

2/02/11

**PRESENTATION BY
DEPARTMENT OF
TRANSPORTATION
& PUBLIC
FACILITIES:
STATEWIDE
TRANSPORTATION
ECONOMIC
INDICATORS**

<TARGET><BILL></BILL><SUBJECT>2-02-11 PRESENTATION BY
DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES
STATEWIDE TRANSPORTATION ECONOMIC
INDICATORS</SUBJECT><COMM>SFIN27</COMM></TARGET>



Alaska Department of Transportation & Public Facilities

Aviation – Economic Engine for Alaska

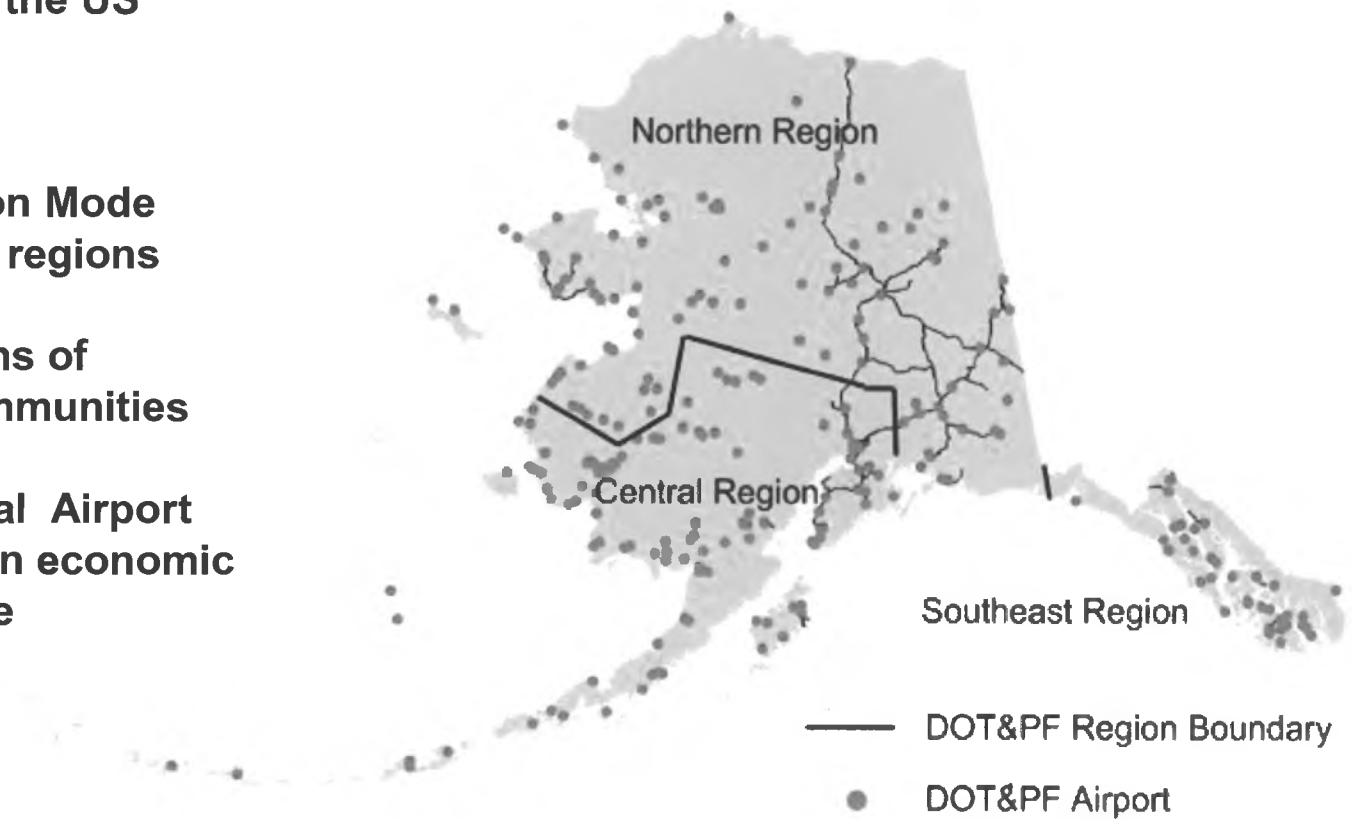
Deputy Commissioner – Aviation
Steven D. Hatter

February 2, 2011



Alaska's Airports & Aviation

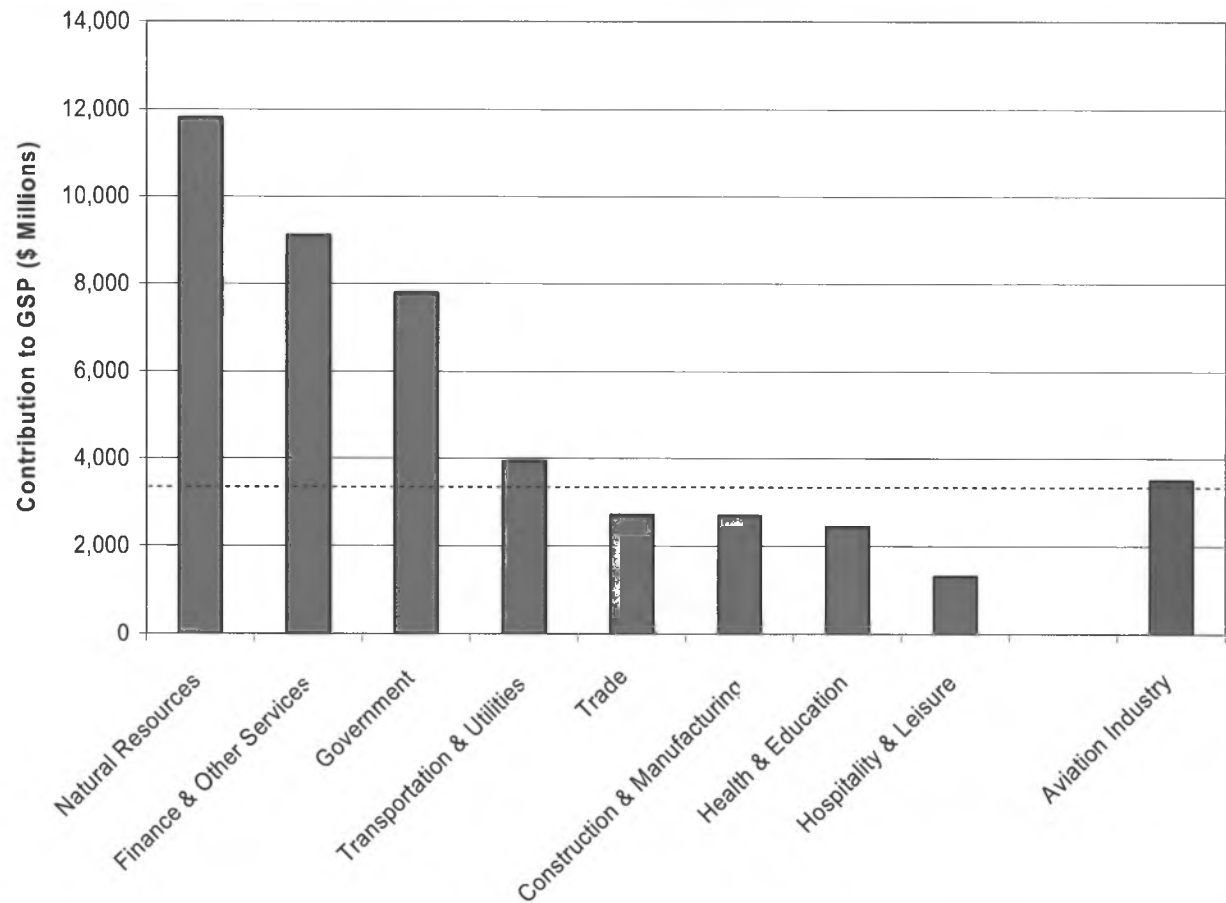
- **Largest System in the US**
- **255 State Airports**
- **Main Transportation Mode for all citizens and regions**
- **Airports only means of access for 169 communities**
- **Alaska International Airport System (AIAS) is an economic engine for the state**





