.

FAA implementation costs for operations and capital \$493

- Total ground infrastructure costs will be \$122M
 - \$23M for Anchorage, Fairbanks, Kotzebue, Nome
 - \$99M for the rest of the state
- Operating costs for 10 years - \$371M

Table ES-1. High-level Schedule

Deployment Time Period	Ground Infrastructure Deployment SV (enroute-low altitude)	Safety Avionics Equipage
FY 07 – FY 09	6 – Anchorage-Fairbanks 11 – Nome-Seward Peninsula 13 – Kotzebue-NW AK 1 – Southeast AK Additional complete Capstone Phase 1 & 2	<ul style="list-style-type: none"> • End of FY 08: 525 equipped or committed • End of FY 09: 1,325 equipped or committed
FY 08 – FY 10	3 - Cook Inlet-Kodiak 4 - AK Peninsula 5 - Lake Clark-Bristol Bay	<ul style="list-style-type: none"> • End of FY 10: 2,325 equipped or committed
FY 09 – FY 11	8 – Upper Yukon River 12 – Galena-Mid Yukon River-Koyukuk River 14 - North Slope	<ul style="list-style-type: none"> • End of FY 11: 3,325 equipped or committed
FY 10 – FY 12	2 – Prince William Sound-Gulf of Alaska 7 - AK Highway Copper River Isabel Pass 9 – McGrath-Upper Kuskokwim 10 – Yukon-Kuskokwim Delta	<ul style="list-style-type: none"> • End of FY 12: 4,091 equipped or committed



Figure ES-1. Low-Altitude Enroute SV Areas

2/22/08

January 30, 2008

**Sectional Analysis of
HB 340/SB 249 /25-GH2049\A**

Prepared by Mary Ellen Beardsley
Alaska Department of Law
(907) 269-5200

Alaska Capstone Avionics Revolving Loan Fund

Summary: This bill creates the Alaska capstone avionics revolving loan fund (fund) within the Department of Commerce, Community, and Economic Development (department). The purpose of the fund is to increase safety of general aviation intrastate air transportation by providing low interest loans for the purchase and installation of capstone avionics equipment.

Section 1 creates a new article in AS 44.33. This new article establishes the fund and the Alaska capstone avionics revolving loan program.

AS 44.33.650 sets out the policy and purpose for the fund.

AS 44.33.655 creates the fund within the department. It further describes what the fund consists of: money appropriated, transferred, devised, donated, etc., to the fund; principal and interest payments or other income earned on the loans or investments in the fund; and money derived from the foreclosure of collateral securing the loans. This section further allows the money in the fund to be appropriated for costs of administering the fund.

AS 44.33.660 sets out the powers and duties of the department as they relate to the program. It allows the department to make loans for the purchase and installation of the equipment. The department may establish the terms of the loan, including extensions and assumptions; charge and collect fees for services provided under the program; and adopt regulations to carry out the purposes of the program.

AS 44.33.665 establishes the eligibility requirements for applicants. The applicant may be an individual, corporation, partnership, limited liability corporation, limited liability partnership, limited liability company, joint venture, or non-federal governmental entity. The applicant must own the aircraft and the aircraft must log a substantial percentage of its flight hours in Alaska.

AS 44.33.670 sets out limitations on the loans. The loan is not to exceed a term of 10 years (not including any extensions), interest must be at least 4% per year; the loan must be secured with acceptable collateral; and it may not exceed 80% of the cost of the equipment.

AS 44.33.675 establishes the foreclosure expense account within the fund. The money in this fund is to be used to offset expenses associated with the collection of defaulted loans or to protect the State's security interest in the collateral.

AS 44.33.680 allows the department to dispose of repossessed collateral in a manner which serves the best interest of the State.

AS 44.33.690 provides for definitions for "capstone avionic equipment," "capstone program," and "department."

Section 2 repeals AS 44.33.650 – 44.33.690 when the program sunsets in 2020.

