

**3/23/09
PRESENTA
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AVIATION
INDUSTRY**

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INDUSTRY</subject><comm>SFIN26</comm></target>

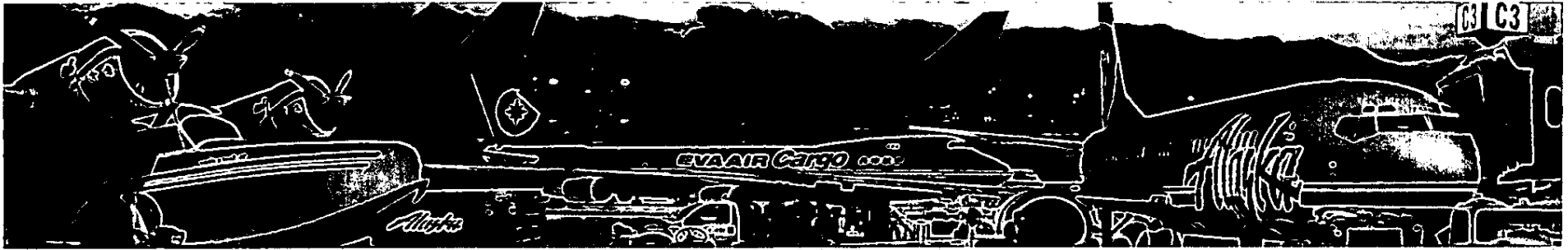


Alaska International Airports

Alaska Dept. of Transportation Legislative Update

March 23, 2009

Christine Klein, AAE
Deputy Commissioner



Overview:

I. System Advantages & Strengths

1. Alaska System Global Advantage
2. Airport System Strengths
3. Economic Impacts

II. Traffic, Trends, Concerns

1. Growth of Past 10 Years
2. Weakening of 2008 Events
3. AIAS Responses

III. Future Outlook

1. AIAS Tie to Global & National Markets
2. Responsiveness and Competitive
3. Cautious Stable Growth



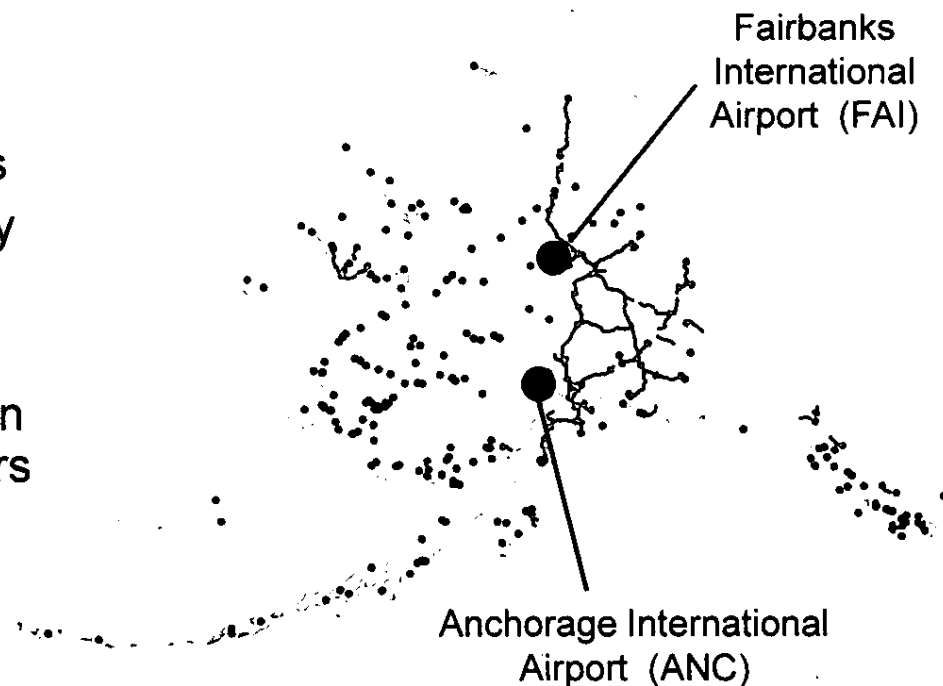
I. System Advantage & Strengths

1. Alaska International Airport System
2. System Strengths
3. Economic Impact

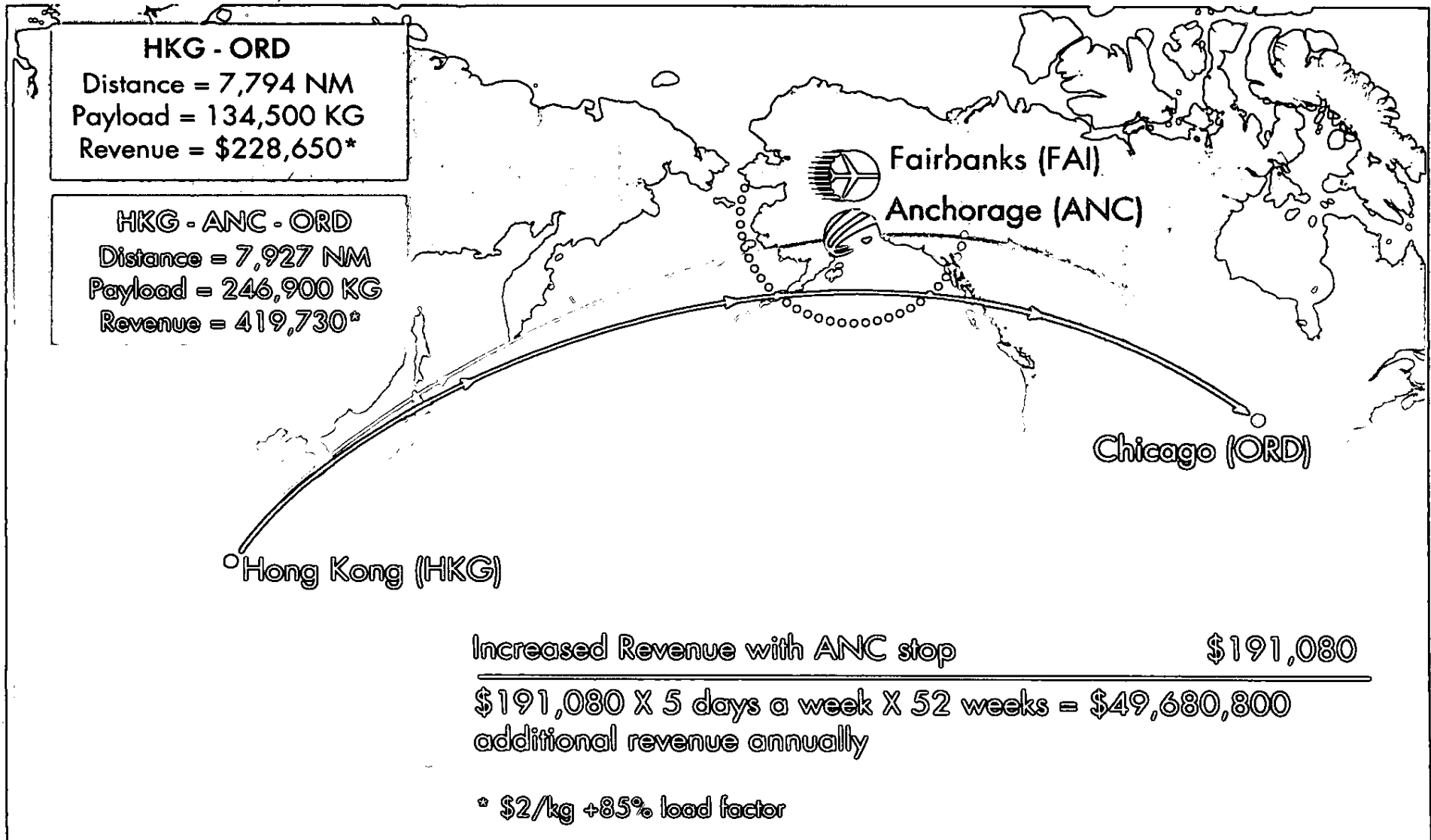


Alaska International Airport System (AIAS)

- **Established in 1961**
- **Airports of ANC and FAI**
 - Shared Assets & Resources
 - Capital & Bonding Capability
- **Aviation Support across vast and remote distances**
 - Aircraft Alternate & Diversion Options for weather/disasters
- **Serving Alaska and World**
 - Part of the National Priority International Airport System



Alaska's Global Advantage Payload vs Range





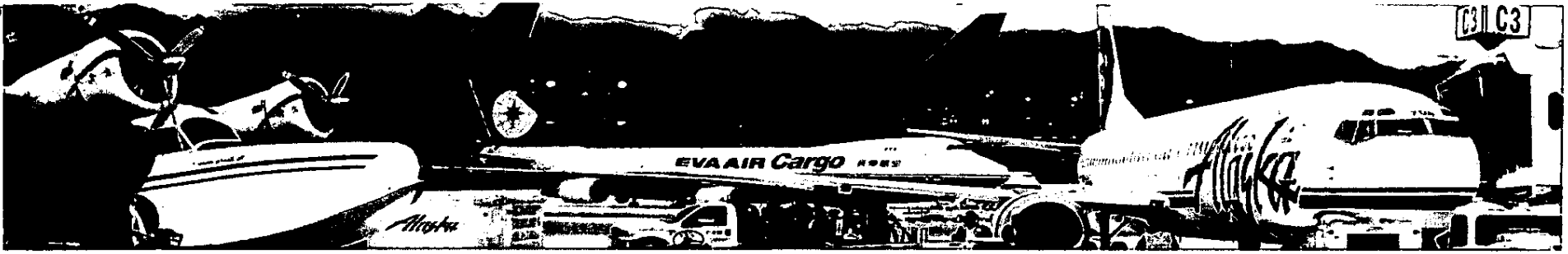
Alaska System Advantages

Regulatory:

- Progressive Clearance
- International to International Cargo Transfers
- USDOT awarded Cargo Transfer Flexibility in '96
 - On-line transfers
 - Commingling foreign domestic Foreign-domestic, foreign-foreign transfers
- Expanded Cargo Transfer '03
 - Expands transfer authority for foreign carriers with revenue relationship w/U.S. carrier

Location & Cost:

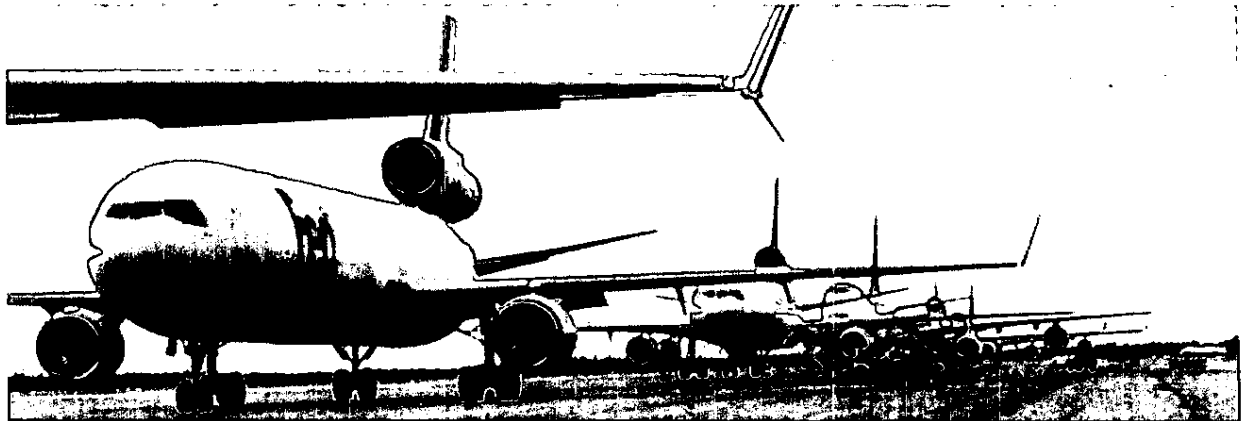
- Strategic Location for Trans-Pacific Asia Cargo
- Pay-load vs Range
 - Aids Carrier Profit Margin
- Growing Asia Market and Base of Chinese Freighters
- Close alternate airport
- No Slots or Curfews
- Parts exchange program
- Competitive airports: each with same low rates & fees