Aviation Industry Economic Contribution to Alaska

- 47,000 aviation jobs statewide in both rural and urban areas
- 5th largest contributor to Alaska's Gross State Product (GSP)
- Contributes \$3.5B to \$44B economy



 Ted Stevens
Anchorage
International Airport
anchorageairport.com

 Fairbanks
International
Airport
dot.state.ak.us/faiiap







AIAS Overview

- **Alaska's Major Airports are State Owned Assets**
 - **Established 1961**
 - **Comprised of Ted Stevens Anchorage International and Fairbanks International Airports**
- **Operate as a Single Business Enterprise**
 - **Shared Assets & Resources**
- **Serve as regional hubs for intrastate mobility**
- **Serve as Trans-Pacific hub for international cargo**



AIAS Presentation Points

- **AIAS Advantages and Strengths**
- **AIAS Finances, Statistics and Trends**
- **AIAS Close Watch Topics**
 - **Fuel Supply and Pricing**
 - **Federal Funding and Regulatory Trends**
- **AIAS Successes**
- **AIAS Future**



AIAS Advantages and Strengths



Advantage: Location

AIAS Offers Unmatched Access to the World's Markets



	Nautical Miles
Beijing	3,431
Seoul	3,286
Singapore	5,792
Tokyo	2,983
Frankfurt	4,064
London	3,902
Moscow	3,778
Honolulu	2,413
Los Angeles	2,037
Washington DC	2,916
Caracas	4,646
Mexico City	3,281

+/- 10 minutes diversion Trans-Pac



AIAS is 9.5 hours to 90% of the Industrialized Northern Hemisphere



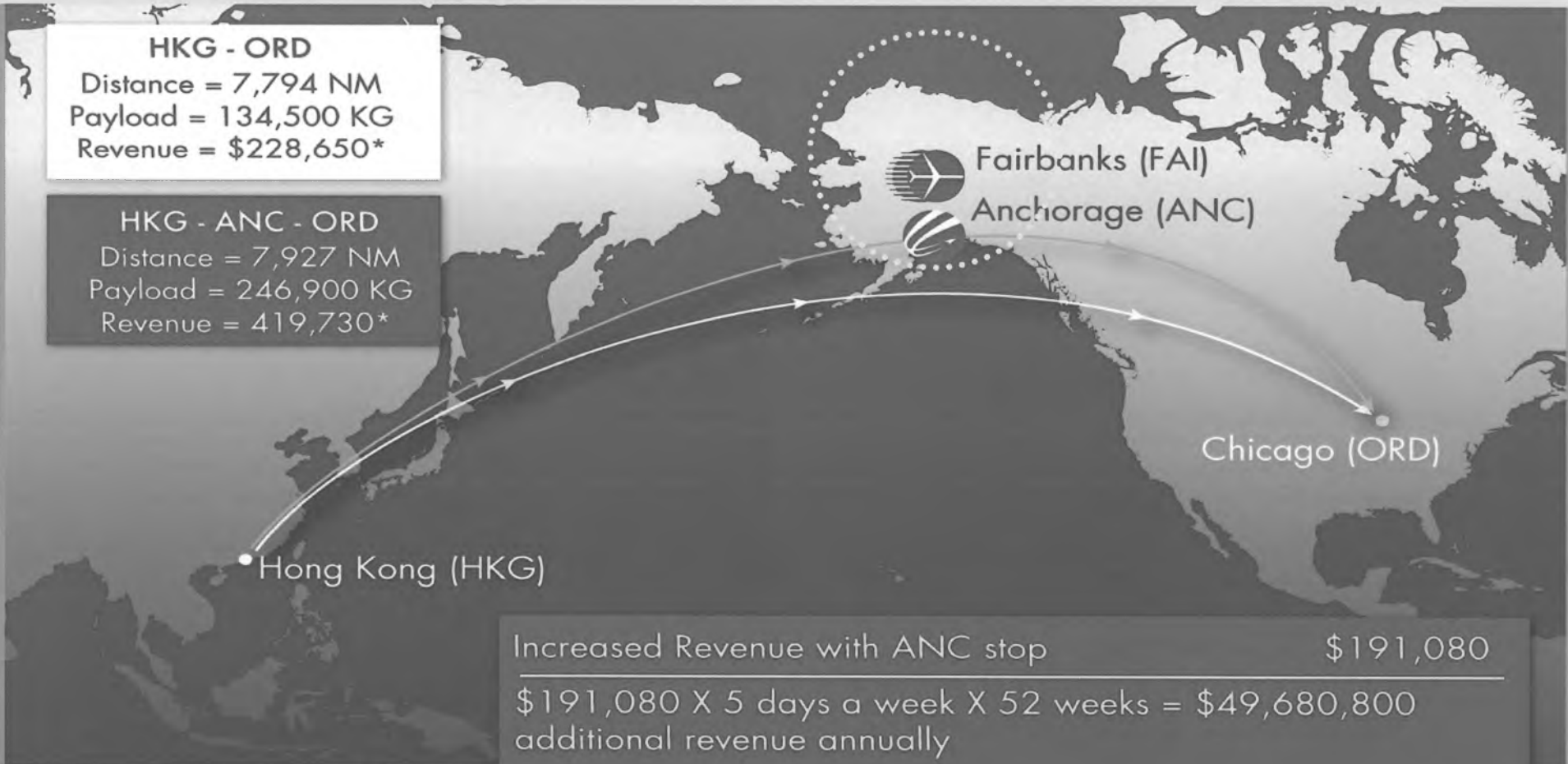
Advantage: Payload v. Range

HKG - ORD

Distance = 7,794 NM
 Payload = 134,500 KG
 Revenue = \$228,650*

HKG - ANC - ORD

Distance = 7,927 NM
 Payload = 246,900 KG
 Revenue = 419,730*



Increased Revenue with ANC stop

\$191,080

$\$191,080 \times 5 \text{ days a week} \times 52 \text{ weeks} = \$49,680,800$
 additional revenue annually