Section 3 provides authority to the department to proceed with adopting regulations needed to implement the new program. These regulations will not become effective until the effective date of the Act.

The remaining sections establish when each section of the act is to take effect.

Winnegar

2/22/09

As Deputy Commission Richards has explained the Capstone project has shown tremendous potential to save lives and reduce accidents and so we are very pleased that our agency may be able to play a role in these efforts

Background information on our Division.

We have been administering state loan programs since early 70s.

So we have a tremendous amount of experience, expertise and loan related infrastructure in place to successfully operate a program such as the one proposed in this legislation.

In fact, many of the provisions contained in this bill were patterned after other programs that we administer.

The purpose is to ^{setup a loan fund that would allow} make loans to aircraft owners that log a substantial number of flight hours in Alaska so ^{to} that they can purchase ^{and install} the necessary Capstone avionics.

The program would be set up as a revolving fund which means that as repayments come into the fund additional loans can be made to future participants. ~~It also means the operating costs of the program are funded through the fund itself.~~ ^{It also means the operating costs of the program are funded through the fund itself.}

The bill stipulates that we can loan up to 80% of the cost to purchase and install avionics

Interest rate cannot be less than 4% and the term may not exceed 10 years

So for example if you have an average cost of \$15 thousand
You end up with a loan of \$12 thousand
that works out to a payment of approximately \$122 month or around \$1480 annual

Our goal was to provide loan terms that resulted in a very manageable repayment plan for aircraft owners while at the same time providing sufficient cash flow to cover expenses, provide loans to future participants, and return capital to the GF.

As you can see from the fiscal note we want to capitalize the fund with a \$4.8 million appropriation. This would allow us to make approximately 400 loans during the first year and approximately 60 additional loans each year thereafter.

The program sunsets in the year 2020 at which time money in the fund as well as all future earnings revert back to the general fund.

We are requesting two positions, one loan officer and one loan closer to handle the increased workload. We would only fill these positions if loan demand requires it. We plan to absorb the accounting related work.

That is a quick overview of the program Mr. Chairmen. I would be happy to answer any questions that you or committee members might have.

ON FILE

CAPSTONE BILL

Richards

2/20/08

For the Record – FTR – Here today to discuss the “Alaska Capstone Avionics Revolving Loan Fund.” ~~HB 340~~ creates the loan fund within DCCED.

SB 249

Purpose – Increase safety of aviation transportation within the State of Alaska by providing low interest loans for purchase and installation of the Capstone Avionics equipment.

What is Capstone? Is the next generation of technology to improve flight safety and community access in Alaska.

The technology is called “Automatic Dependent Surveillance – Broadcast (ADS-B)” that allows aircraft equipped with the avionics to interact with ground infrastructure and satellite stations to provide pilots their exact location, ~~x, y and z,~~ and airspeed, rate of ascent and descent, surrounding terrain, other aircraft and real time weather. Essentially, the whole package of data you need for safe flight.

and tested it in

FAA sponsored this technology and rural Alaska as test bed, SW and SE Alaska.

The results for those aircraft equipped with the new avionics was a 47% reduction in accidents and 33% reduction in fatalities.

The FAA would like to now expand this technology statewide and has funding to build out the necessary infrastructure. The hook is that ^{FAA has} they have determined that ~~need for 4,000+ aircraft to be equipped.~~ ^{need to be} ~~that FAA would like to have~~ ^{w/ these avionics, the need for the roads}

This bill creates a low interest loan program with DCCED to provide aircraft owners unable to shoulder the initial purchase cost out of pocket with a reasonable loan to use.

The Department of Transportation & Public Facilities supports passage of this bill. I will allow Mr. Greg Winegar to describe the loan program to you.

ask

ON FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/13/08

FURTHER:

DATE TURNED
IN TO OFFICE: 3/5/08

Finance Committee considered SENATE BILL NO. 249

SB 249 CAPSTONE AVIONICS FUND/LOANS

"An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date."