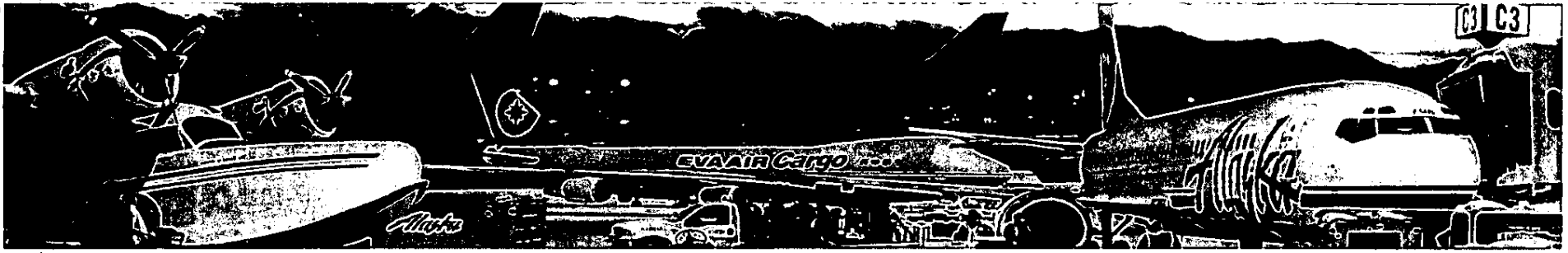


AIAS Strengths

- One Revenue System
- Two Large Intl. Airports
- Competitive Rates & Fees
- Diverse Revenue Sources
- Wide Mix of Air Carriers
- Air Cargo center for Asia
- Long-term Commitments
- System Capacity for Growth
- Economic Engines for the State of Alaska and the Local Communities

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



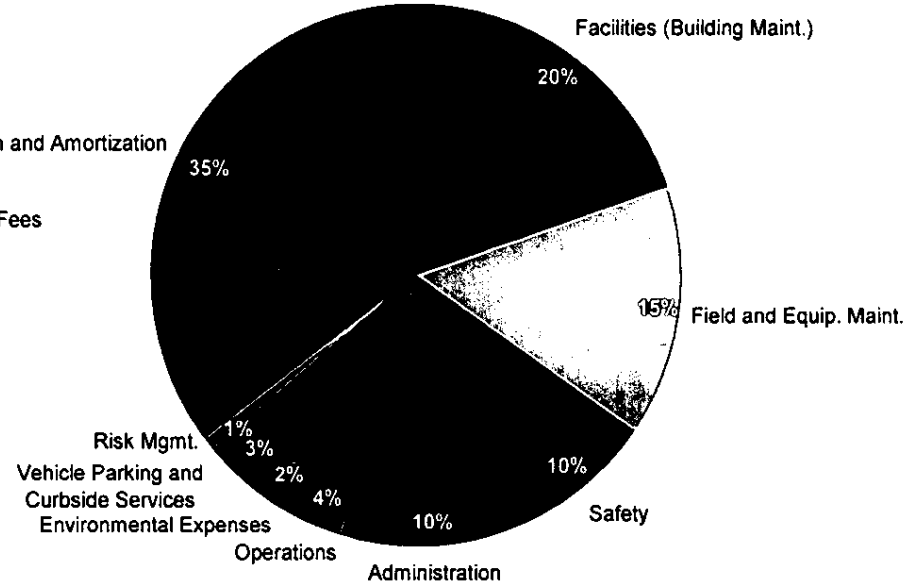
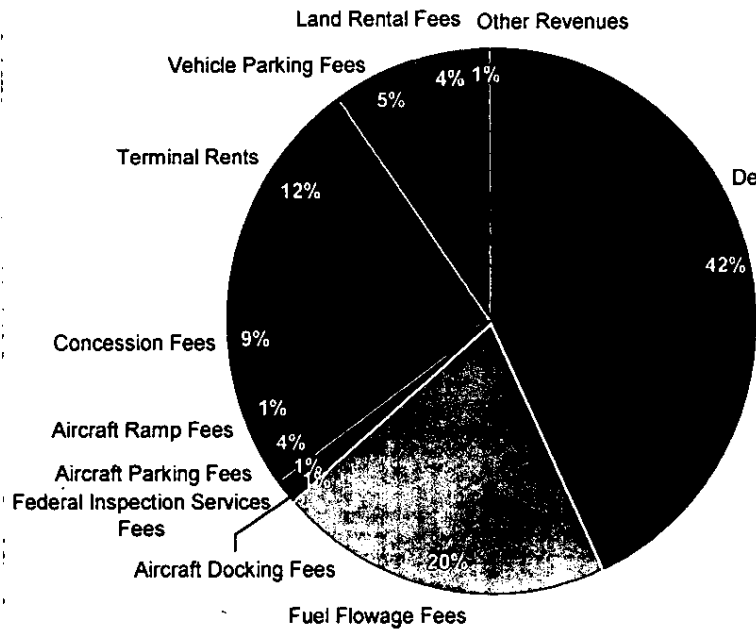


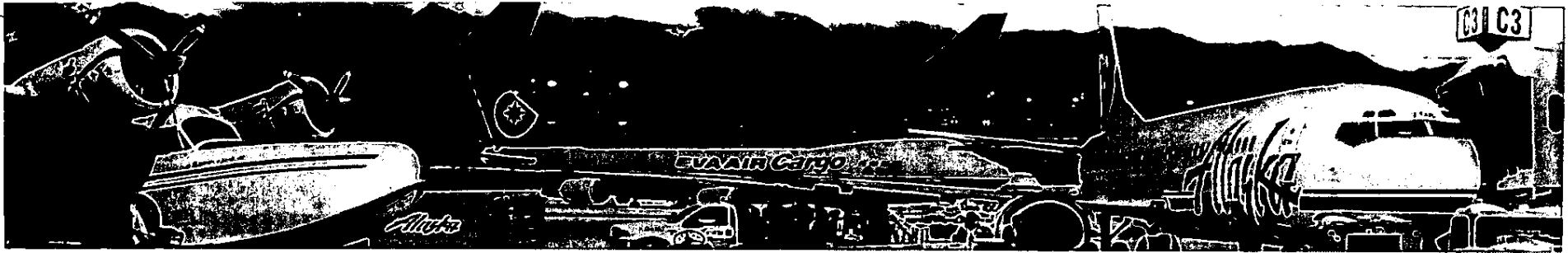
Strength: Diverse Business Revenues

FY 2008 Operating Revenues & Expenses

Operating Revenues
(\$118.87 million)

Operating Expenses
(\$111.52 million)





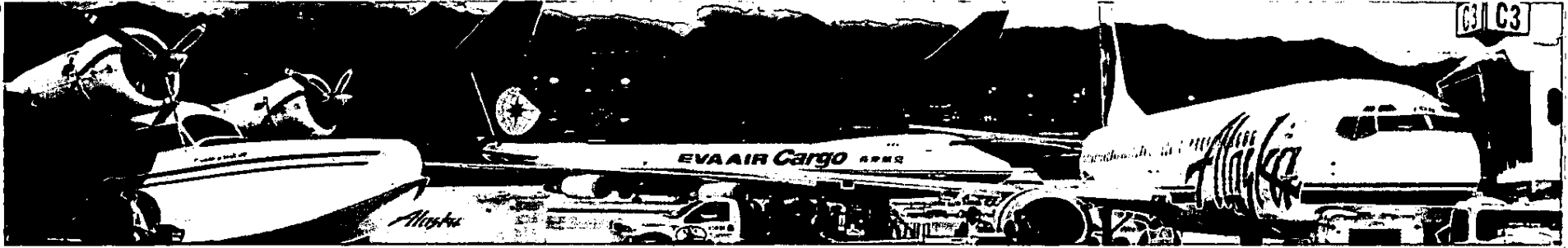
Cargo and Diversity of Carriers

Cargo Carriers by Home Country:

• USA	14
• China	5
• Japan	3
• Korea	2
• Taiwan	2
• Hong Kong	1
• Singapore	1
• Australia	1
• Canada	1

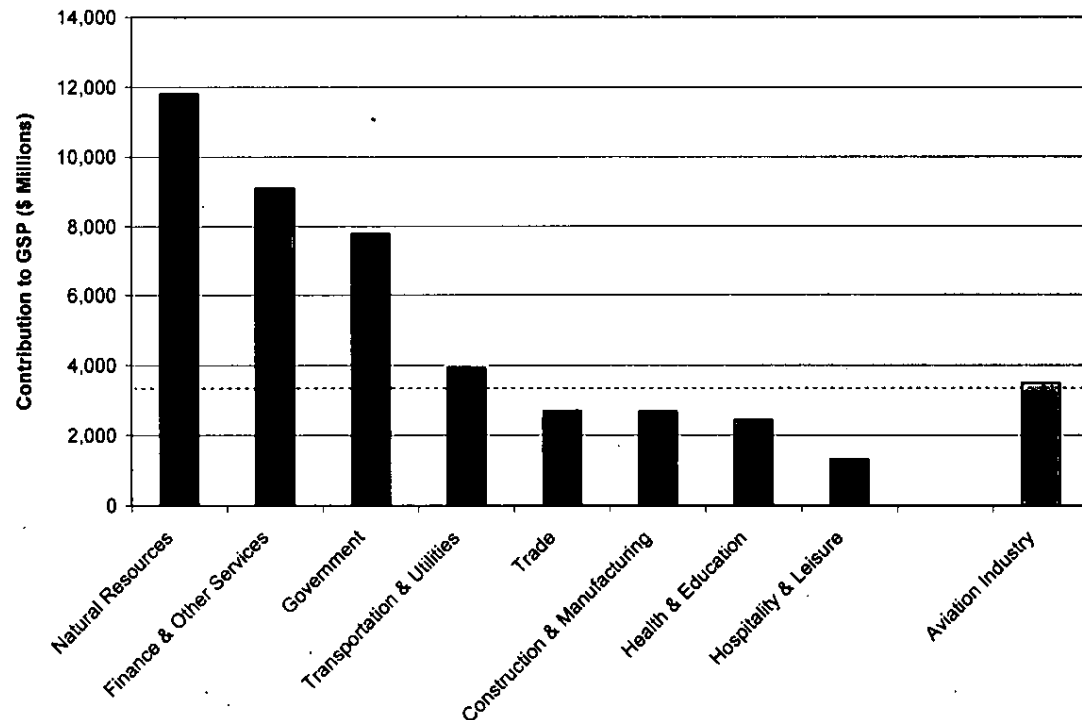
Current Carriers (35):