* \$2/kg +85% load factor



AIAS Cargo Traffic Standings

(Importance of AIAS to National and World Economy)

Gross Landed Weight (000s of lbs)		
United States		
Rank	Airport	CY2009
1	Memphis (MEM)	18,928,729
2	Anchorage (ANC)	15,524,360
3	Louisville (SDF)	10,278,036
4	Miami (MIA)	8,352,786
5	Indianapolis (IND)	4,573,841
6	Los Angeles (LAX)	3,768,865
7	Chicago (ORD)	3,499,701
8	New York (JFK)	3,181,560
9	Newark (EWR)	2,917,981
10	Dallas/Fort Worth (DFW)	2,872,972

Air Cargo Tonnage (metric tons)		
North America		
Rank	Airport	CY2009
1	Memphis (MEM)	3,897,054
2	Anchorage (ANC)	1,994,629
3	Louisville (SDF)	1,949,528
4	Miami (MIA)	1,557,401
5	Los Angeles (LAX)	1,509,236
6	New York (JFK)	1,144,894
7	Chicago (ORD)	1,047,917
8	Indianapolis (IND)	944,805
9	Newark (EWR)	779,642
10	Dallas/Fort Worth (DFW)	578,906

ACI Worldwide Cargo Tonnage (metric tons)		
World		
Rank	Airport	CY2009
1	Memphis (MEM)	3,897,054
2	Hong Kong (HKG)	3,385,313
3	Shanghai (PVG)	2,543,394
4	Incheon (ICN)	2,313,001
5	Paris (CDG)	2,054,515
6	Anchorage (ANC)	1,994,629
7	Louisville (SDF)	1,949,528
8	Dubai (DXB)	1,927,520
9	Frankfurt (FRA)	1,887,886
10	Tokyo (NRT)	1,851,972

Source: Federal Aviation Administration (Qualifying Cargo Airports, Rank Order and Percent Change from 2006 – Preliminary).
 ACI World Airport Traffic ("The Top 30 Airports 2009 – Cargo Traffic" and "North American Airports Traffic 2009").



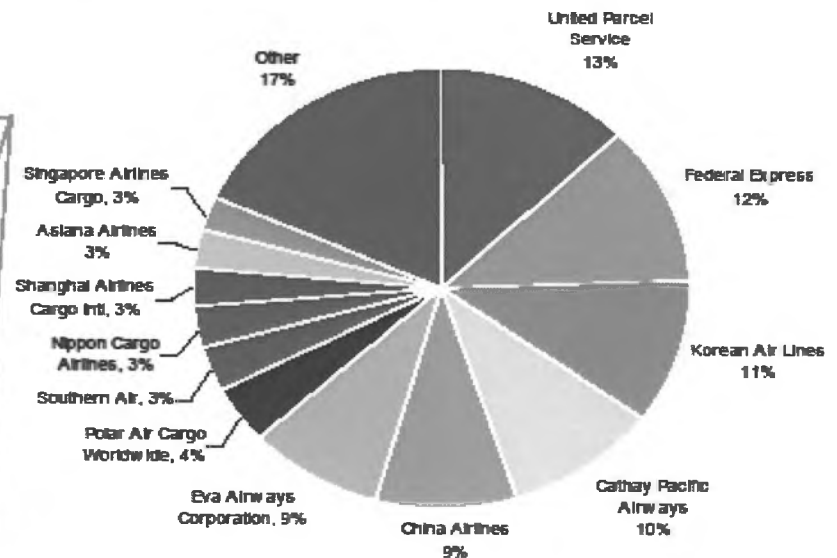
Strength: Diverse Customer Base

No Single Concentration of Cargo Carriers

- International cargo hub for FedEx, UPS, Korean Air, Nippon, China Airlines, Polar Air Cargo and Atlas Air
- Cargo-related revenues account for nearly two-thirds of AIAS revenues



Cargo Carrier Market Share by CMGTW*



* Totals may not add due to rounding



Strength: Large Cargo Anchor Tenants

UPS

- Operates 11 wide-body aprons in a 90,000 sq.ft. facility
- Established ANC as pilot domicile in 2007
- Opened 27,000 sq.ft. pilot training facility in 2008 – \$35M investment



FedEx

- Invested in excess of \$150M in ANC facilities
- ANC serves as primary hub for
- Completed multi-phased expansion of package sorting facility in 2007