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:
 Same Title
 New Title

HOUSE BILL:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

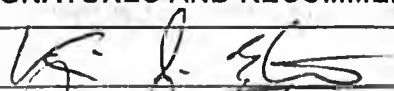

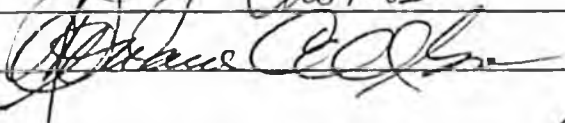
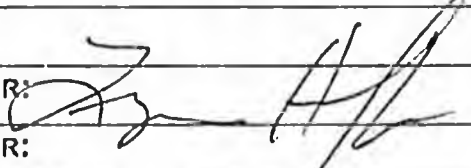
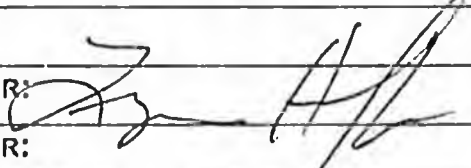
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
CCED	1/24/08	✓			

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	E. Thomas	✓			
	THOMAS			✓	
	OLSON	✓			
CO-CHAIR: 		✓			
CO-CHAIR: 					

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 249
(S) Publish Date: 1/25/08

Identifier (file name): 0049-CED-INV-01-24-08 Dept. Affected: DCCED
Title: Alaska Capstone Avionics Revolving Loan Fund RDU: Investments (122)
Sponsor: Rules Component: New
Requester: By Request of Governor Component Number: New

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	116.0		116.0	116.0	116.0	116.0	116.0	116.0
Travel	2.3		1.2	1.2	1.2	1.2	1.2	1.2
Contractual								
Supplies	0.5		0.5	0.5	0.5	0.5	0.5	0.5
Equipment	1.0							
Land & Structures								
Grants & Claims								
Misc: Capitalize Capstone Fund	4,800.0							
TOTAL OPERATING	4,919.8	0.0	117.7	117.7	117.7	117.7	117.7	117.7

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	4,800.0							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other: Capstone Fund (New)	119.8		117.7	117.7	117.7	117.7	117.7	117.7
TOTAL	4,919.8	0.0	117.7	117.7	117.7	117.7	117.7	117.7

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	2	0	2	2	2	2	2
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation establishes a new loan fund called the Alaska Capstone Avionics Revolving Loan Fund (Capstone Fund). The fund would be capitalized by a general fund appropriation of \$4.8 million.

The purpose of the Capstone Fund is to increase the safety of intra-state air transportation in Alaska by providing low interest loans to aircraft owners so that they can purchase capstone avionics equipment. The department estimates that approximately 400 loans would be made in the first year for a total of \$4.8 million. Repayments to the fund and earnings retained by the fund would provide cash flow to make approximately 60 additional loans each year thereafter.

The department anticipates needing one new loan officer and one new loan closer for program outreach and to process new loan requests. Funds are also requested to cover travel, supplies and equipment expenses associated with the new positions.

Prepared by: Greg Winegar, Director
Division: Investments
Approved by: Emil R. Notti, Commissioner
Commerce, Community, and Economic Development

Phone 907.465.2625
Date/Time 1/24/08 8:48 AM
Date 1/24/2008

not offered - will be rewritten and sent to next House committee.

RECEIVED
MAR - 3 2008

25-GS2049\A.1
Cook
3/3/08

AMENDMENT

2

OFFERED IN THE SENATE
TO: SB 249

BY SENATOR *EITON*

- 1 Page 2, line 12, following "department.":
- 2 Insert "(a)"
- 3
- 4 Page 2, following line 27:
- 5 Insert a new subsection to read:
- 6 "(b) The department may not make a loan under this section to refinance an
- 7 obligation previously incurred for the purchase or installation of capstone avionics
- 8 equipment."
- 9
- 10 Page 4, following line 5:
- 11 Insert a new bill section to read:
- 12 "* Sec. 2. AS 44.33.660(b) is repealed."
- 13
- 14 Renumber the following bill sections accordingly.
- 15
- 16 Page 4, line 15:
- 17 Delete "Section 3"
- 18 Insert "Section 4"
- 19
- 20 Page 4, following line 15:
- 21 Insert a new bill section to read:
- 22 "* Sec. 6. Section 2 of this Act takes effect December 31, 2013."
- 23

