

**2/3/09**

**LEG.**

**UPDATE:  
AVIATION  
DIVISION**



# **Airports & Aviation Alaska Dept. of Transportation**

## **Legislative Update**

February 2009

Christine Klein, AAE  
Deputy Commissioner

1



# **Overview of Airports & Aviation**

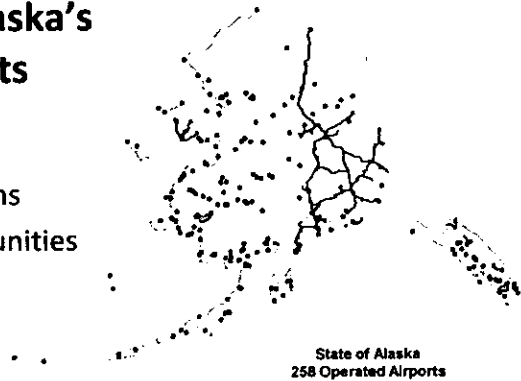
- I Status of Airports**
- II Statewide Rural Airports**
- III International Airport System**

2



## Status of Alaska's Airports

1. Strengths
2. Aviation Concerns
3. Focus & Opportunities
4. The Future



## Alaska's Airports & Aviation

### Strengths:

- Largest System in the US
  - 258 State Airports
  - 173 gravel, 45 paved, and 37 seaplane,
- Main Transportation Mode for all citizens and regions
- Only means of access for over 149 communities

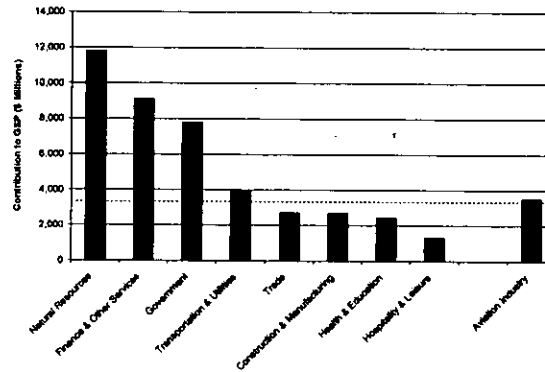




## Aviation Industry Economic Contribution to Alaska

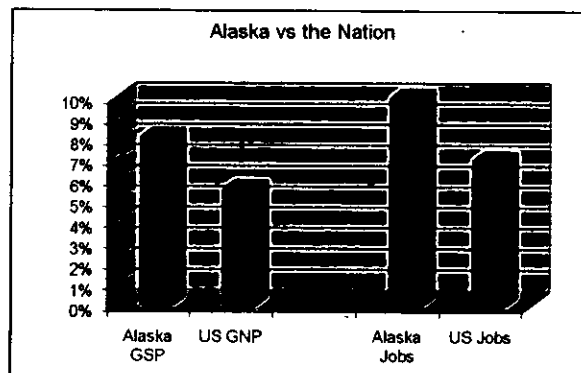
### Strengths:

- 47,000 Aviation jobs statewide both rural and urban
- 5<sup>th</sup> Largest Provider of Alaska's Gross State Product
- Contributes >\$3.5B to \$44B Economy



## Jobs & Economic Comparison

- Aviation is much more important economically to Alaska than the rest of the Nation
- Alaska's GSP due to aviation is 40% higher than the National average



*"The aviation industry is larger than the trade, construction and manufacturing, health and education, and hospitality and leisure sectors". Economic Contribution of the Aviation Community to Alaska's Economy, March 2009.*



## Aviation Concerns



### Airport Operations

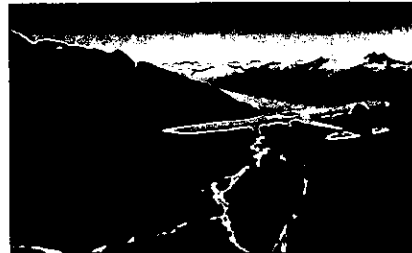
- 96% Federally CIP Funded
- Low State Investment
- Industry Need for More Airport Maintenance & Operating Hours
- Aviation Role in DOT&PF not Well Understood by Users
- Competing Priorities