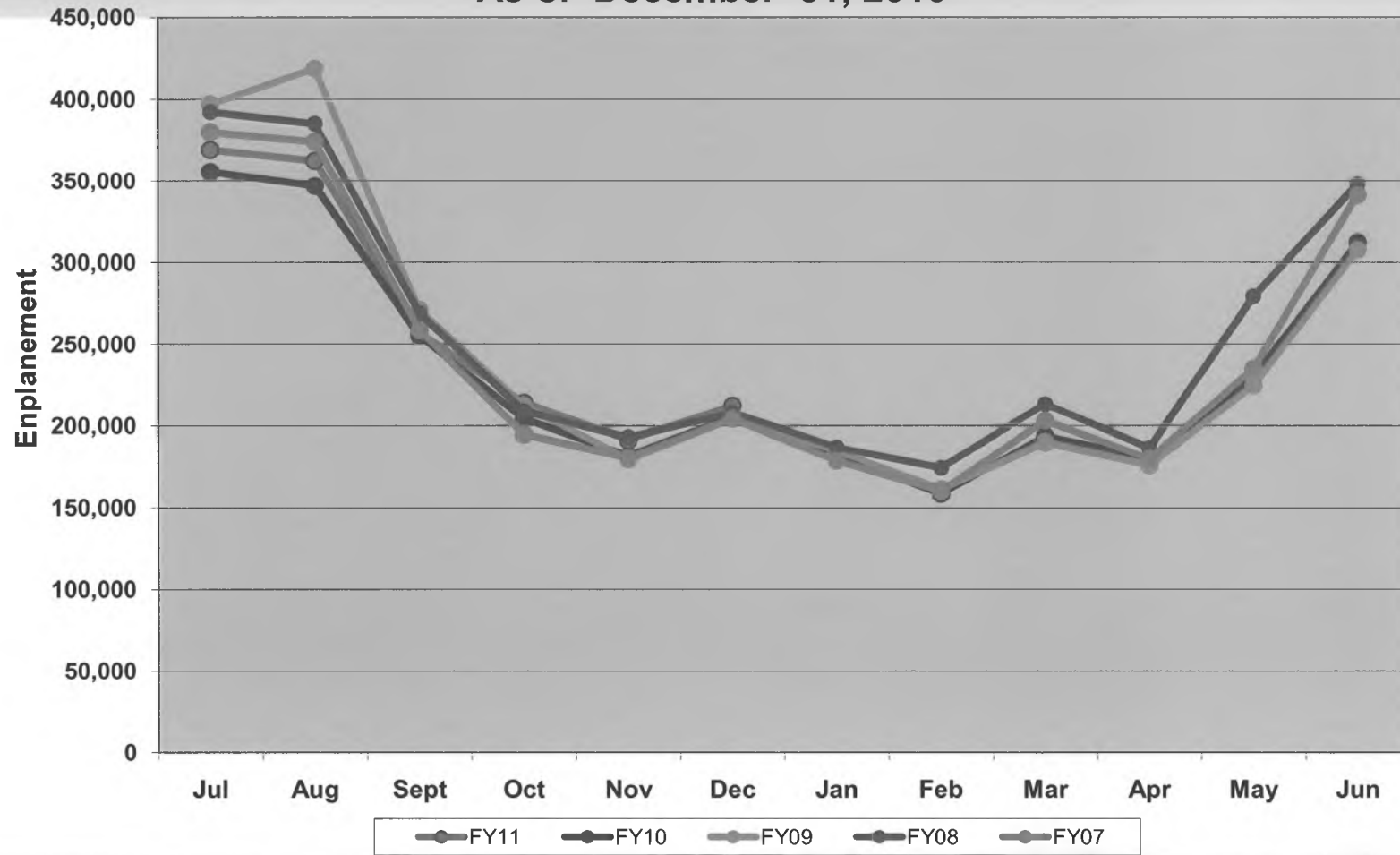




AIAS Finances, Statistics and Trends

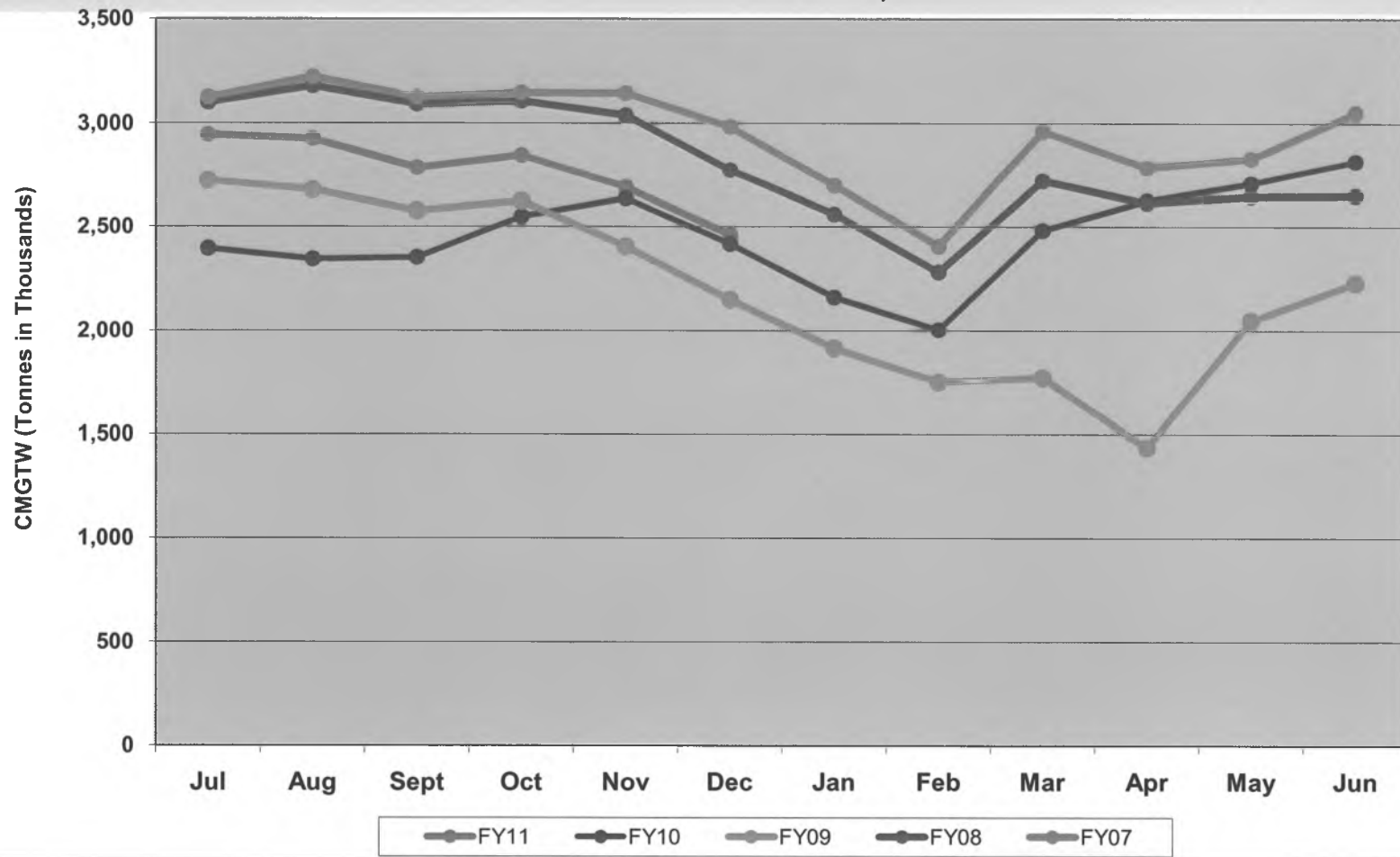


**AIAS FY07 - FY11 YTD
Monthly Enplanements
As of December 31, 2010**





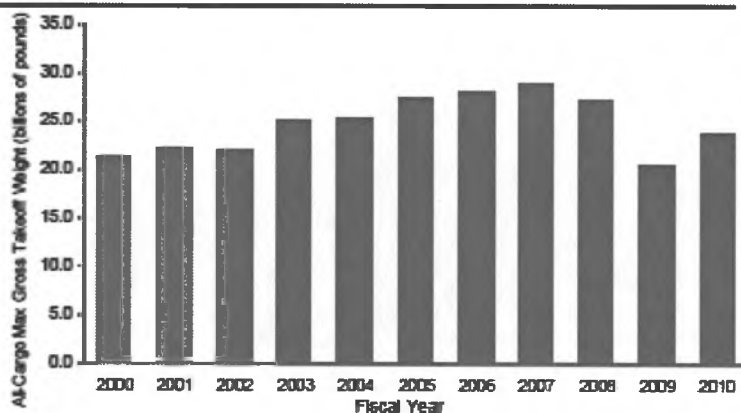
**AIAS FY07 - FY11 YTD
Monthly Combined Cargo - Pax CMGTW
As of December 31, 2010**