1 Renumber the following bill sections accordingly.

2

3 Page 4, line 16:

4 Delete "Section 2"

5 Insert "Section 3"

6

7 Page 4, line 17:

8 Delete "secs. 4 and 5"

9 Insert "secs. 5 - 7"

not offered

25-GS2049\A.2
Cook
3/3/08

AMENDMENT

1

OFFERED IN THE SENATE
TO: SB 249

BY SENATOR *Eaton*

- 1 Page 2, lines 29 - 30:
- 2 Delete "a substantial percentage of flight hours in the state as determined by the
- 3 department"
- 4 Insert "at least 90 percent of flight hours in the state"



RECEIVED

MAR - 3 2008

March 1, 2008

Honorable Senators Stedman and Hoffman:

Please consider this letter as industry support for SB249. The Alaskan Aviation Safety Foundation (AASF) has been a founder and supporter of the Capstone program in Alaska since its inception. Capstone is the first program in many years that has made a dramatic decrease in aviation accidents. Our desire is to see these benefits spread state wide. SB249 would begin that process.

The Capstone avionics installed for the proof of concept testing in Bethel decreased accidents in the Bethel area by 47% in studies conducted by the University of Alaska and others. We expect large decreases in accidents in the Southeast portion of Alaska when the Phase II benefits are tallied. The main reason for this decrease is pilots now have tools with which to make inflight decisions based on real time weather reports, real time traffic, and real time terrain.

The AASF has been working with other aviation industry groups to expand Capstone coverage State wide. We want to see the benefits available to all pilots in Alaska. All of us have seen too many of our friends and neighbors killed or hurt in needless aviation accidents. Most pilots cannot afford to install the avionics alone, they need assistance. With the passage of time, and as more aircraft equip, we project the price of avionics will go down. But today, it is just too expensive.

In order to see the safety benefits, our goal is to equip 90% of the active fleet. We also project that the State will see a decrease in Search and Rescue costs, although we are unable to calculate a dollar amount. Search aircraft will fly to the last known position. This feature has already saved lives. An example of potential benefit would have been for the medical evacuation helicopter that went down near Whittier earlier this winter. If its position were broadcast every second, rescue personnel could have immediately begun searching in the correct area. In reality, even though some debris has been recovered, we still do not have a real search area.

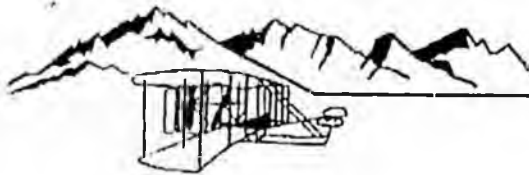
The AASF has been promoting aviation safety in Alaska since 1978. Our one and only mission is to promote aviation safety. Equipping airplanes in Alaska with Capstone avionics will help accomplish our mission.

We plan on encouraging our members to equip their aircraft as soon as possible. We feel so strongly about the benefits of this program to improve aviation safety that we have placed our Foundation in the position of being available to administer this program when funds become available. Please pass this bill out of your committee with a recommendation to pass.

Sincerely,

Carl Siebe, Chairman of the Board

2811 Merrill Field Drive, Anchorage, AK 99501-4131
(907) 243-7237



ALASKA AIRMEN'S ASSOCIATION, INC.

RECEIVED

FEB 26 2008

26 February 2008

Senator Stedman
State Capitol, Room 516
Juneau, AK 99801-1182

Subj: SB 249

Senator Stedman,

First, please allow me to again thank you for your time and interest in this bill. Speaking for the "general aviation" community in Alaska, I can say that I whole heartily support this bill and am available at your convenience should you or a member of your staff care to discuss this further.