## Aviation Status continued...

### Opportunities:

- Safe Airports Strengthen Rural Economy with Jobs & Access
- Aviation Career Paths
- Improved Communication with Aviation Business groups
- Better Funding & Standards for Maintenance of the largest Aviation System in World





## Our Primary Focus & Goals

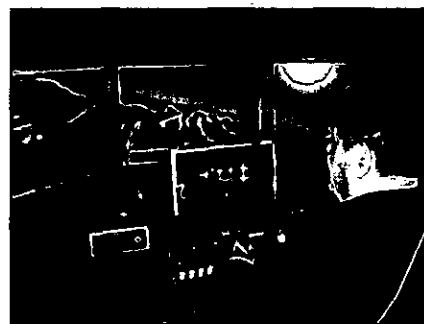
Category	Focus Area	Operational Goal
Airport Standards	Economic Impacts	Customer Relations
Maintenance & Operations	<b>Aviation System Plan</b>	Public Processes
Nav aids & Approaches	Sustainable Airport Funding	Statewide Aviation Role
Capstone Technology	Deferred Maintenance	Aviation Career Progression
	Aviation Structure	DOT & PPI & FAA Processes



## Aviation Safety Efforts

### 1. Safety:

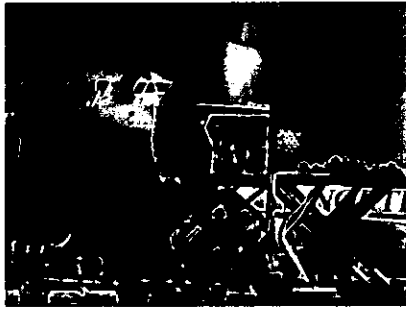
- Capstone Loan Program
- State Digital Mapping Initiative, and Pilot Flight Simulators for Use
- Airport Construction and Safety Video's
- Airport Employee Training



Aviation Safety Program  
Flight Simulator Access for Pilots...

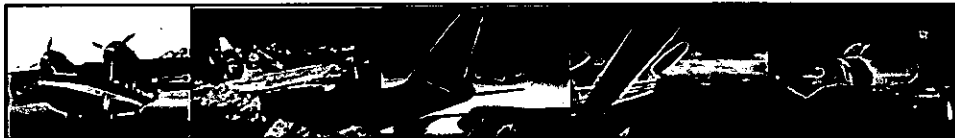


## Sustainability of Our Airports...

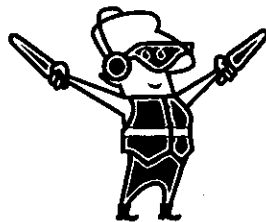


### 2. Sustainability:

- Economic Impact of Aviation
- Comply with FAA Grant Assurance Requirements
- Increase Lease Rates Slow, Low, and Fair
- Id Minimum State Funding for Safe Airport Operations
- Id Maintenance Backlogs
- Training & Apprentices



## Efforts at Better Service...



### 3. Better Customer Service:

- Listen to Customers needs better - Aviation System Plan
- Returning Calls/Letters faster
- Explain the Confusing Process
- Honesty: No, but why...
- Info: WebSite/GIS/newsletter
- Access and Public Meetings
- Yes, "We Can" Find Solutions through Compromise 😊

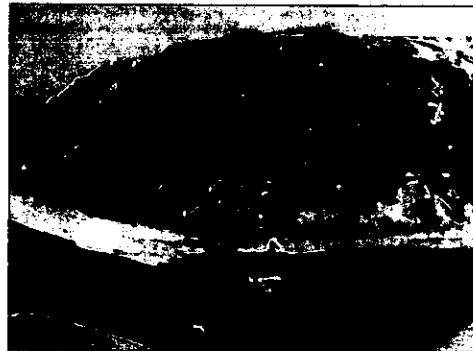


## Statewide Aviation Rural Airports



### Rural Airports Overview

1. Current Conditions
2. Challenges
3. Projects
4. Future



Little Diomed Heliport



## Current Conditions

### 256 State owned Rural Airports

- 173 gravel, 45 paved, 37 seaplane, 1 heliport (Diomedea)
- 21 Certificated airports
- 69 runways less than 3,000'
- 21 runways less than 2,000'