- ACE Air Cargo
- ANA
- Air Atlanta Icelandic
- Air Canada
- Air China
- Alaska Airlines
- Asiana Airlines
- Atlas Air
- Cargo 360
- Cathay Pacific Airways
- China Airlines
- China Cargo
- China Southern
- Empire Airlines
- Eva Airways
- Evergreen International
- Everts Air Cargo
- Federal Express
- Focus Air Cargo
- Japan Airlines
- Kalitta Air
- Korean Air Cargo
- Lynden Air Cargo
- Nippon Cargo Airlines
- Northern Air Cargo
- Northwest Air Cargo
- Polar Air Cargo
- Qantas
- Shanghai Airlines
- Singapore Airlines
- Southern Air
- TradeWinds Airlines
- United Parcel Service
- World Airways
- Yangtze River Express



Overall Statewide Aviation Economic Contribution to Alaska

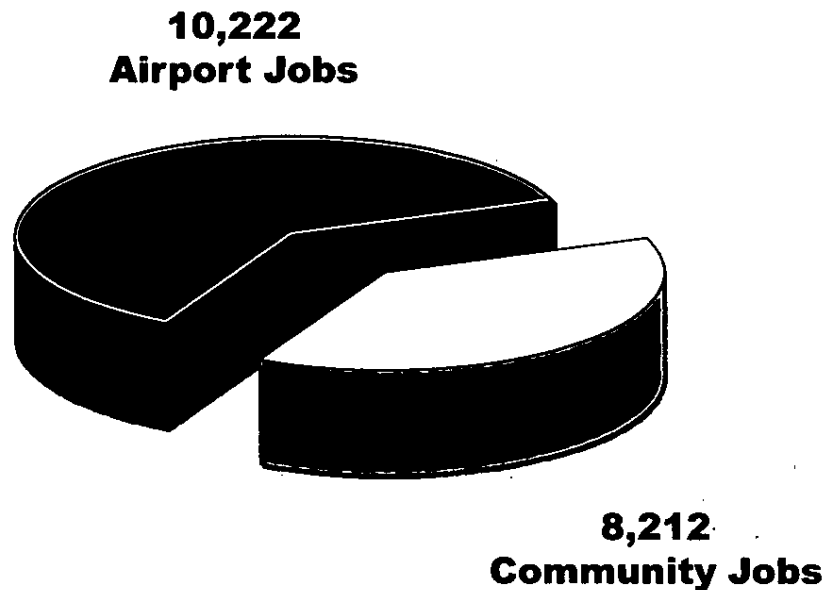
- **47,000 Aviation Jobs Statewide in Alaska**
- **5th Largest Provider of Alaska's GSP**
- **Over \$3.5 Billion of Alaska's \$44 Billion Economy**



(Economic Contribution from All Aviation Statewide in Alaska) Source: Northern Economics March 2009.

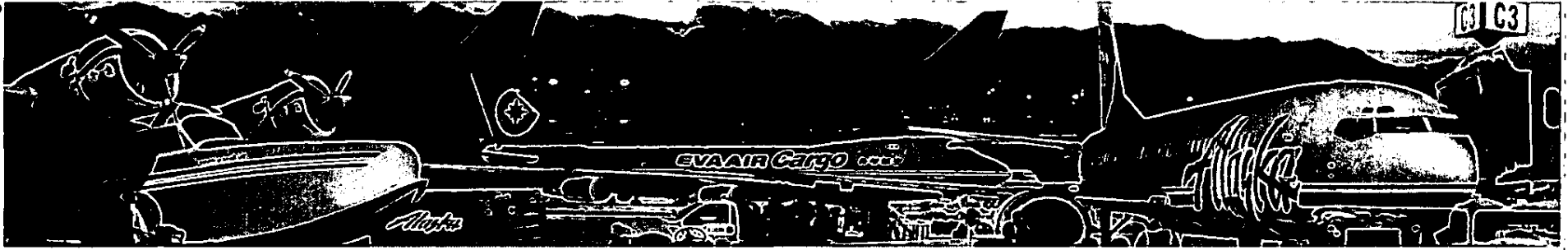


Anchorage Specific Economic Impact: 18,434 Jobs



- One in eight jobs
- About \$562 million direct annual payroll
- Another \$288 million in annual community jobs payroll
- \$2.36 billion total annual Anchorage impact

Source: Institute of Social and Economic Research, University of Alaska Anchorage, September 2007