The ultimate objective of the Capstone Statewide Plan is to have the FAA establish ADS-B coverage over roughly 90% of the state of Alaska and provide service over what we believe is the area within which at least 90% of the flight hours and flight operations occur. The FAA is committed to establishing this coverage over the next five years (costs and benefits related to these actions are detailed in the Statewide Plan), but only if the FAA believes that there will be a commitment on the part of industry to equip approximately 4,000 aircraft based in the state. This target represents about 65% of the aircraft here which accomplish over 90% of the flight operations in the state.

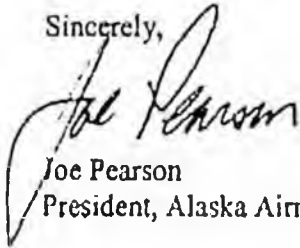
This commitment is significant given the challenge of the FAA is to make a "business case" in support of their funding activities. Obviously, Alaska could never compete with say the Northeast corridor or Florida in terms of numbers and users, but they are willing to front load an expanded system form in Alaska because they recognize that unlike virtually all the contiguous United States, Alaska has no low altitude legacy systems in place outside of Anchorage and Fairbanks. And sadly our accident rate and history compared with the United States as a whole is the strongest indicator of a capability lacking. The lives lost and resources expended as a result are unacceptable, yet for most of our state the aviation system is literally the only lifeline to our rural communities.

We believe that current cost to equip is out of the reach for almost all the owner/operators based in Alaska, and while the FAA plan to require equipage based on access of certain airspace will succeed down south, the lack of Class B airspace in Alaska for example will do nothing for our state in terms of encouraging or forcing equipage in Alaska as there is no Class B airspace in the state. The proposed loan program will help primarily the commercial part 135/121 operators and demonstrate to the FAA the commitment from the state is real. But, this is just a first step. Until the cost of ADS-B

specific equipment is much cheaper the approximately 3,700 general aviation aircraft that need to commit to equip to ensure the FAA completes their role as defined in the Statewide Plan will not likely occur.

Please support this plan, and recognize that follow on efforts will be required to see Alaska enjoy the safety benefits and access enhancements the lower 48 has realized for decades. This truly is a public safety issue.

Sincerely,



Joe Pearson
President, Alaska Airmen Association

Alaska Division of Investments
Department of Commerce, Community, & Economic Development

Proposed Alaska Capstone Avionics RLF

Cashflow Projections

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FEB 27 2008

FY	Beginning Capital/Cash	Operating Expense	New Loan Demand	Loan Repayments		Delinquency Est. @ 5%	Late Fees Est. 5% of Del. Amt.	New App Fee \$50 per Loan	Earnings Retained in Fund	Ending Cash Balance
				Principal	Interest					
FY09	21,000.0	(119.8)	(6,818.0)	567.9	272.7	(42.0)	2.1	40.9	810.9	15,714.7
FY10	15,714.7	(117.7)	(6,818.0)	1,158.5	522.7	(84.1)	4.2	40.9	566.0	10,987.2
FY11	10,987.2	(117.7)	(6,818.0)	1,772.7	749.1	(126.1)	6.3	40.9	353.7	6,848.1
FY12	6,848.1	(117.7)	(6,818.0)	2,411.5	950.9	(168.1)	8.4	40.9	168.7	3,324.7
FY13	3,324.7	(117.7)	(6,818.0)	3,075.8	1,127.2	(210.2)	10.5	40.9	21.7	455.0
Totals		(590.6)	(34,090.0)	8,986.4	3,622.6	(630.5)	31.5	204.5	1,921.0	

All numbers are rounded to the nearest hundred

Loan demand is based on FAA goal of equipping 4,091 aircraft over a five year period with \$34.1 million.

This results in 818 loans per year at \$8,335 per loan for a total loan demand of \$6,818 million per year.

Cashflow projections based on 4% interest over a 10 year term with repayments collected annually.

SARAH PALIN
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

2/22/08
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January 24, 2008

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Green:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing the Alaska capstone avionics revolving loan fund and relating to the fund.