### Annual Budget

- Operating - \$28 million
- Capital - \$150 million



## Challenges

- **Federal Regulations**
  - FAA and TSA
- **Escalating Construction**
  - Difficult locations
  - Project Costs
- **Environmental**
- **Operational Demands**
  - Hours of Use
  - Larger Aircraft
  - More Operating Costs

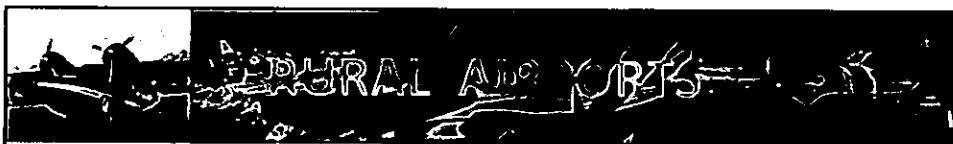
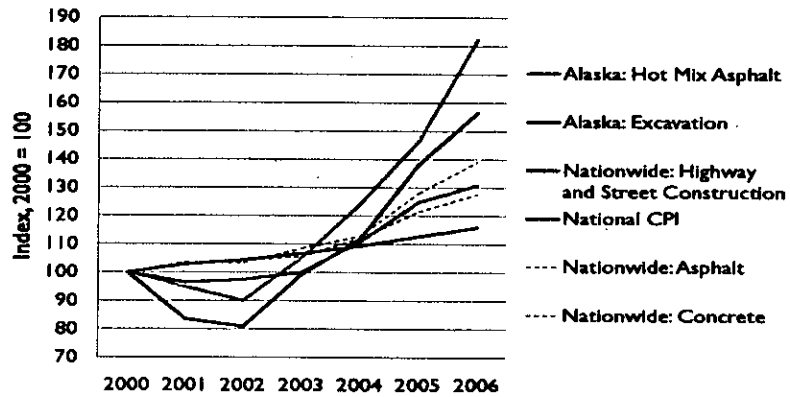


Sitka Airport



## Challenges: Construction Costs

### Cost Inflation



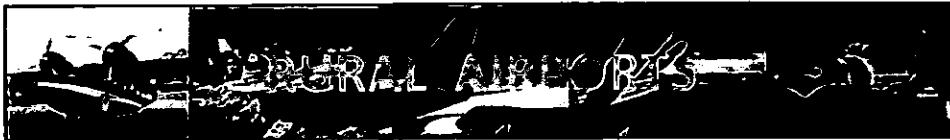
## Challenges: Environmental - Dust



*Aircraft use, maintenance, and general work creating dust.*



*After Dust Control. Our Airport M&O contractor, after chemical dust palliative application. Happy with his runway skid marks!*

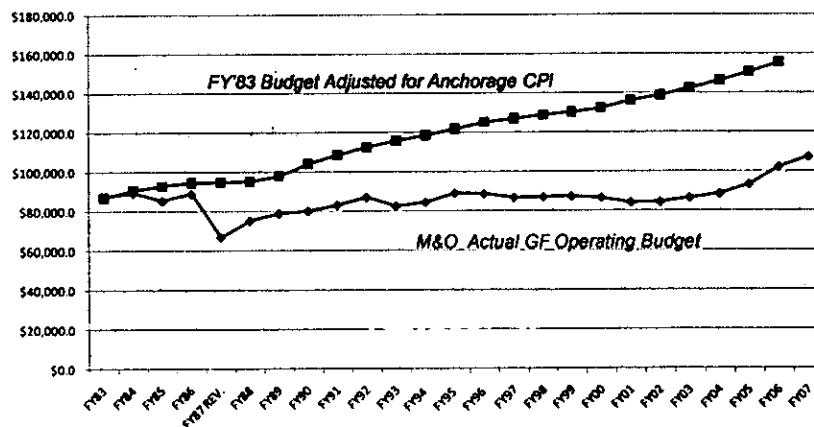



## Environmental - Floods & Coastal Erosion

- Shishmaref
- Kivalina
- Newtok





## Challenges: Maintenance Funding to Operate Airports





### Looking Ahead ...

- Alaska Airport Infrastructure established w/Federal Funds
  - Grant Assurances required us to Maintain those Airports
  - A Necessary Transition: from "Build" to "Maintain"
- State vs. Federal Funding
  - New Funding Model Required to Operate and Maintain Our Rural Airports
  - Cost: \$28M yr/256 airports
  - Airport Revenue: \$3.9M yr