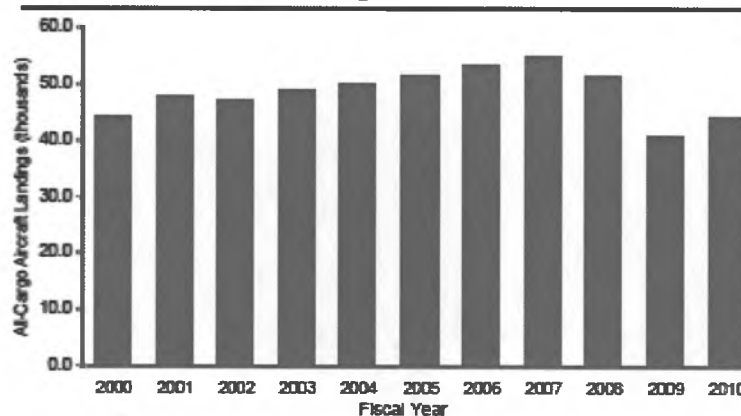


Cargo Operations

All-Cargo Aircraft Certified Max Gross Takeoff Weight

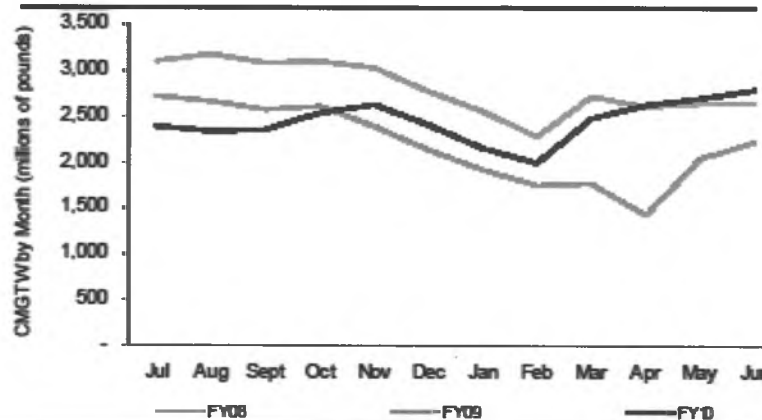


All-Cargo Aircraft Landings



- Positive trend is developing
 - All-cargo certified maximum gross takeoff weight increased 15.6% in FY 2010
 - All-cargo aircraft landings increased 8.8% in FY 2010
 - February to June increase in 2010 was 29.4%, 15% higher than the seasonal increase seen in FY06 – FY09

Monthly Data



Source: Alaska International Airports System and Federal Aviation Administration.



Impact of Global Economic Downturn

Where we were (year-over-year)

- FY 09-08

- Total landings ↓ 13%
- Cargo/Pax (CMGTW) ↓ 23%
- Pax Enplanements ↓ 4%
- Fuel Consumption ↓ 28%

Where we are (year-over-year)

- FY 10-09

- Total landings ↑ 1.3%
- Cargo/Pax (CMGTW) ↑ 12%
- Pax Enplanements ↓ 4%
- Fuel Consumption ↑ 18%



AIAS Close Watch Topics



Fuel

- **Challenge:**
 - **Shortage caused by swift and unexpected recovery in air cargo market; carriers under nominated, providers under produced.**
 - **Air carriers overflowed AK and looked for additional providers.**
- **Solution:**
 - **State held several meetings between all parties to increase awareness and facilitate communication.**
 - **Additional suppliers: Delta Western, Cosmo, Trans Montagne (pending). DEC processed requests in timely manner.**
 - **Supply adequate for foreseeable future with additional providers**
 - **Alaska Fuel Supply Consortium (AFSC) discussing additional storage options**



Federal Funding and Regulation

- **Carefully watching trends**
- **Decreases in FAA Airport Improvement Program (AIP) funding**
- **Increasing regulatory oversight often means unfunded mandates**



AIAS Successes



AIAS Response to Recession

Remained Competitive:

- **Proactively controlled & reduced operating costs early**
- **Worked with airlines to scale-back capital projects**
- **Managed airport debt for optimal stability**
- **Reduced Rates & Fees**
- **Conducted 3rd Party Cargo Analysis of Asian Market trends**
- **Marketed favorable regulations – Cargo Transfer Authority**



AIAS Recent (2010) Successes

- **Alaska International Cargo Summit held in Anchorage, August 2010. 18 international cargo carriers attended meetings that included information on Alaska's unique air cargo transfer rights.**
- **Japan Airlines winter charters from Tokyo to Fairbanks increased to 15 flights – up from 10 flights the previous year.**
- **Frontier Airlines added seasonal non-stop service in 2010 from Denver to FAI.**
- **Jet Blue seasonal scheduled service to start May 24 through September 6, 2011; Anchorage – Long Beach daily flight.**
- **Edelweiss seasonal scheduled service to begin May 30 through September 12, 2011; Zurich – Whitehorse – Anchorage weekly flight.**
- **Cargolux cargo flights returned in October 2010, 10-14 stops a week.**

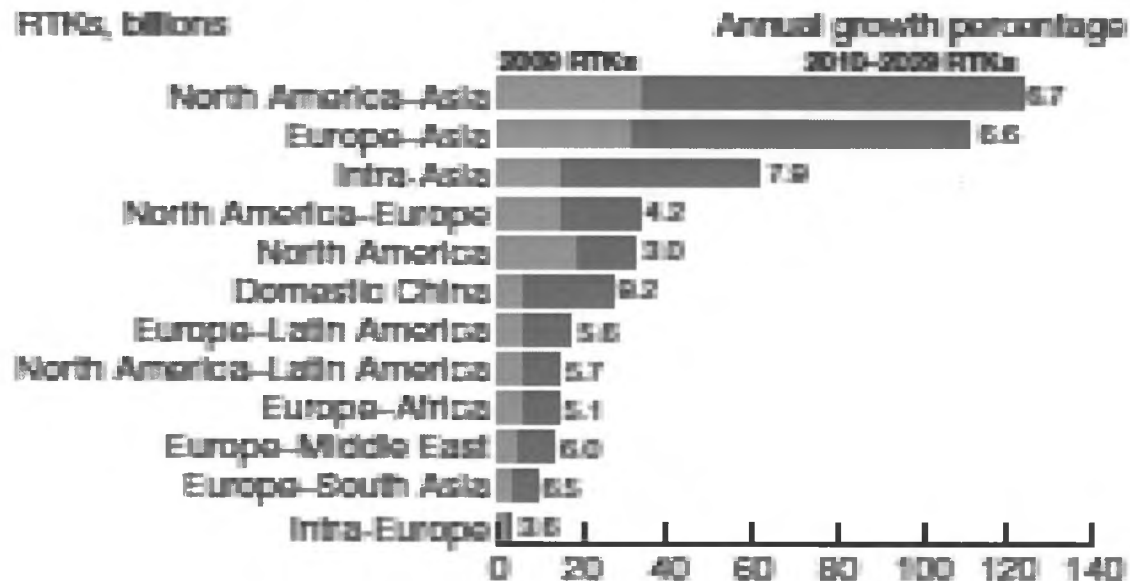


AIAS Future



Asian Market Projected to Lead Growth

ASIA MARKETS WILL CONTINUE TO LEAD INDUSTRY GROWTH



Source: Boeing World Air Cargo Forecast 2010-2011



Cargo Summit & Follow On

- **Video from Summer 2010**
- **August, 2010: Air Cargo Summit – attended by 18 international cargo carriers**
- **January, 2011: Asia Trip – visited with all major international cargo carriers**
- **August, 2011: 2nd Annual Cargo Summit – expect large attendance and will include more groups**



Strategic Planning & Marketing

- **AIAS System Plan**
 - **Business Plan**
 - **Strategic Plan**
 - **Organizational Study**
 - **Marketing Plans / Branding**
- **Proactive Communications**
 - **Work with CVB's and EDC's to strategize opportunities**
 - **Attend pax and cargo conferences to promote AIAS**



Thank you!