In Alaska, aviation is relied upon to move people, mail, and cargo throughout the state. Alaska has only 14,788 miles of public roads and many communities are not connected to the highway system. Ninety percent of Alaska is accessible only by air. Because of this situation, commuter and air taxi flights often serve in lieu of the traditional road system.

Alaska has seven times more licensed pilots than the national average, but it also has the highest aviation accident rate in the nation. One way to make Alaska's skies safer is with capstone avionic equipment. A study done in Alaska over a six year period determined that the accident rate of aircraft equipped with capstone avionic equipment decreased by 47 percent as compared to other aircraft operating without the equipment. The Federal Aviation Administration (FAA) estimates the adoption of this technology will result in a 33 percent reduction in fatal accidents statewide.

The FAA's Joint Resource Council estimates the benefits of the capstone project would be substantial. These benefits flow from a combination of fewer aviation accidents, improved search and rescue, greater precision in adverse weather and difficult terrain, and increased access to remote villages (including medical evacuations) when the system is fully deployed both on the ground and in the air. In addition, there will be socio-economic improvements for rural Alaska, due to a safer and more reliable transportation infrastructure.

This new technology requires both the installation of ground based infrastructure and capstone avionics in the cockpit to achieve these benefits. To be visible to the system, as well as to take advantage of all of capstones capabilities, an aircraft must be equipped with appropriate on-board avionics.

The Honorable Lyda Green

January 24, 2008

Page 2

The FAA has invested in Alaska by deploying, and continuing to deploy, new ground-based aviation safety and access infrastructure including communications, navigation, and weather reporting systems, and upgraded airport access in Alaska. Support for the acquisition of the onboard avionics necessary to utilize the FAA ground infrastructure will aid in securing the substantial benefits of this technology for Alaskans and enhance, encourage, and make the most of the FAA investment in Alaska.

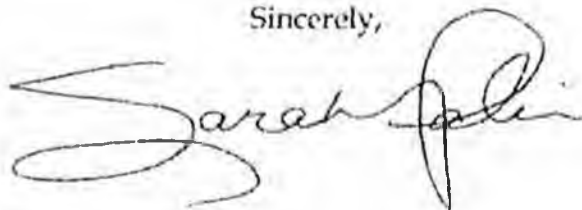
This bill would create the Alaska capstone avionics revolving loan fund within the Department of Commerce, Community, and Economic Development. The purpose of the fund would be to increase safety of air carrier, air taxi, and general aviation intrastate air transportation, by providing low-interest loans towards purchasing and installing capstone avionic equipment. An applicant for the low-interest loan must be an owner of an aircraft that is operated in the state. An applicant may be an individual, corporation, partnership, limited liability corporation, limited liability partnership, limited liability company, joint venture, or non-federal governmental entity.

The broad-based benefits of this legislation will help ensure that people can fly in a safer environment as they conduct their business and personal affairs

Under this new loan program, a loan for \$12,000 for avionics equipment at four percent over a ten-year term would result in a monthly payment of \$122 or an annual payment of \$1,480.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah Palin". The signature is fluid and cursive, with a large initial "S" and a distinct "P".

Sarah Palin
Governor

Enclosure

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
OFFICE OF THE COMMISSIONER

2/22/08
SARAH PALIN, GOVERNOR

3132 CHANNEL DRIVE
PO Box 112500
JUNEAU, ALASKA 99811-2500

FAX: (907) 586-8365
PHONE: (907) 465-3900

February 14, 2008

The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

Dear Senator Hoffman and Senator Stedman:

I respectfully request a hearing for SB 249 "An Act establishing the Alaska capstone avionics revolving loan fund." The loan provides funding for commercial operators and private aircraft owners to purchase "capstone" avionics. A capstone equipped plane has a video display showing the pilot his location relative to terrain, weather and similarly equipped aircraft in the vicinity.