### Statewide Rural Airport Funding Needs

Needs	Primary Airports	Non-Primary Airports
Runway Improvements	\$364,000,000	\$840,000,000
Buildings	\$56,000,000	\$53,000,000
Equipment	<u>\$7,000,000</u>	<u>\$13,000,000</u>
Funds Needed	\$427,000,000	+ \$906,000,000
<b>Total Rural Airports</b>		<b>\$1,333,000,00</b>



## Where Has Funding Come From?

- **Capital Projects**
  - Earmarks
  - Federal Airport Improvement Program (AIP)
    - Funding based on federal funding formula's for practically all statewide airport capital improvements in recent years >95%.
    - AIP funds in turn come with stringent grant assurance requirements
  - General Fund Appropriations
    - Airport Deferred maintenance and Life Safety projects
- **Maintenance and Operations**
  - General Funds
  - Lease revenues



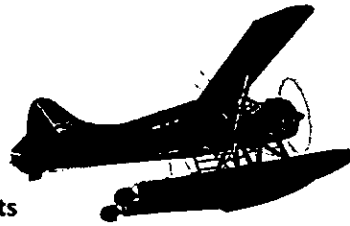
## Recent Primary Airport Projects

- |   |  |
|---|--|
| <p><b>Aniak</b></p> <ul style="list-style-type: none"> <li>- SREB FFY'05, \$3.3M</li> </ul> <p><b>Bethel</b></p> <ul style="list-style-type: none"> <li>- RWY Safety Area &amp; Parallel RWY Embankment FFY'05+, \$16.1M</li> <li>- Apron Exp &amp; SREB FFY'06, \$7.4M</li> <li>- Parallel RWY Paving FY'07+, \$8.4M</li> </ul> <p><b>Cordova</b></p> <ul style="list-style-type: none"> <li>- RWY Safety Area &amp; Electrical Line Rehabilitation FFY'05/06, \$11.3M</li> <li>- SREB FFY'07, \$2.7M</li> <li>- RWY Lghtng Rplcmnt FY'08, \$4.5M</li> </ul> <p><b>Deadhorse</b> - RSA Exp FFY'04/05, \$18.1M</p> <p><b>Dillingham</b> - SREB FFY'09, \$2.2M</p> | <p><b>Emmonak</b> - Apron Surfacing, RSA Imprvmnts FFY'08+, \$11.7M</p> <p><b>Gustavus</b></p> <ul style="list-style-type: none"> <li>- RSA Expansion FFY'11, \$10.5M</li> </ul> <p><b>Ketchikan</b></p> <ul style="list-style-type: none"> <li>- RWY Overlay, RSA Expansion FFY'06+, \$34.6M</li> <li>- SREB FFY'07+, \$5.3M</li> </ul> <p><b>King Salmon</b></p> <ul style="list-style-type: none"> <li>- RWY Safety Area, Parallel TWY, Resurfacing FFY'06+, \$34.5</li> </ul> <p><b>Kodiak</b></p> <ul style="list-style-type: none"> <li>- Kodiak EIS FFY'07+, \$6M</li> </ul> <p><b>Kotzebue</b></p> <ul style="list-style-type: none"> <li>- RWY Safety Area FFY'04+ \$15.2M</li> <li>- Sand Storage Bldg FFY'06, \$3M</li> </ul> |
|---|--|



### FFY'09 and Future

- **Current AIP Funding**
  - Extension of 2008 AIP funds FAA to 3/31/09 with 3<sup>rd</sup> Quarter Requiring Continuing Resolution
- **Stimulus Package Being Considered**
  - \$3B potentially for ALL Airports in the US
  - Up to \$380M AK airport projects ready
- **Increasing Safety & Security Regulations**
  - Expanding air cargo security, safety...
- **Our Future: Operating & Maintaining Airports**
  - Focus on State Funding of and Sustainability of Alaska's aviation transportation network