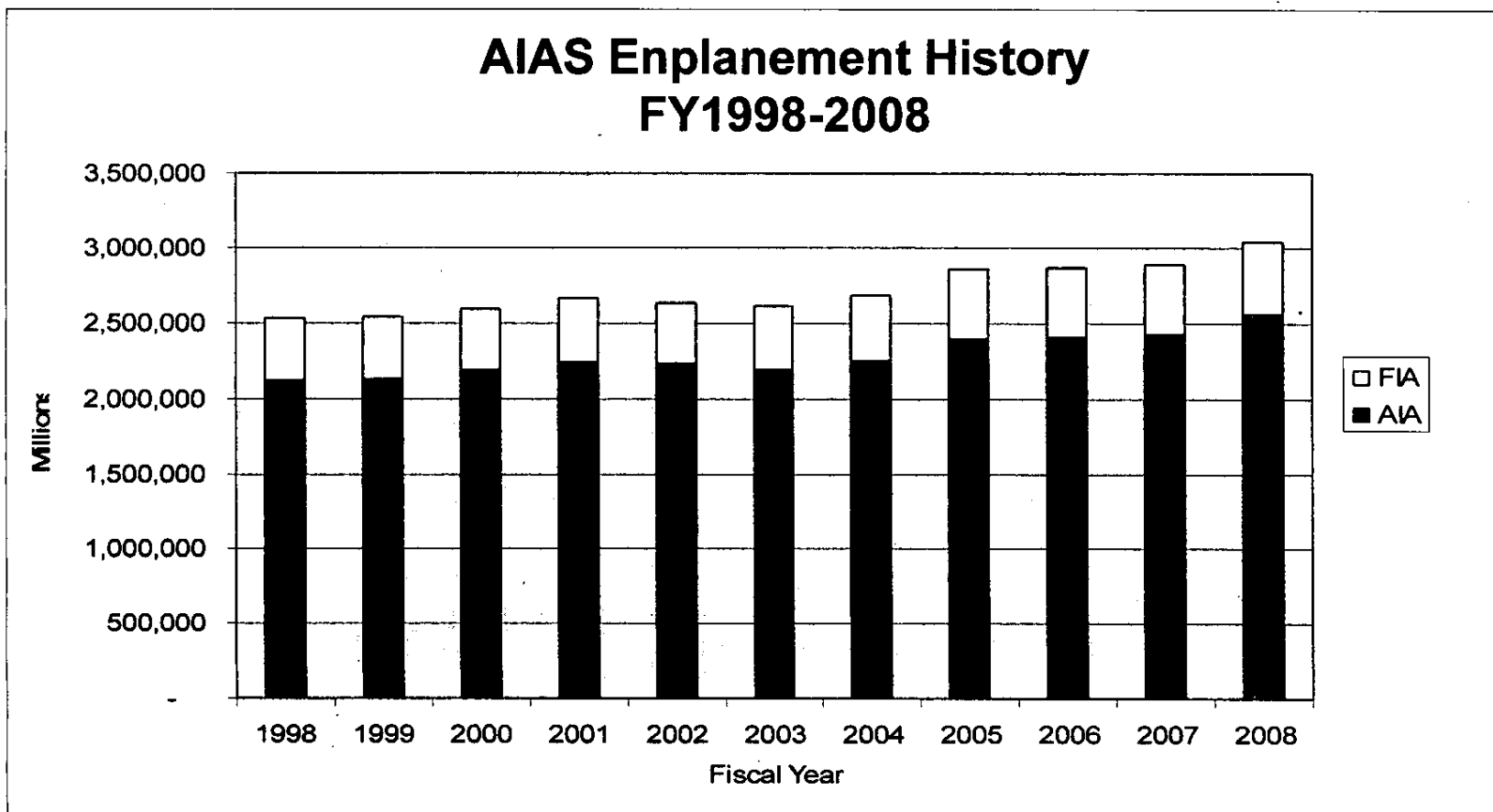


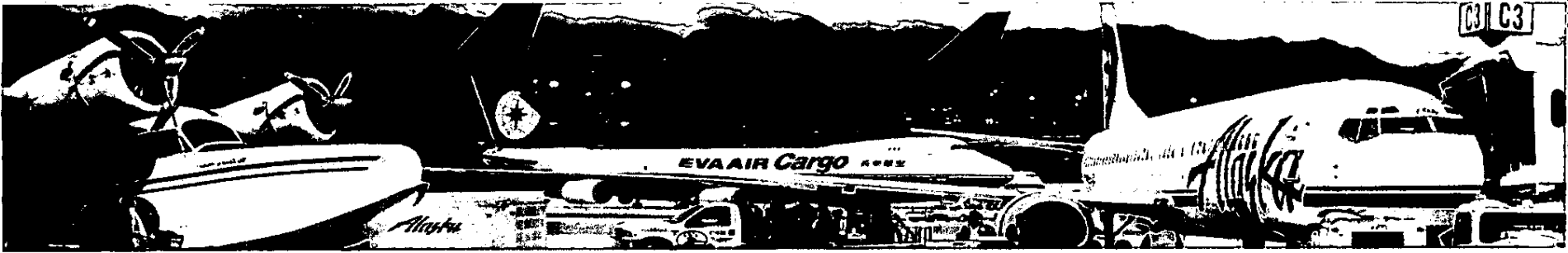
II. Traffic, Trends, and Concerns

1. Growth Past 10 Years
2. Past Year 2008 Weakened
3. Traffic Downturn & Concerns
4. AIAS Responses



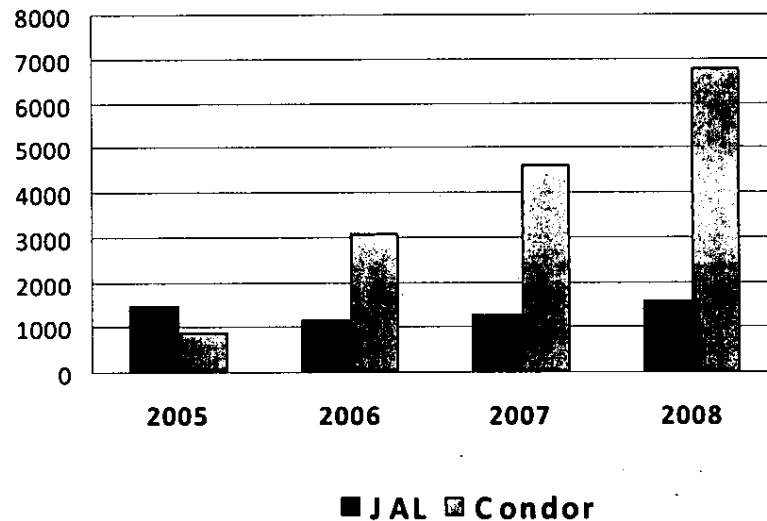
Traffic: Passenger Growth

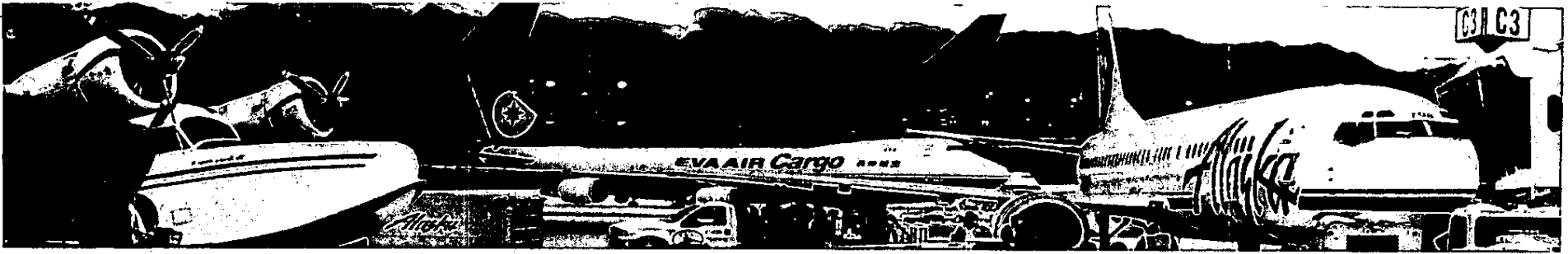




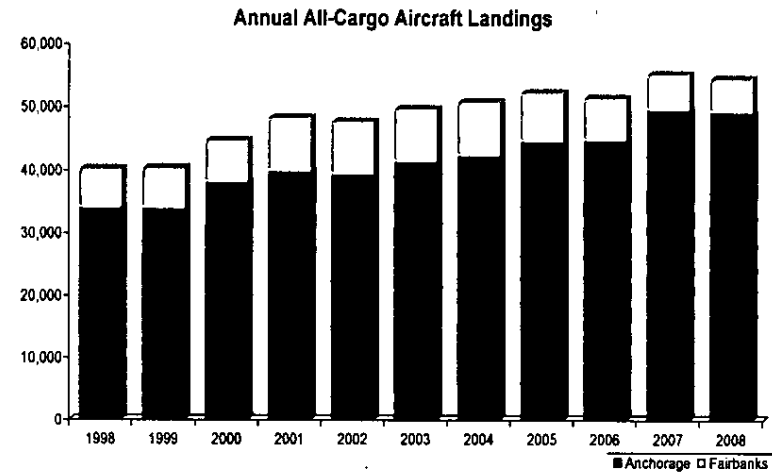
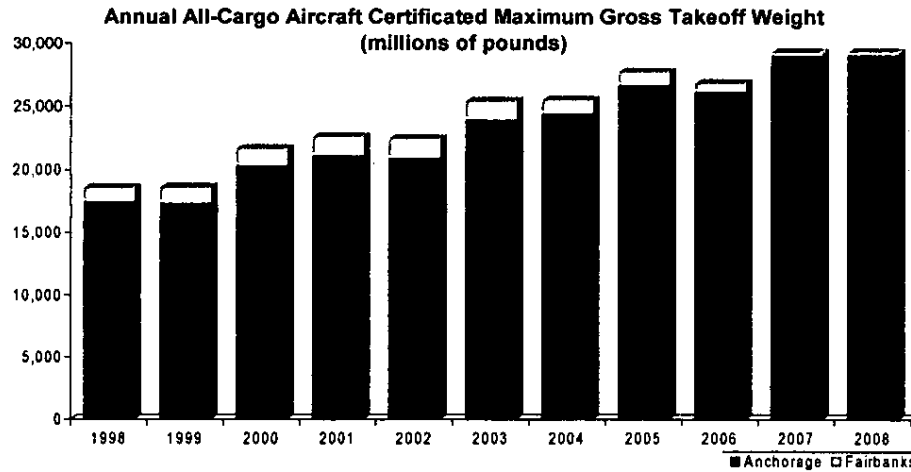
Fairbanks: a Star in Winter International Passenger Enplanements

International Enplanements
Fairbanks International Airport



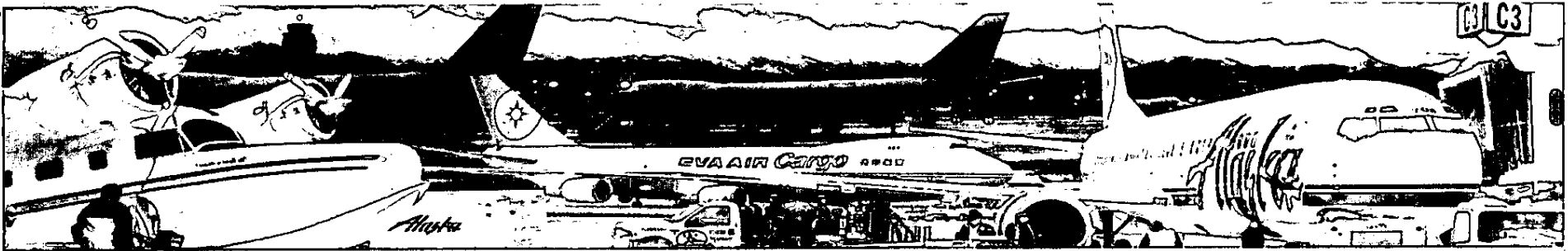


Traffic: Cargo Growth

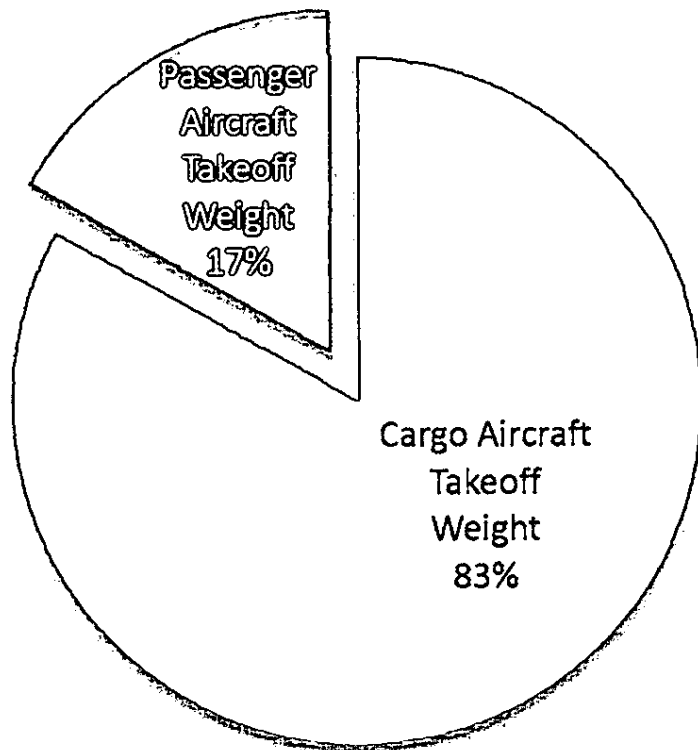


Compound Annual Growth Rate

	All-Cargo Take-off Weight	All-Cargo Aircraft Landings
1998-2008	4.26%	2.80%
2006-2008	4.48%	6.04%



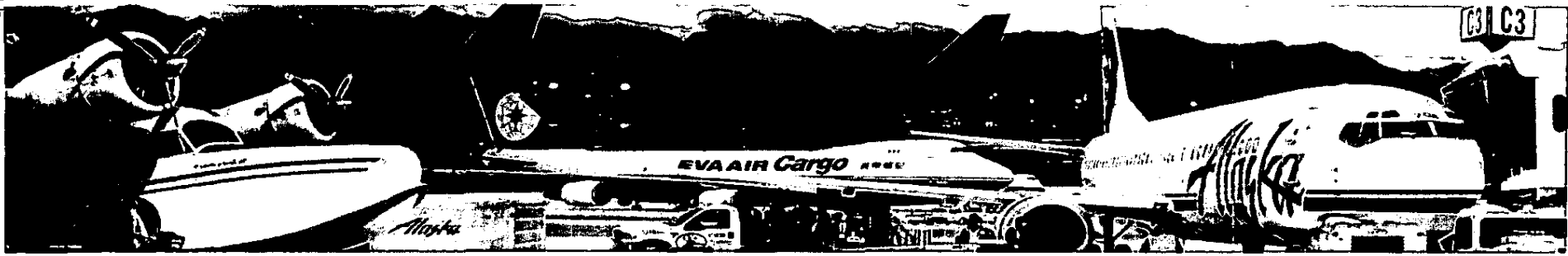
International Cargo is Big Business



Air cargo dominates airfield activity at ANC and generates most of ANC aircraft landing fees

- Nearly 35% of AIAS International Cargo traffic is from China
- 2000 – 15 landings per week
- 2006 - 198 lpw
- 2007 - 260 lpw

Total China-US air cargo market in 2007 is equal to 36.7% of all Asia North America air cargo



International Cargo at Anchorage

FY 2008 Cargo Market Share

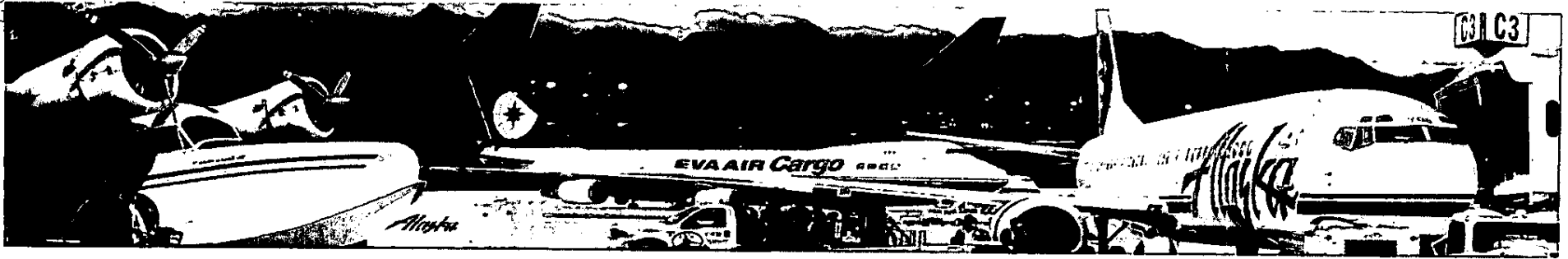
By Take-Off Share		
Airline	Total lbs. (000's)	Market Share
Federal Express	3,203,331	11.70%
United Parcel Service	3,155,728	11.53%
Cathay Pacific Airlines	2,602,562	9.51%
China Airlines	2,556,930	9.34%
Korean Airlines	2,361,720	8.63%
Eva Airways Corporation	1,938,868	7.08%
Northwest Airlines, Inc.	1,636,800	5.98%
Japan Airlines International	1,382,469	5.05%
Southern Air, Inc.	1,102,520	4.03%
Asiana Airlines	911,760	3.33%
Singapore Airline Cargo	841,192	3.07%
Nippon Cargo Airlines	660,366	2.41%
Air China	512,164	1.87%
Kalitta Air	498,126	1.82%
China Eastern/Cargo Airlines	454,429	1.66%
All Others (23 Airlines)	3,714,816	12.99%
Total	27,533,781	100.00%