Questions?

Deputy Commissioner – Aviation
Steven D. Hatter



Back-up Slides



Advantage: Location

Strategic Importance of AIAS to Cargo Carriers

AIAS Offers Air Carriers Cost and Operational Efficiencies

- Strategic link to Asia and the Pacific Rim
- AIAS is a major sorting and transfer hub for domestic and international carriers
- Favorable Federal Legislation specific to Alaska
- Ability to accommodate state-of-the-art Design Group VI (VLA) 747-800 / A380F aircrafts
- Economics favor refueling at AIAS with heavier payload than bypassing AIAS with lighter payload

Market	Nautical Miles (ANC)	Flight time from ANC	Nautical Miles (FAI)	Flight Time from FAI
Beijing	3,431	7.5 hours	3,393	7.5 hours
Hong Kong	4,415	10.0 hours	4,399	10.0 hours
Seoul	3,288	7.5 hours	3,295	7.5 hours
Shanghai	3,743	8.5 hours	3,741	8.5 hours
Singapore	5,792	13.0 hours	5,788	13.0 hours
Tokyo	2,983	7.0 hours	3,026	7.0 hours
Amsterdam	3,901	8.5 hours	3,674	8.0 hours
Frankfurt	4,064	9.0 hours	3,822	8.5 hours
London	3,902	8.5 hours	3,675	8.0 hours
Madrid	4,499	10.0 hours	4,277	9.5 hours
Moscow	3,778	8.5 hours	3,564	8.0 hours
Paris	4,072	9.0 hours	3,832	8.5 hours
Chicago	2,473	5.5 hours	2,413	5.5 hours
Honolulu	2,413	5.5 hours	2,640	6.0 hours
Los Angeles	2,037	4.5 hours	2,138	5.0 hours
Miami	3,479	7.5 hours	3,445	7.5 hours
New York	2,941	6.5 hours	2,839	6.5 hours
Washington DC	2,916	6.5 hours	2,838	6.5 hours
Caracas	4,646	10.5 hours	4,596	10.5 hours
Mexico City	3,281	7.5 hours	3,334	7.5 hours

Source: Great Circle Mapper.



Strength: Large Customer Base

(FY09 Service)

Diverse Mix of Cargo Operators

AIAS Cargo Operators

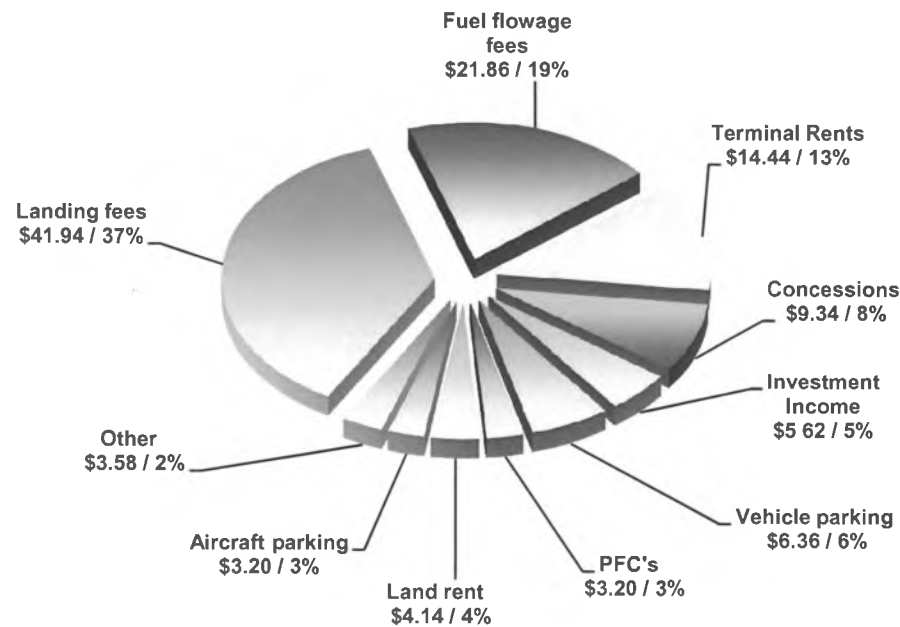
- **Air China Cargo Company**
- **Alaska Airlines**
- **Alaska Central Express**
- **All Nippon Airways Co**
- **Antonov Design Bureau**
- **Asiana Airlines**
- **Atlas Air**
- **Brooks Fuel**
- **Cathay Pacific Airways**
- **Cargolux Airlines International**
- **Centurion Cargo**
- **China Airlines**
- **China Cargo Airlines**
- **Desert Air**
- **Empire Airlines**
- **Era Aviation Air Cargo**
- **Eva Airways Corporation**
- **Evergreen International Airlines**
- **Everts Air Cargo**
- **Everts Air Fuel**
- **Federal Express**
- **Great Wall Airlines Co**
- **Hageland Aviation Services**
- **Japan Airlines⁽¹⁾**
- **Kalitta Air**
- **Korean Air**
- **Lynden Air Cargo**
- **Nippon Cargo Airlines**
- **Northern Air Cargo**
- **Peninsula Airways**
- **Polar Air Cargo**
- **Qantas**
- **Shanghai Airlines Cargo**
- **Singapore Cargo Airlines**
- **Southern Air**
- **Transnorthern Aviation**
- **United Parcel Service**
- **Volga-DNEPR Cargo Airlines**
- **World Airways**
- **Wright Air Service**

⁽¹⁾ Japan Airlines announced it will cease cargo operations within the System in October 2010
Bold type indicates Signatory Airlines of the Operating Agreement.