### Alaska International Airport System (AIAS)



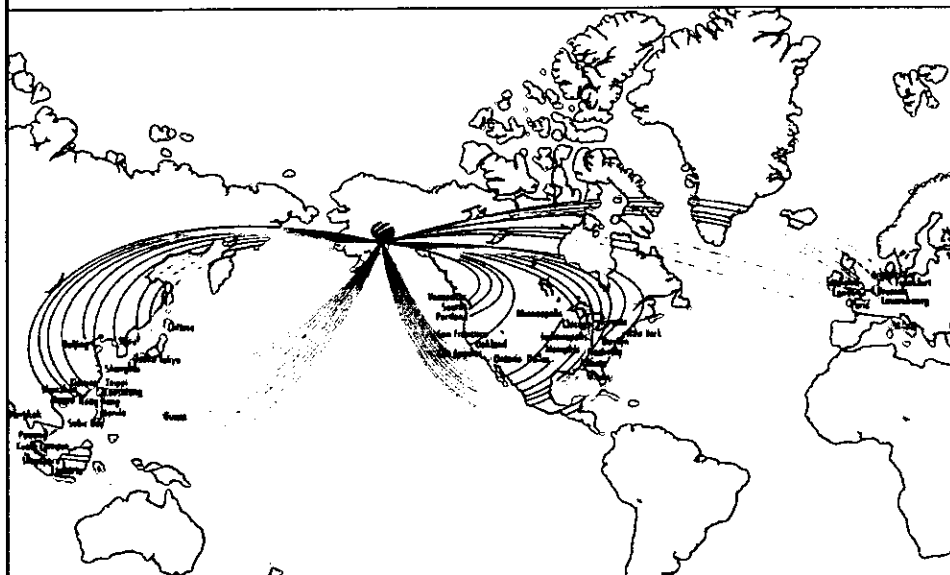
### AIAS Strengths

- One system for revenue, checks & balances, consistent industry stds in policy direction
- Two Airports focused on the airport operations
- Economic Engine for local communities and state
- Diverse sources of revenues and airlines/air cargo
- Air Cargo center for Asia
- Long-term commitments
- System capacity for growth

*19 wide-body aircraft diverted from ANC to FAI October 2008 and all revenues kept in Alaska:*