By Revenues		
Carrier	Revenues	Market Share
Federal Express	\$7,943,319	11.10%
United Parcel Service	7,728,110	10.80%
Cathay Pacific Airlines	7,720,284	10.79%
China Airlines	7,563,925	10.57%
Korean Airlines	6,550,629	9.15%
Eva Airways Corporation	5,735,710	8.01%
Northwest Airlines, Inc.	5,460,525	7.63%
Japan Airlines International	3,785,451	5.29%
Asiana Airlines	2,338,233	3.27%
Singapore Airline Cargo	2,033,132	2.84%
Nippon Cargo Airlines	2,025,426	2.83%
Southern Air, Inc.	1,944,774	2.72%
Air China	1,437,394	2.01%
Kalitta Air	1,239,042	1.73%
Northern Air Cargo, Inc.	1,023,806	1.43%
All Others (23 Airlines)	7,045,916	9.84%
Total	\$71,575,676	100.00%



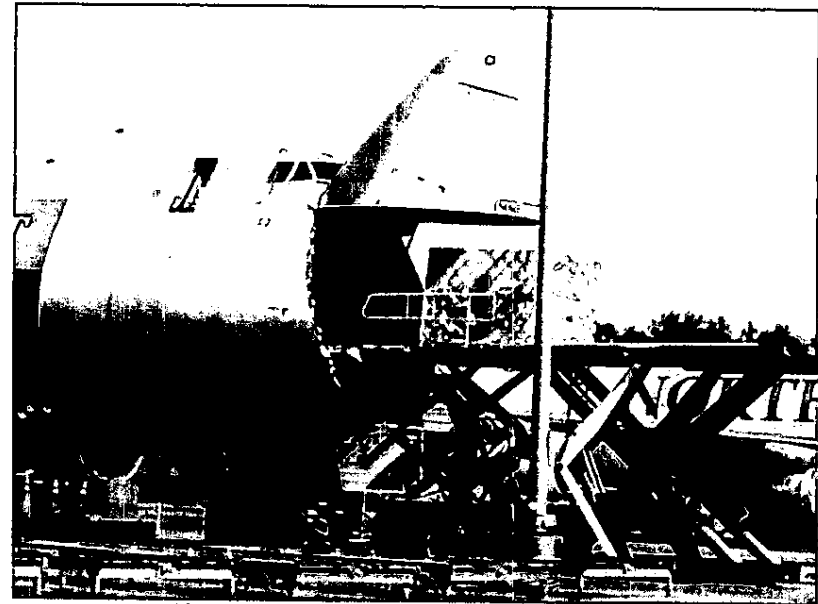
2007 ACI Cargo Traffic Stats (Metric Tons)

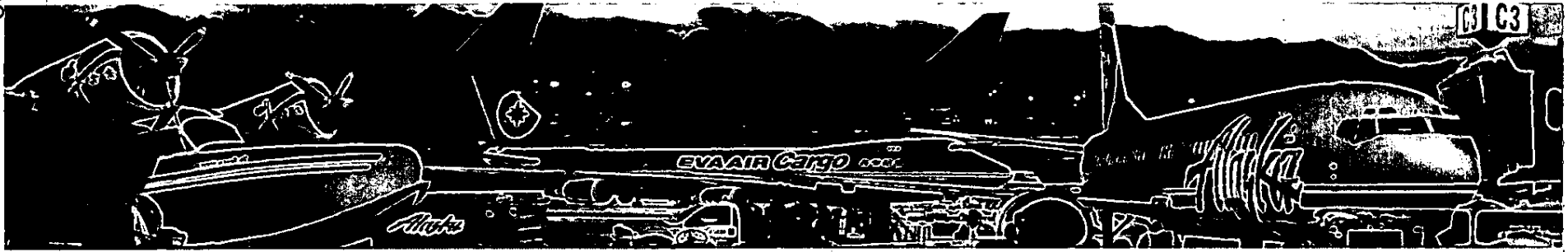
Rank	Airport	Total Cargo	% Change
1	MEMPHIS (MEM)	3 840 491	4.0
2	HONG KONG (HKG)	3 773 964	4.5
3	ANCHORAGE (ANC)	2 825 511	0.6
4	SHANGHAI (PVG)	2 559 310	18.0
5	INCHEON (ICN)	2 555 580	9.4
6	PARIS (CDG)	2 297 896	7.9
7	TOKYO (NRT)	2 254 421	(1.2)
8	FRANKFURT (FRA)	2 127 646	8.4
9	LOUISVILLE (SDF)	2 078 947	4.8
10	MIAMI (MIA)	1 922 985	5.1



Weakening in 2008

- **US Economic Recession**
 - Passenger downturn elsewhere
- **Aviation Industry in Crisis**
 - Airline Bankruptcies & Mergers
 - High Fuel Costs
 - Fewer Flights & Capacity
- **AIAS Activity & Revenue**
 - Cargo Activity Declines
 - Fuel Flowage Down
 - High Debt





Summary of Fiscal Year 2008

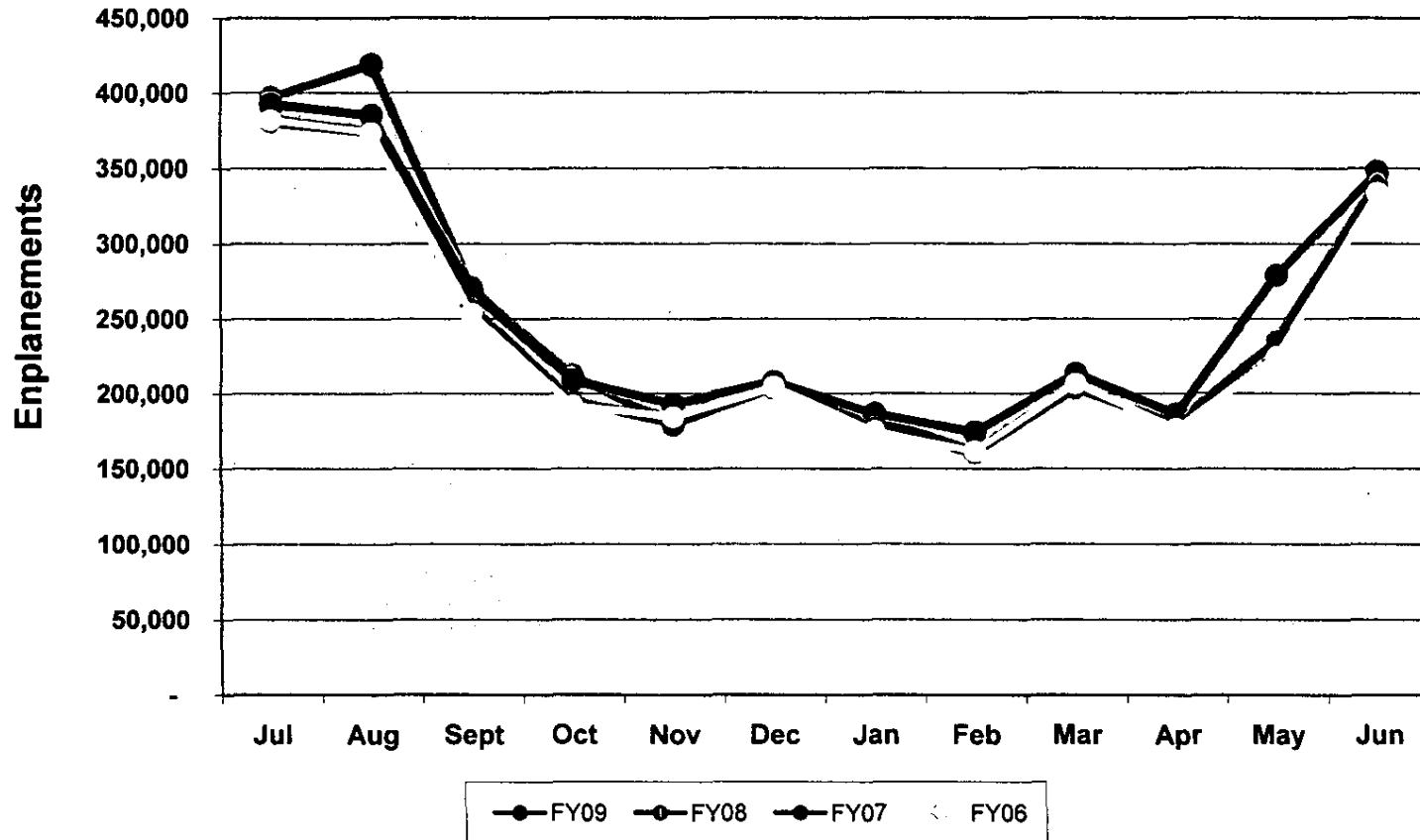
Alaska International Airport (AIAS) Activity System.

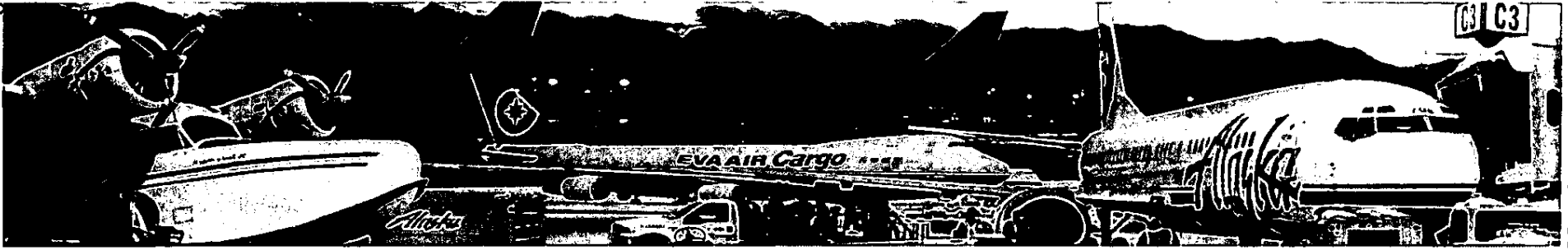
- Total Landings = 101,863 (-05%)
- Cargo by Landings = 46,965 (-5.4%)
- Passengers by seats = 5,380,811 (+4.4%)
- Fuel Flowage = 865 million gallons (-6.6%)

(Fiscal Year 2008 is July 1, 2007 through June 30, 2008)



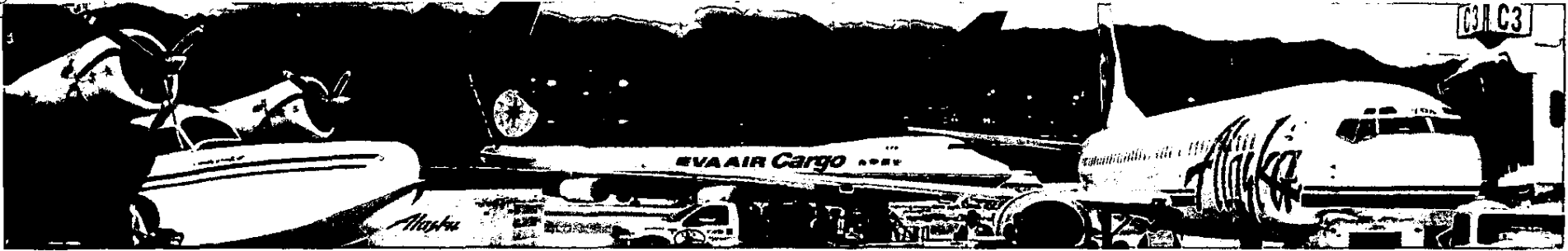
AIAS FY06-FY09 YTD Monthly Passenger Enplanements