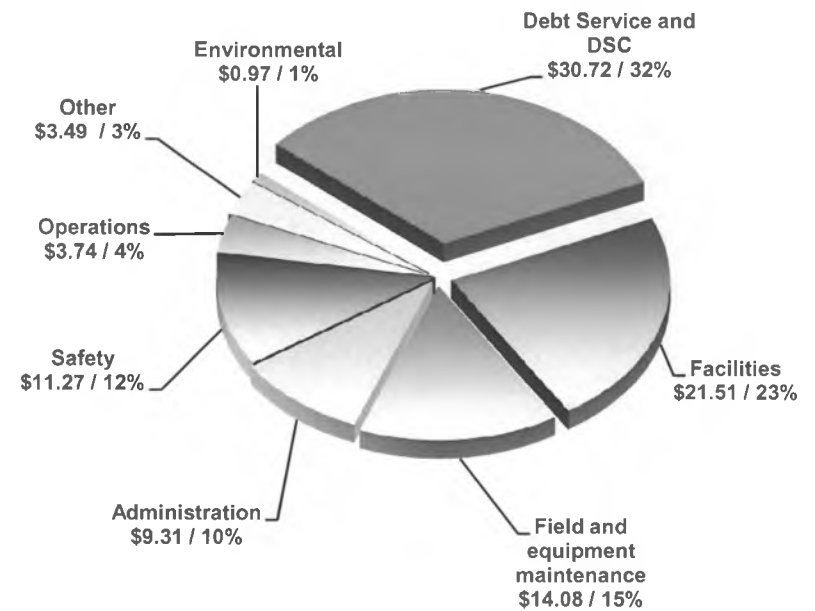


AIAS Revenues & Costs

AIAS FY2010 Revenue Sources (Millions)

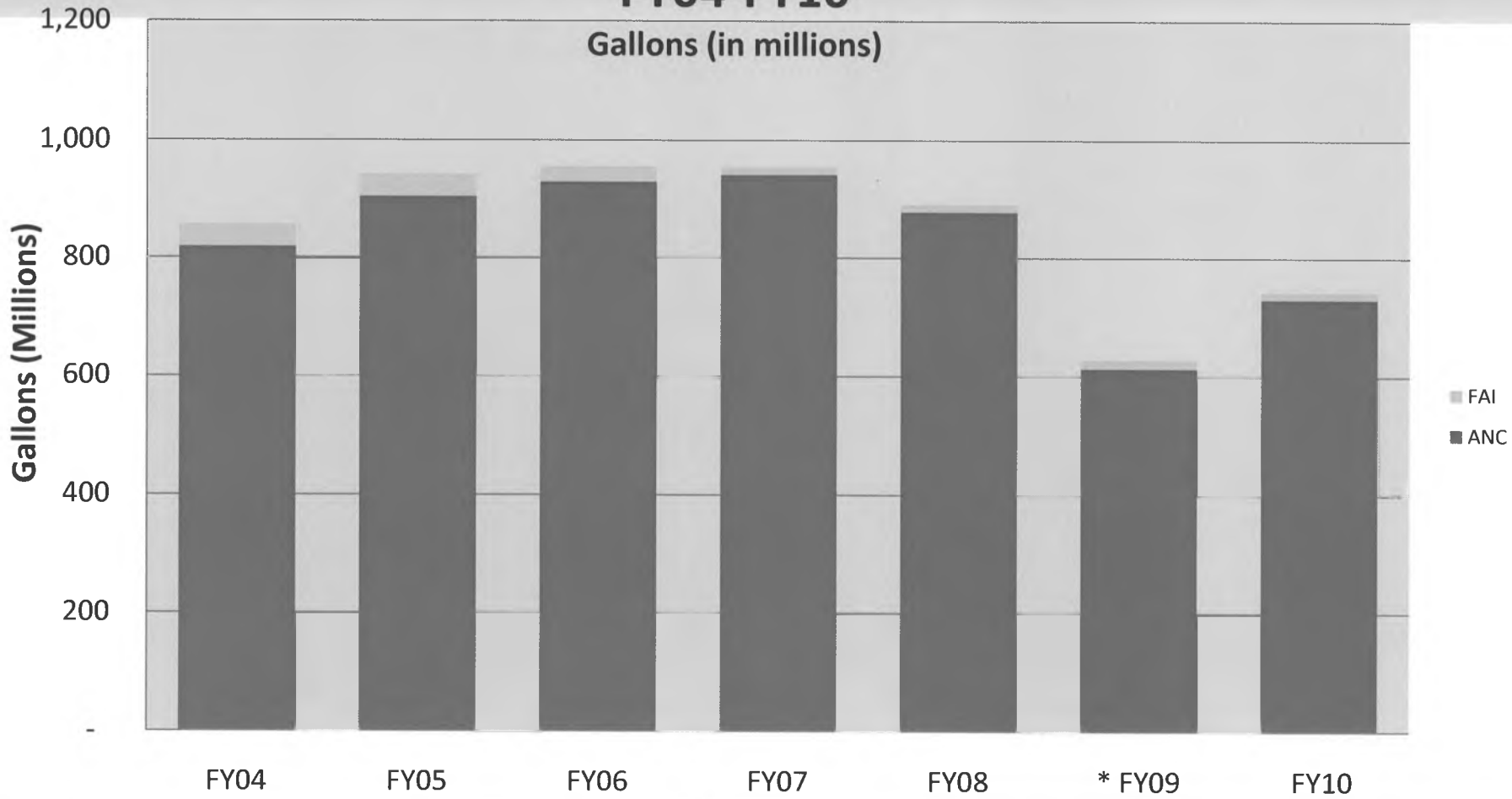


AIAS 2010 Annual Costs and DSC (Millions)





AIAS Annual Fuel Flowage FY04-FY10





Finance Division
Tel: 907-265-2516
Fax 907-265-2517
olearyb@akrr.com

February 11, 2011

Members of Senate Finance Committee:

Thank you for the opportunity for the Alaska Railroad Corporation (ARRC) to present to your committee on February 2nd an overview of our financial condition and outlook for the future.

At that hearing, Senator Stedman and Senator Hoffman requested follow-up information related to some of the topics discussed. In response, I offer the following:

- Financial Highlights 2005 – 2010
 - Attachment #1 provides a six-year history of ARRC financial condition, earnings, and cash flow statements in a condensed fashion. Please note that 2010 numbers are still preliminary/unaudited; we anticipate completion of our annual financial audit by late March. Greater detail on previous audits can be found in the annual report section of our website (www.AlaskaRailroad.com).
- ARRC Barge Business Composition 2001 – 2010
 - Attachment #2 shows the changes in tonnage related to oil-field activity shipped on our rail barge over the last ten years.
- Breakdown of 2009 Position Eliminations
 - As part of a corporate initiative to reduce our cost structure to address declining key revenue streams, ARRC reduced staffing markedly in 2008 and 2009. Specific statistics:
 - Positions eliminated: 192
 - Year-round positions: 115
 - Seasonal positions: 77
 - Number of layoffs (included within total positions eliminated): 57
 - Anchorage-based staff: 46
 - Fairbanks-based staff: 8
 - Other areas: 3



Please contact me at 265-2516 or Wendy Lindskoog, VP of Corporate Affairs, at 265-2498 if you have any further follow-up questions or desire more detailed information on these or other topics.