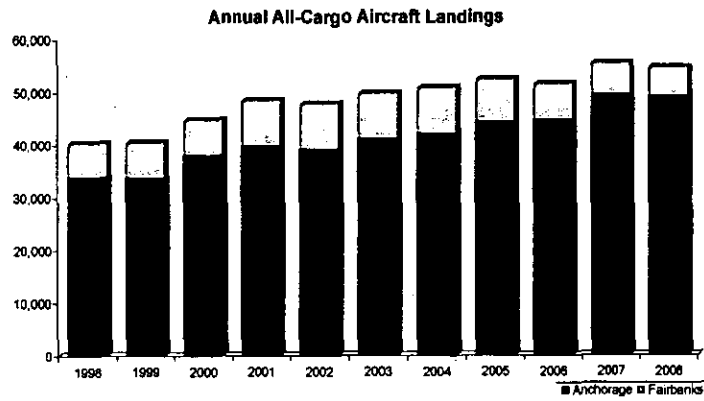


### AIAS Strategic Cargo Location

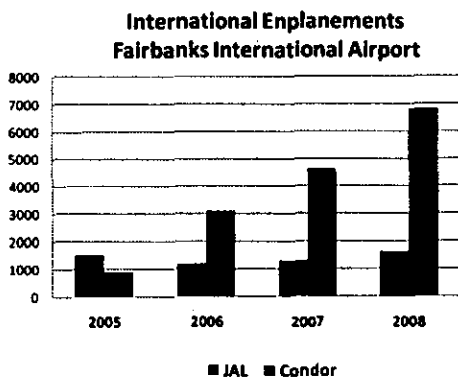




### Strengths: Cargo Operations



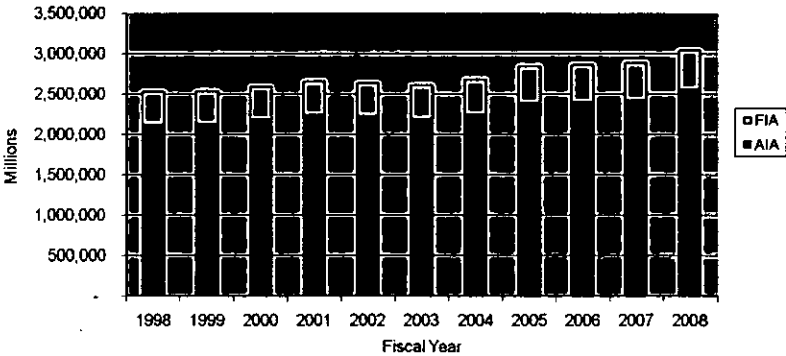
### AIAS Strengths





### Strengths: Passenger Trends

AIAS Enplanement History  
FY1998-2008

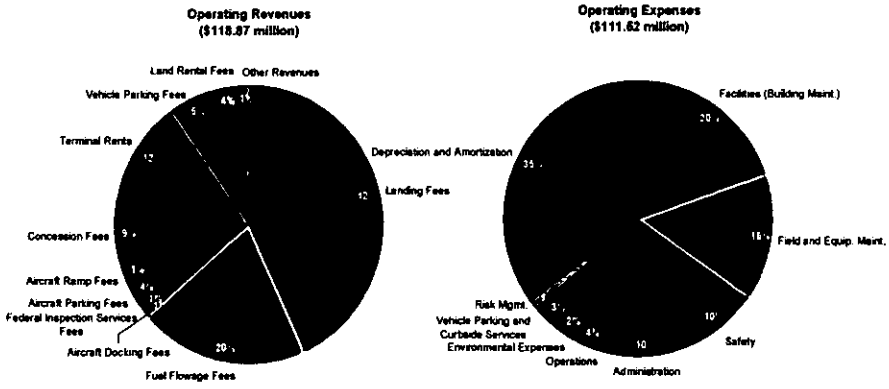


2.1



### Strengths: Diverse Business Revenues

FY 2008 Operating Revenues & Expenses





## Summary of 2008 AIAS Activity

- Total Landings = 101,863 (-05%)
- Cargo Landings = 46,965 (-5.4%)
- Passengers = 5,380,811 (+4.4%)
- Fuel Flowage = 865 million gallons (-6.6%)

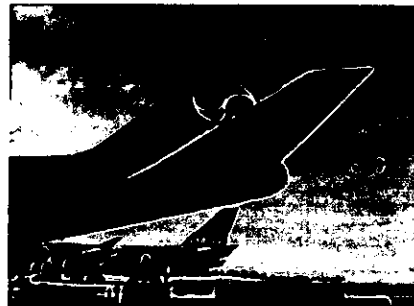
*(2008 is July 1, 2007 through June 30, 2008)*

33



## Current AIAS Concerns

- Global Economic Recession
- Weakened Aviation Industry: mergers, bankruptcy, fewer flights, fuel crisis
- Heavy AIAS Debt Burden
- AIAS Cargo mid year projection down ~13.0% for FY'09
- Passenger mid year ANC and FAI projection down 11.0% and 3.0% for FY'09 respectively





## AIAS Response

### Remain Competitive:

- Proactively reduced Operating Budget in June '08
- Scaled-back capital projects and programs \$300M
- Returned to System Structure maximizing capacity
- Maintained stability illustrated in recent bond sale

### Assessing the Competition:

- Conduct 3<sup>rd</sup> Party Intl Cargo Analysis Asian Market & Over-Flights
- Negotiated operating agreement in partnership with airlines
- Utilizing excess cash to reduce debt, hold down rates
- Favorable regulations – Cargo Transfer Authority
- Local economy and tourism relatively strong