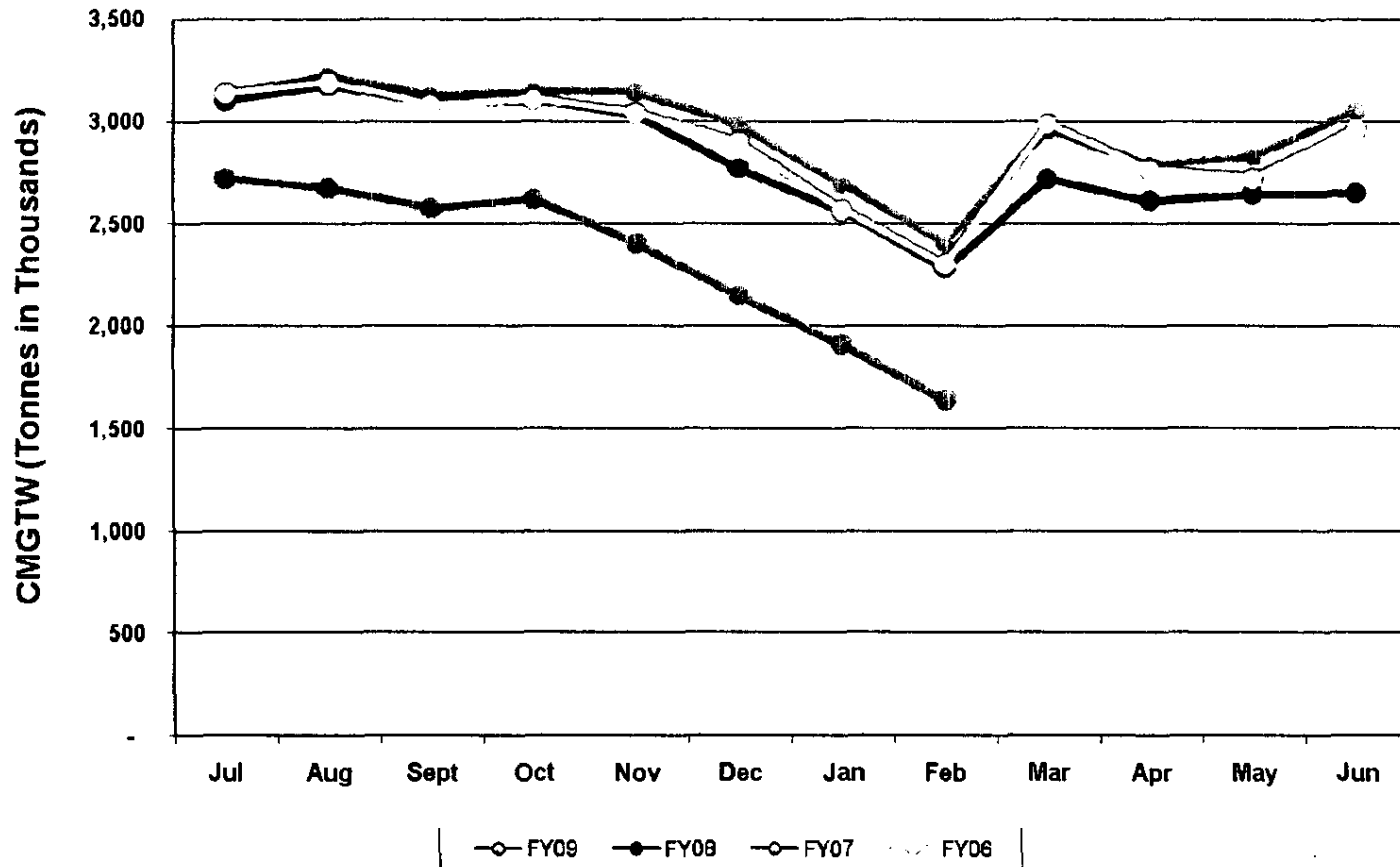


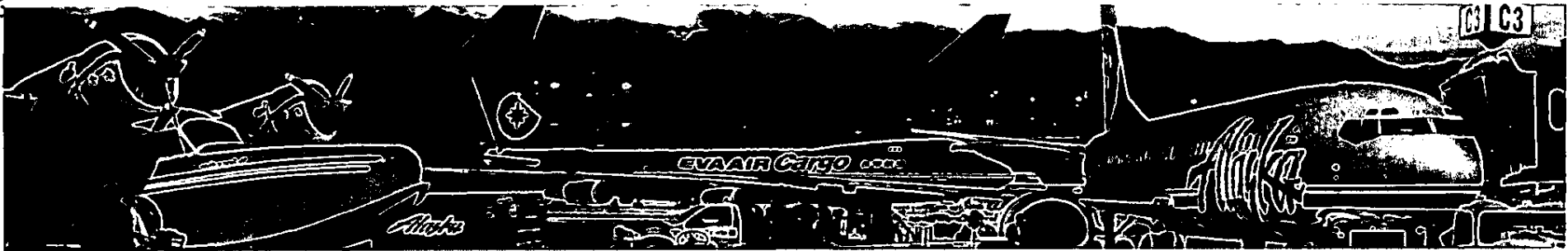
Landing Revenue by Aircraft Certified Maximum Gross Take-Off Weight

- Cargo aircraft
- Passenger (Pax) aircraft
- Airport's as a standard, charge landing fees to air carriers for use
- Airport Landing Fees are charged by the aircraft manufacturer's Certified Maximum Gross Take-Off Weight (CMGTW) for each use
- Air Carriers are required to report aircraft weights monthly in certified activity reports (CAR's) to the airport's they utilize



AIAS FY06 - FY09 YTD Monthly Combined Cargo - Pax CMGTW





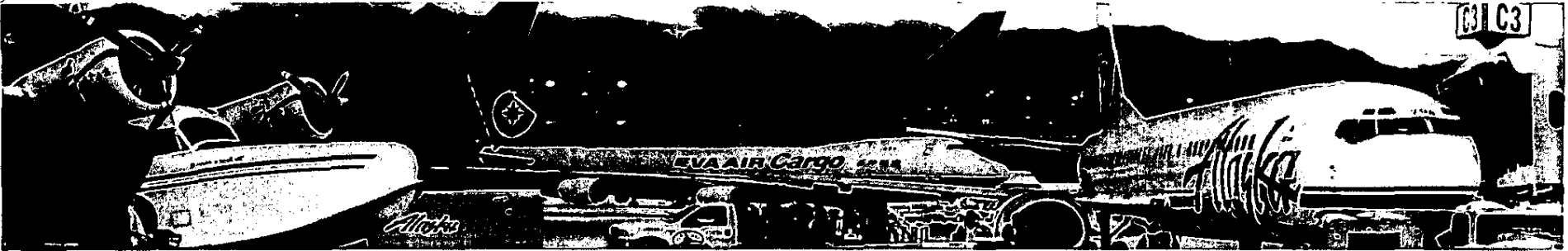
Airport CMGTW Concerns and Comparisons

AIAS:

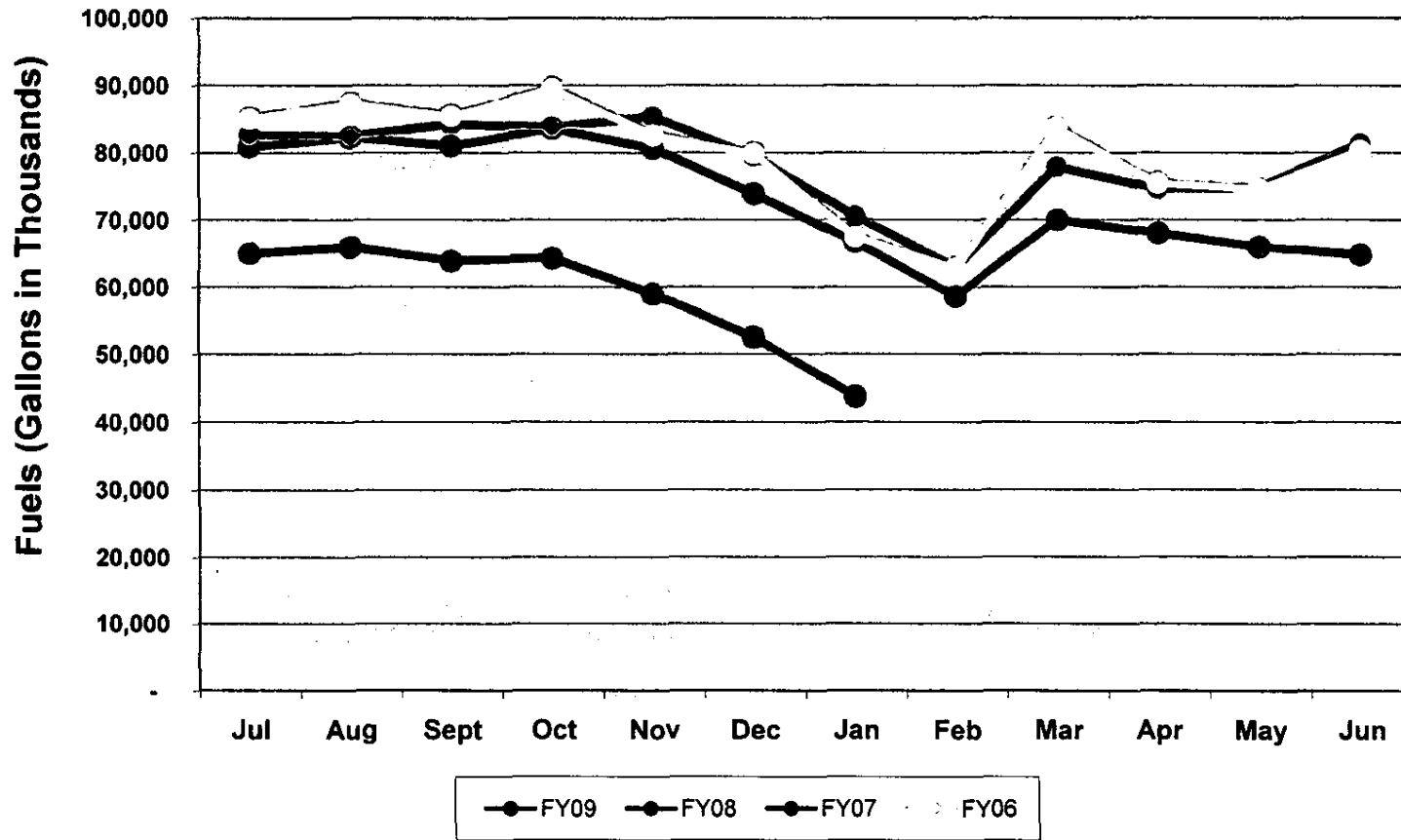
- Month of December CMGTW compared to same month of prior year down 22.50%
- FY09 (with 7 months of year) shows a CMGTW average decline 19.92%

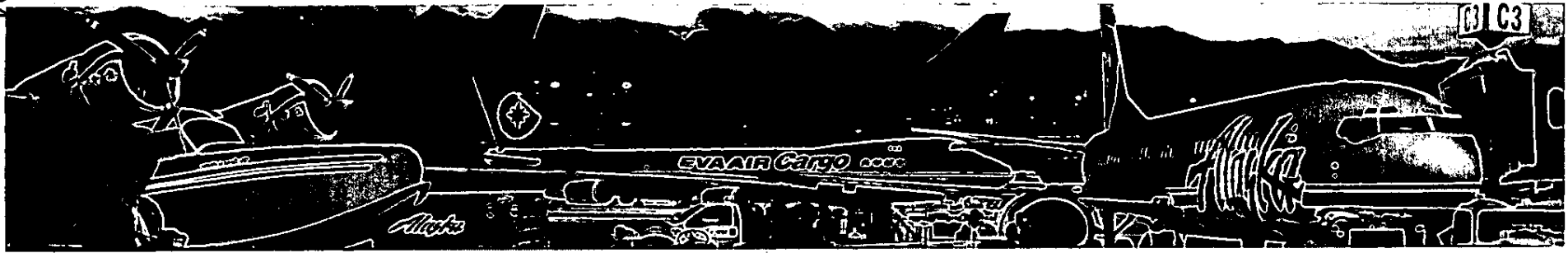
Other Airports:

- San Francisco freight for December down 43%
- Los Angeles freight for December down 24.3%
- *IATA reports "22.6% collapse in air freight volumes for December as export volumes fell 20-30% in the US, Asia, and Europe"*



AIAS FY06 - FY09 YTD Monthly Fuels





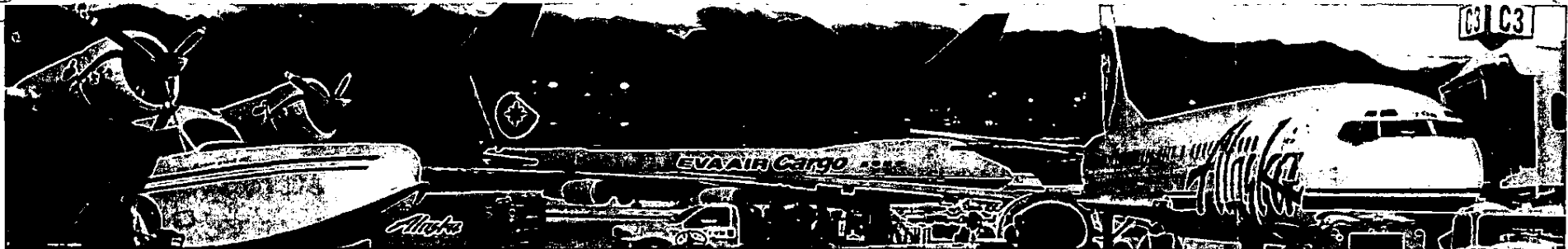
AIAS Fuel Trends

Fuel Flowage Fees

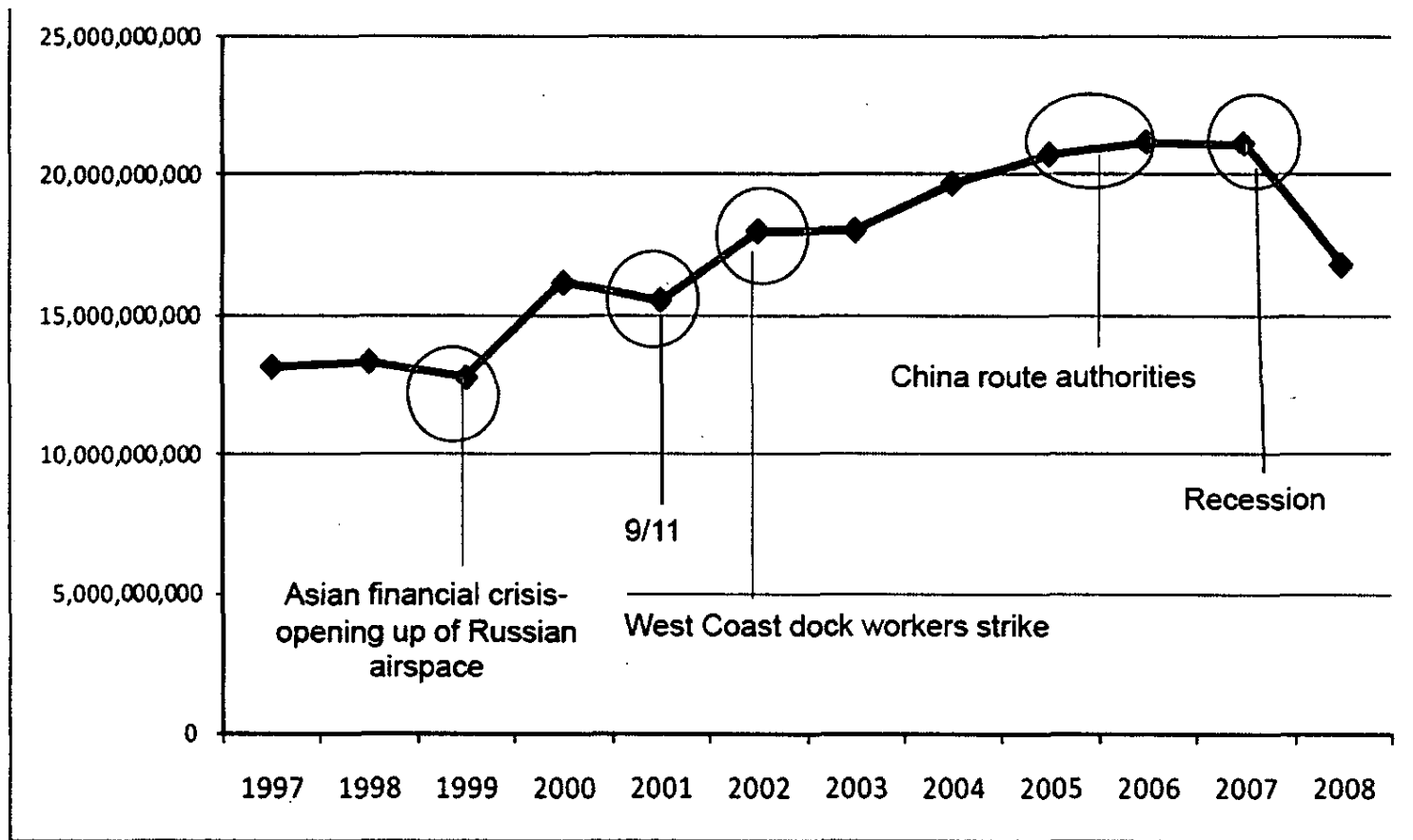
- Charged on each gallon of fuel
- \$0.027 per gallon for aircraft >12,500 (signatory carriers)
- Accounts for ~20% of the AIAS Revenue

Changes

- Cargo Freight Down
- Old Aircraft Being Parked
- Airlines Improved Efficiencies
- Carrying Less Fuel Weight



Trends in International Freight





AIAS Responded Early to Trends

Reduced Operating Costs:

- June: reduce '08 budget spending
- July: defer, delay, and cut capital projects by \$300 Million
- August: projected year traffic declines of 15 - 20%
 - Cut development funds
 - Hold utility increases & costs flat
 - Put TSA reimbursement to debt
- October: reduce '09 operating budget by \$3 Million (3%)
- March: further cost containment

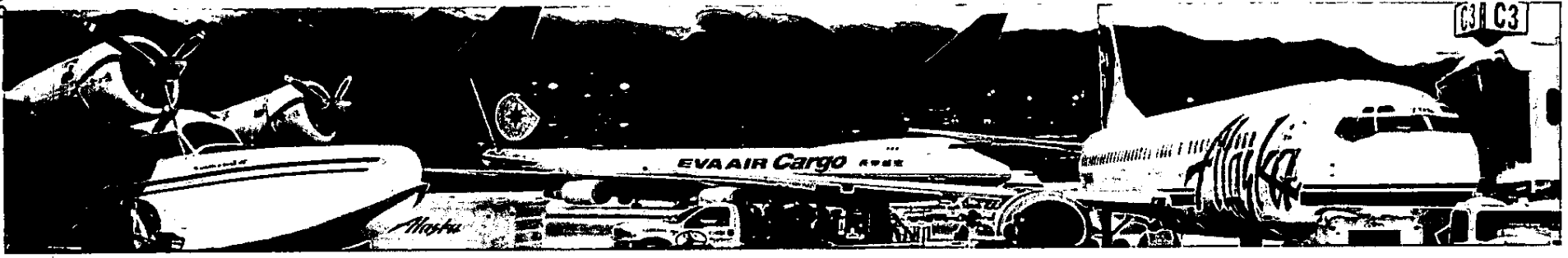
Stay Competitive:

- September: Initiated independent 3rd Party Asian Cargo Analysis Report... *(Keiser Phillips)*
- Assess and Track Other US Competing Airports...
- December: Airport Operating Agreement Lease completed in partnership with airlines



III. AIAS and the Future Outlook

1. Tied to National & Global Economy
2. Responsive & Competitive Airport
3. Cautious Positive Growth



AIAS Linked to the World

Global Economy

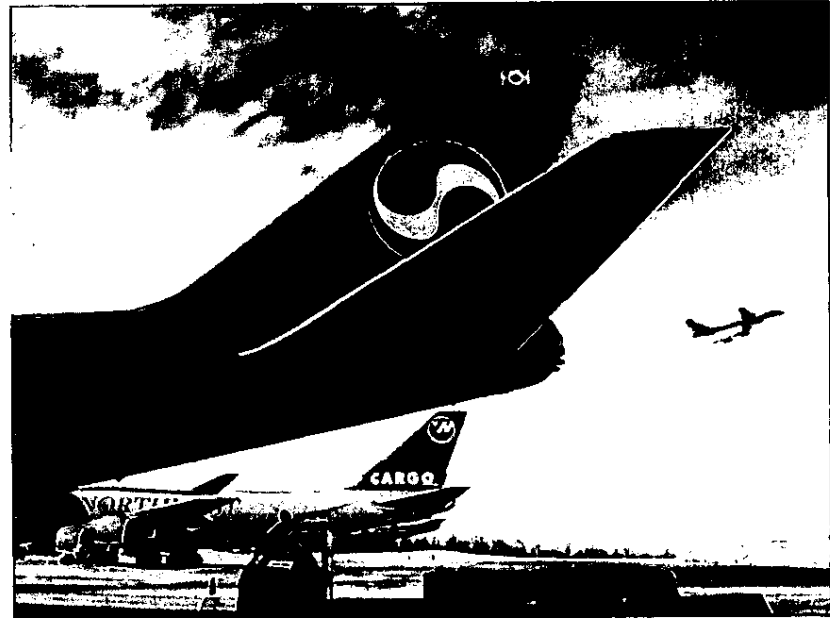
- AIAS tied to World and US trends
 - Passengers US
 - Cargo International
- Economic Recession

Response & Vigilance

- Respond to Market & Costs
- Track Airport Competition
- Assess Over-flights to US

Realize Limitations

- Surface & Intermodal Limited
- Northern Climate Disadvantage
- No local manufacturing
- Limited air exports