This technology, which was cutting edge when it was tested as a pilot program in Bethel and Southeast Alaska, is being implemented nationally by the Federal Aviation Administration. The accident rate reduction in Alaska was 47% during the pilot program. Fatalities are estimated to be reduced by one third as a downed plane can be located quickly and precisely. Alaska's rural communities, who rely solely on air travel particularly in the winter, will have increased service, as capstone equipped planes will be able to land in inclement conditions.

The Department of Commerce, Community, & Economic Development will administer the loan program. The program is initially funded from the general fund; however, since it is a revolving loan fund, additional loans can be made from repayments over the life of the program. Loans will be available for up to 80% of the costs at an interest rate of 4% for 10 years.

"Providing for the safe movement of people and goods and the delivery of state services."

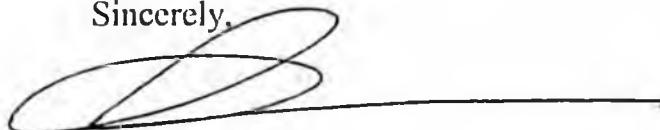
The Honorable Lyman Hoffman
The Honorable Bert Stedman

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February 14, 2008

Increasing so dramatically the safety of a mode of travel used by many Alaskans is one of the most important things we can do. I look forward to discussing this with you further.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

Enclosures

cc: Russ Kelly, Legislative Director, Office of the Governor
Randy Ruaro, Special Staff Assistant, Office of the Governor
Sally Saddler, Legislative Liaison, DCCED
Mary Siroky, Legislative Liaison, DOT&PF

2/22/08

FAA Capstone Program

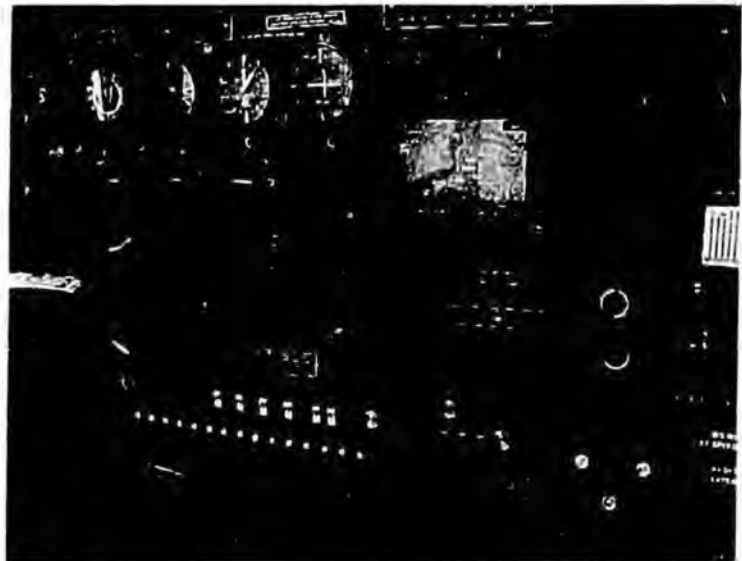
Why is the FAA Capstone program important?

Alaska experiences the highest aviation accident rate in the nation. The hazards of bad weather, rough terrain, and absence of radar coverage all contribute to the high Alaska accident rate. Congress funded a research and development program called Capstone in southwest and southeast Alaska that created a technology system to improve flight safety and community access in rural Alaska. Capstone demonstrated a 47% reduction in the aviation accident rate, and was so successful that FAA decided to implement the technology nationwide.