## Opportunities: Competitive Rates

### Terminal Rent

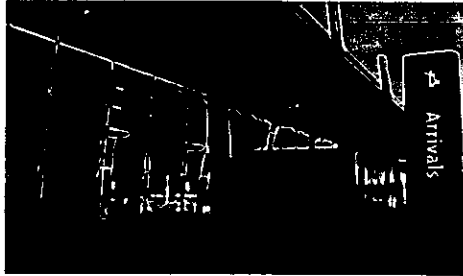
	<u>Ticket / Gate</u>
Seattle	\$396.01 / \$237.60
Portland	\$242.00 / \$218.00
Ontario	\$139.99 / \$139.99
Reno	\$117.04 / \$93.63
Boston	\$100.21 / \$100.21
<u>AIAS</u>	\$61.50 / \$61.50

### Landing Fee

	<u>Cost for 747-400</u>
Toronto	\$12,799.08
Tokyo	\$7,405.37
Newark	\$4,789.75
New York	\$4,456.55
Dallas	\$3,349.98
Seoul	\$2,982.14
Chicago	\$2,759.24
Seattle	\$1,918.00
Vancouver	\$1,837.08
<u>AIAS</u>	\$1,266.16



### AIAS Terminal Renovation Projects



....Fairbanks International Airport



Anchorage International Airport ....



### Major Upcoming Projects 2009-2014

#### Anchorage International

- Runway 7R/25L rehabilitation = \$78.4 M
- Runway 7R/25L extension = \$29.1 M
- Equipment = \$ 3.9 M

#### Fairbanks International

- Runway 1L/19R reconstruction = \$18.3 M
- Access Control Improvements = \$ 3.0 M
- Equipment = \$ 3.3 M



## **AIAS: Competitive & Responsive**

### **Goal: Maintain Competitiveness**

- Cut costs where possible to match earned revenue
- Rates & Fees stable & lower in new agreement
- Reduced 5 year capital costs to airlines

### **Mitigating Factors:**

- Reliability of AIAS System as major Hub
- Essential nature of Alaska passenger service
- Diversity of Air Carriers and airport revenue sources
- Favorable Regulations – Air Cargo Transfer Authority
- Stable business environment – good airline relations



**Thank you**

**Christine Klein, AAE  
DOT&PF Deputy Commissioner  
Airports & Aviation  
907-269-0724**



### Recent Non-Primary Airport Projects

- Akiachak Relocation FFY'09+, \$23.5M
- Akutan Construction FFY'07+, \$32+M
- Alakanuk Relocation FFY'07+, \$21.3M
- Angoon Airport EIS, FFY'07+, \$4M
- Atka Resurfacing & Extension FY'08, \$21.6M
- Cheforak Relocation FFY'10, \$20M
- Fort Yukon Improvements FFY'09+, \$14.5M
- Galena SRE Bldg Rehab FFY'09, \$1M
- Goodnews Bay Recnstrctn FFY'08+, \$16.6M
- Grayling Reconstruction FFY'08, \$18.9M
- Hoonah Improvement FFY'10, \$2.5M
- Iliamna SRE & Office Building FFY'09, \$6.1M
- King Cove Improvement FFY'08+, \$11.5M
- Kipnuk Relocation FFY'09+, \$18.7M
- Kongiganak Improvement FFY'07+, \$19.2M
- Lake Louise RWY Rehab FFY'07, \$2.7M
- Manley Airport Relocation FFY'10, \$13.8M
- Minto Relocation FFY'07, \$9.2M
- Nightmute Reconstruction FFY'07, \$15.1M
- Nunapitchuk Recnstrctn FFY'07, \$15.1M
- Ouzinkie Relocation FFY'10, \$24.1M
- Pilot Station Relocation FFY'10, \$15.7M
- Platinum Relocation FFY'09, \$10.2M
- Savoonga Rehab FFY'08+, \$17.3M
- Seldovia SRE Building FFY'09, \$3.2M
- Tuluksak Relocation FFY'09+, \$19.6M
- Unalakleet Paving – FFY'05+, \$24.7M