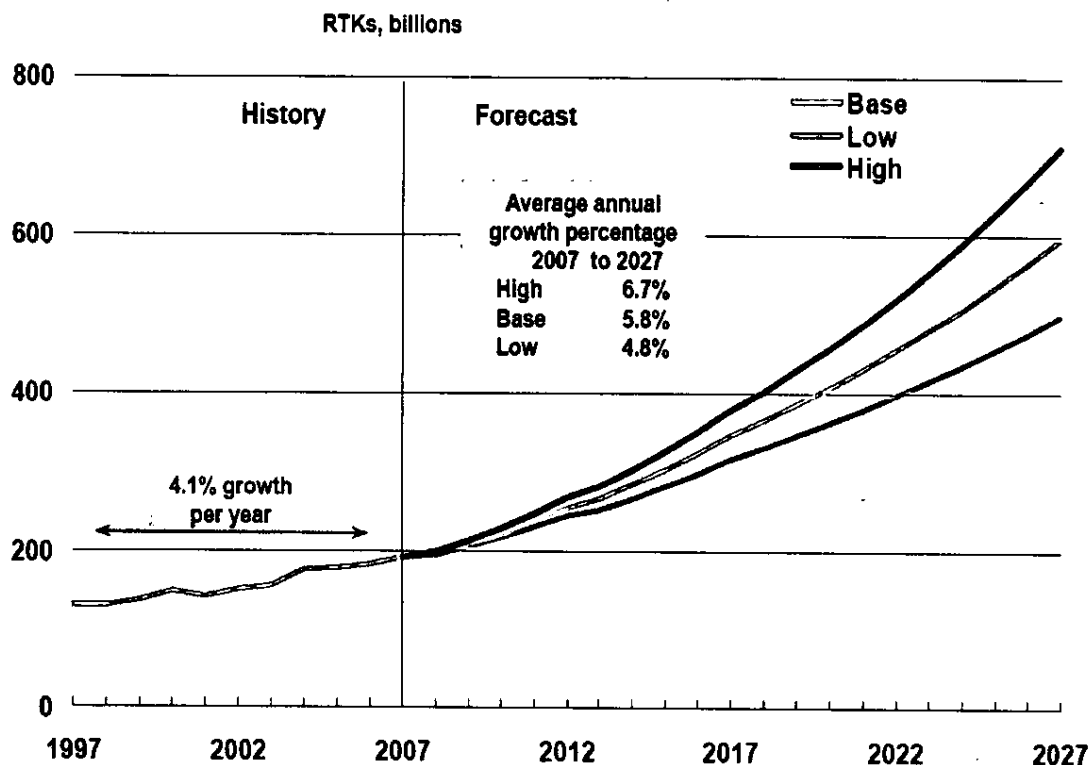




Alaska Tied to World Air Trade

Projections:

- Air Freight Growing Worldwide by 6% year
- Market size doubles every 10 years
- World Air Cargo will Triple over next two Decades (Boeing)
- US Cargo Share of Air Freight Revenue:
 - 5% Domestic Majors
 - 15% European Majors
 - 20-50% Asian Majors



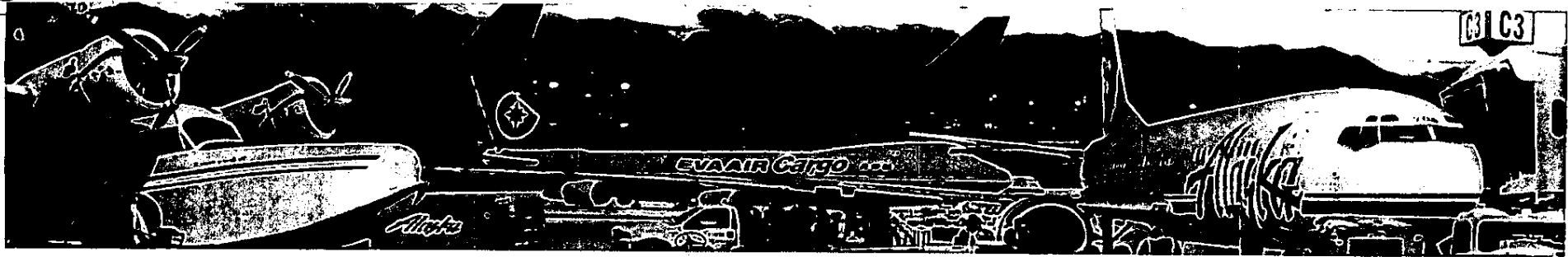
Source: ANC Air Cargo Market Profile, Keiser Phillips Associates March 2009



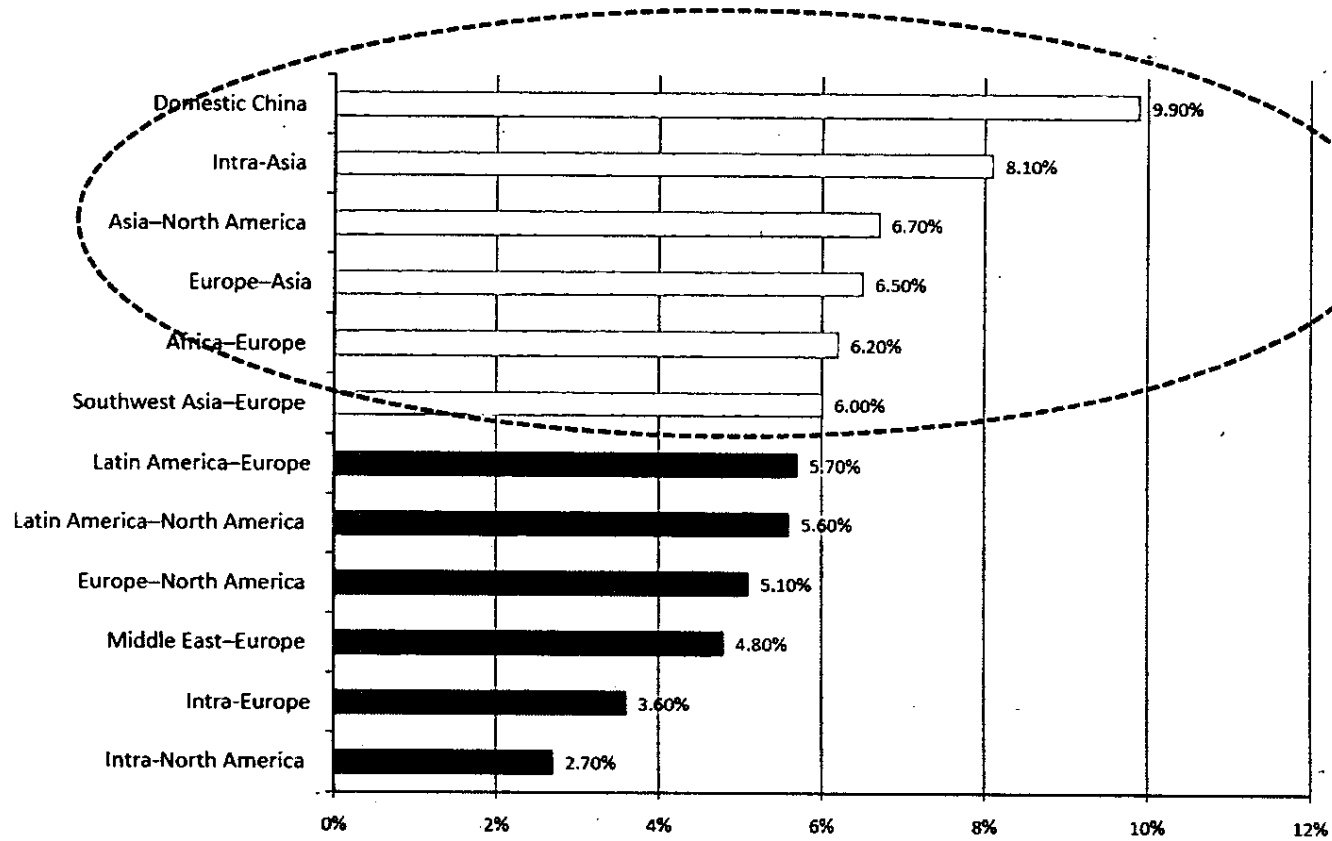
AIAS on the Forefront

Responsive:

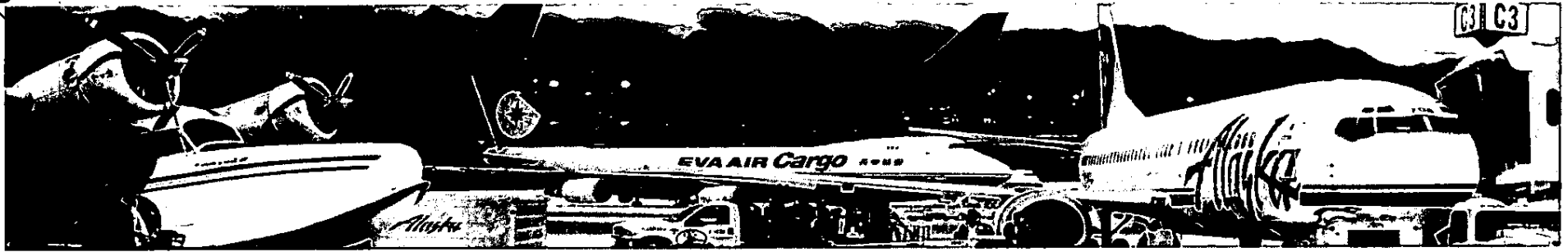
- **Early Response to USA Economic Downturn**
 - Responded to Carrier's Requests for Relief (Fuel)
 - Focused on Debt & Rate Stability (Finance)
 - Reduced Operating Expenses
 - Lower Landing Fees
- **International Trade Impacts**
 - Asian Producers
 - USA Consumers



Asian Market Projected to Lead Growth



Source: ANC Air Cargo Market Profile, Keiser Phillips Associates, March 2009.



AIAS Remains Competitive

Terminal Rent

	<u>Ticket Counter/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
AIAS	\$61.50/\$61.50

Landing Fee

	<u>Cost 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
AIAS	\$1,174.53



Conclusion: AIAS Leads the Way

Responsive, Vigilant, and Serving

- **Assess the Competitors**
 - Other USA Cargo Airports
 - Asian Cargo Carriers & Markets
- **New Carrier Partnerships**
 - **NCA** - JFK Station
 - **Cathay Pacific** - New freighters and new stations
 - **Evergreen/Kalitta** - New China designation
 - **UPS** - Anchorage Training Center, China frequencies

Alaska

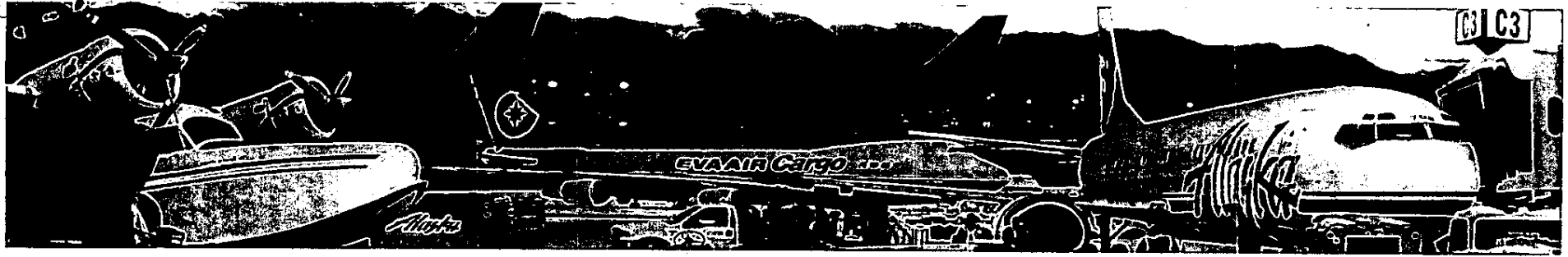


Portland

- #1 Airport for excellent service
- #1 Airport in North America for landed weight of cargo aircraft
- #3 Airport in the world for cargo throughput

Seattle

- New four-wide body cargo aircraft apron
- 11,800-foot runway
- International and domestic processing facilities



Thank you

Christine Klein, AAE

Deputy Commissioner
Airports & Aviation
907-269-0724