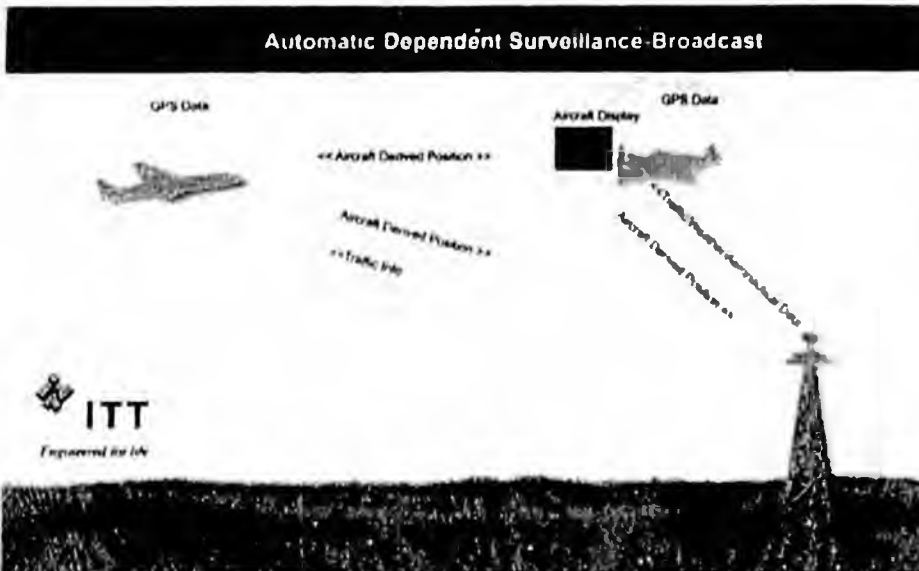
The Capstone system provides pilots better information and demonstrably improves aviation safety. In the event of an aircraft accident Capstone lets air traffic control know the precise aircraft location. This allows rescue workers to know exactly where they should go to locate the aircraft, greatly improves the chances of having a successful rescue effort, and substantially reduces search and rescue costs. Capstone provides all players in the aviation system with much more and better information to improve safety and rural community access for the flying public.

What is the FAA Capstone program?

Capstone is a cooperative effort by FAA and industry to improve aviation safety and community access by using a suite of new technologies that provides better flight information to pilots. Capstone equipped airplanes have a "moving map" video display screen, as can be seen in the picture to the right, which shows the pilot his own location relative to terrain, weather, orientation, and other aircraft in the vicinity. Furthermore FAA Air Traffic Control simultaneously receives aircraft position information that greatly enhances communication with and between pilots. Finally the Capstone system provides a Global Positioning System (GPS) instrument approach landing system, automated weather reporting, and communications.



The simple graphic below shows how the Capstone system works. The integrated Capstone system



technologies include ground based transmitters, communications equipment, transponders, Global Positioning System (GPS) navigation, surveillance, and weather reporting. FAA calls the system "Automatic Dependent Surveillance-Broadcast" (ADS-B).

Capstone Aviation Loan Fund

What is Capstone?

- Capstone is aviation positioning technology that allows equipped aircraft to interact with ground and satellite stations to provide pilots their exact location, airspeed and rate of ascent or descent in relation to the terrain and other aircraft, as well as providing real-time weather conditions.
- Aviation safety will be improved with an estimated 47% reduction in aircraft accidents and a 33% reduction in aircraft fatalities.
- Flights, once prohibited due to inclement weather conditions, (including medical evacuations) are possible with aircraft equipped with Capstone technology.
- The FAA selected Alaska as the site for its successful pilot project, installing stations in Southeast and the Bethel region.
- The FAA is now looking to expand the program to other regions of the state but have indicated that a certain number of additional aircraft must be equipped to justify the agency's increased investment of approximately \$500 million in ground infrastructure.
- It is looking to the State of Alaska to assist in this effort by helping aircraft owners to afford the cost of the equipment.

How will the loan program work?

- An owner of an aircraft operating primarily in Alaska can qualify for a loan of up to 80% of the cost to purchase and install Capstone equipment.
- Capstone equipment costs are expected to range between \$10,000 and \$20,000 depending on the type of aircraft.
- Loans are available for up to 10 years and would have a 4% interest rate.
- An average loan of \$12,000 would result in a monthly payment of \$122.
- The Department of Commerce, Community and Economic Development will administer the program.

Where does the money for the loan program come from?

- General Fund
- As a revolving loan fund, additional loans can be made from the repayments over the life of the program