## Title 17 Regulations for Rural Airports

### 17 AAC 45

- **New Rural Airport Regulations were adopted and became effective March 22, 2008**  
The regulation changes included substantial rate increases.
- **Alaska Air Carriers Association (AACCA) filed a petition on April 24, 2008**  
The petition filed was against the rental rate increases and other sections of 17 AAC 45. Portions of the petition were accepted by DOT&PF for review and reconsideration.
- **Emergency Regulations were adopted effective June 17, 2008**  
A temporary moratorium was placed on the 2008 rental rate increases and rental rates returned to the 2002 rates.
- **Public Notice posted and public hearings conducted in October 2008**  
The proposed regulation changes included reduced increases to the rates and applied the increases over three years (10% per year in 2009, 2010 and 2011). Other proposed regulation changes related to boundary crossing permits, rate adjustments and charges and the appeal period for certain decisions made by DOT&PF.  
Written comments received were primarily concerned with the rate increases and their economic impact.
- **Revisions to Rural Airport Regulations to be effective March 2009**  
Proposed rate increases were further reduced and deferred. Aviation Uses increase 4% in 2010 and 2012 and Non-Aviation and Auxiliary Uses increase 8% in 2009 and 2010; 6% in 2012 and 5% in 2014. Other regulation changes follow the draft regulations published and presented at the public hearings.

#### Rate Increases

Use	3- 2009	10-1-2009	10-1-2010	10-1-2012	10-1-2014
Aviation	2002 rate	No increase	2002 rate +4%	2010 rate+4%	No increase
Non-Aviation	2002 rate	2002 rate + 8%	2009 rate +8%	2010 rate+6%	2012 rate+5%

## Title 17 Regulations Rural Airport Rates

### Current Rate Proposal 1-5-09 - Reduced and Deferred March 2008 Rate Increases

Return to 2002 Rates until 10/1/2009

**Aviation:** No increase until 10/1/2010. Increase at 4% in 2010 and 2012

**Non-Aviation & Auxiliary:** 8% Increase 2009 and 2010, 6% Increase 2012, and 5% Increase 2014

Monthly Rent for Aviation Use 1/3 Acre Lot (14,520 Square Feet)	March 22, 2008 Title 17 Rate New 3/22/08 Rates	Emergency Regulations 2002 Rates		Current Proposed Rates Effective Oct 1, 2009		Current Proposed Rates Effective Oct 1, 2010		Current Proposed Rates Effective Oct 1, 2012		Current Proposed Rates Effective Oct 1, 2014	
		Return to 2002 Rate		No Increase at this time		4% Over 2002 Rates		4% Over 2009 Rates		No Rate Increase	
	\$ 93.17	\$ 72.60	\$ 72.60	\$ 72.60	\$ 75.50	\$ 78.52	\$ 78.52	\$ 78.52			
Airport @ .06/square foot	\$ 206.91	\$ 137.94	\$ 137.94	\$ 137.94	\$ 143.46	\$ 149.20	\$ 149.20	\$ 149.20			
Airport @ .114/square foot											

Monthly Rent for Non-Aviation & Auxiliary Use 1/3 Acre Lot (14,520 Square Feet)	March 22, 2008 Title 17 Rate New 3/22/08 Rates	Emergency Regulations 2002 Rates		Current Proposed Rates Effective Oct 1, 2009		Current Proposed Rates Effective Oct 1, 2010		Current Proposed Rates Effective Oct 1, 2012		Current Proposed Rates Effective Oct 1, 2014	
		Return to 2002 Rate		8% over 2002 Rates		8% over 2009 Rates		6% over 2010 Rates		5% over 2012 Rates	
	\$ 93.17	\$ 61.71	\$ 66.65	\$ 66.65	\$ 71.98	\$ 76.30	\$ 76.30	\$ 80.11			
Airport @ .051/square foot	\$ 206.91	\$ 137.94	\$ 148.98	\$ 148.98	\$ 160.89	\$ 170.55	\$ 170.55	\$ 179.07			
Airport @ .114/square foot											

3-22-2008 Rates

Current Proposed Rates

October 2008 Proposed Public Hearing Rates were proposed 10% increases on Jan 2009, Oct 2010 and Oct 2011