Regards,

Bill O'Leary
VP Finance/Chief Financial Officer

cc: Chris Aadnesen, ARRC Chief Executive Officer
Wendy Lindskoog, ARRC VP, Corporate Affairs

Attachment #1

Alaska Railroad Corporation
Financial Highlights 2005-2010
Balance Sheet
(in thousands)

	2005	2006	2007	2008	2009	Unaudited 2010
Assets:						
Current assets:						
Cash and cash equivalents	\$ 2,078	\$ 13,263	\$ 15,332	\$ 17,095	\$ 18,267	\$ 33,488
Receivables	34,019	30,666	26,067	29,214	24,136	32,680
Other current assets	10,667	9,967	10,723	12,419	10,863	11,068
Restricted assets	1,241	-	7,580	18,139	20,662	20,101
Total current assets	48,005	53,896	59,702	76,867	73,928	97,337
Non-current assets:						
Capital assets	481,706	560,390	696,465	925,822	995,588	1,118,730
Accumulated depreciation	(169,210)	(198,773)	(233,657)	(280,492)	(322,825)	(373,294)
Construction work in progress	213,355	238,091	201,800	63,883	68,391	22,399
Total capital assets	525,851	599,708	664,608	709,213	741,154	767,835
Restricted and other non-current assets	103	60,642	110,204	68,042	46,173	27,105
Total assets	\$ 573,959	\$ 714,246	\$ 834,514	\$ 854,122	\$ 861,255	\$ 892,277
Liabilities:						
Current liabilities	\$ 27,449	\$ 34,322	\$ 38,140	\$ 44,464	\$ 40,768	\$ 43,221
Non-current liabilities						
Notes payable, less current portion	24,468	33,310	30,219	27,436	24,537	24,028
Revenue bonds payable, less current portion	-	78,403	164,314	155,066	145,315	135,133
Other non-current liabilities	1,193	1,208	1,204	2,318	2,103	8,449
Regulatory liabilities:						
Accrued pension and postretirement benefits	4,279	-	-	29,225	6,258	-
Deferred grant revenue	345,391	383,435	402,581	415,882	428,501	453,866
Total non-current liabilities	375,331	496,356	598,318	629,927	606,714	621,476
Fund equity	171,179	183,568	198,056	179,731	213,773	227,580
Total liabilities & fund equity	\$ 573,959	\$ 714,246	\$ 834,514	\$ 854,122	\$ 861,255	\$ 892,277

Attachment #1

Alaska Railroad Corporation
Financial Highlights 2005-2010

Statement of Revenues & Expenses
(In thousands)

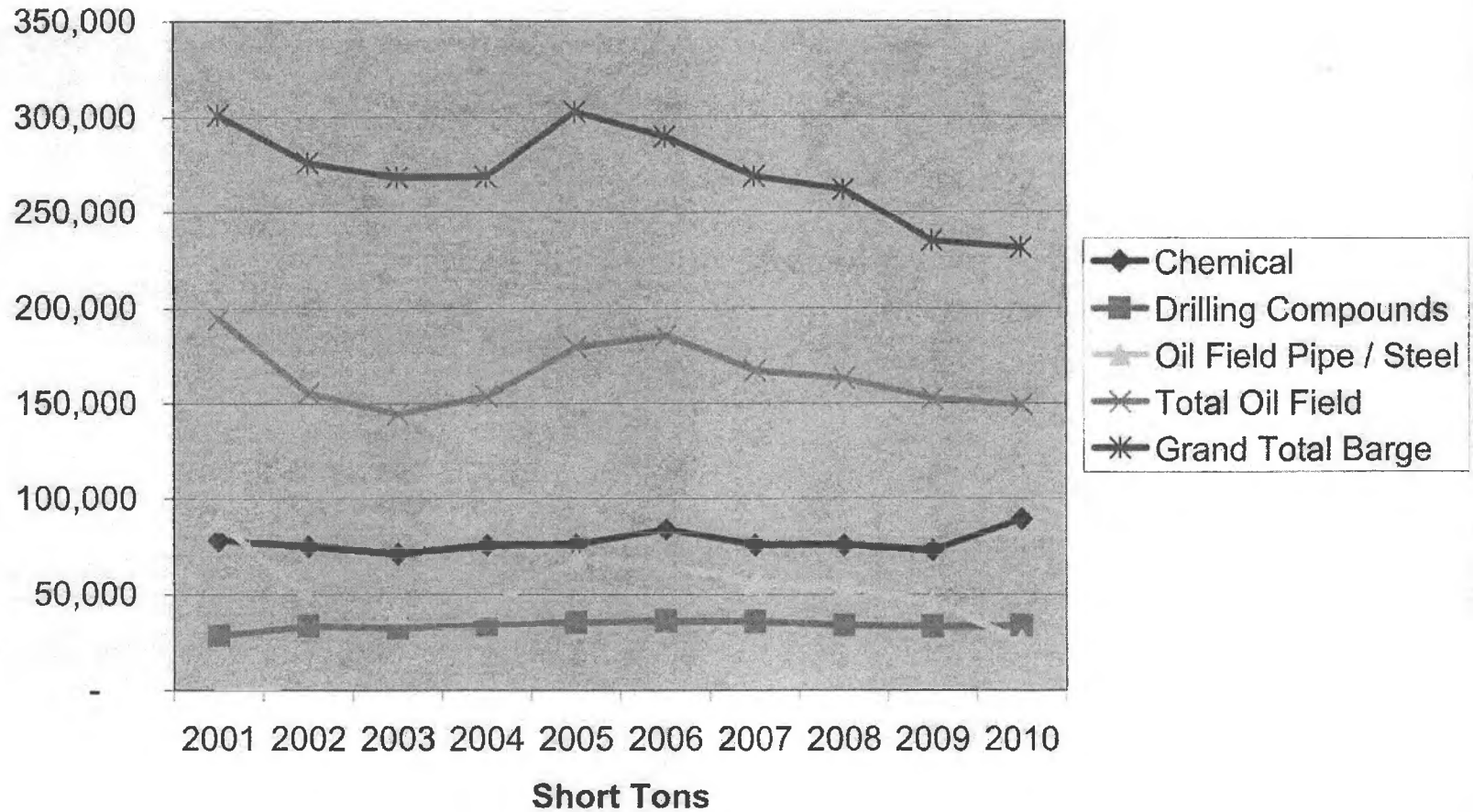
	2005	2006	2007	2008	2009	Unaudited 2010
Operating revenue:						
Freight	\$ 94,485	\$ 89,623	\$ 91,783	\$ 96,337	\$ 84,939	\$ 84,329
Passenger	19,472	21,292	23,304	24,550	21,455	20,783
Other	121	456	526	895	704	772
Grant	15,115	21,299	32,949	37,013	36,515	40,225
Total operating revenue	129,193	132,670	148,562	158,795	143,613	146,109
Operating expenses	122,841	128,419	138,878	155,490	137,993	140,197
Operating Income	6,352	4,251	9,684	3,305	5,620	5,912
Non-operating revenue (expenses):						
Real estate income	13,909	15,053	19,296	20,285	22,428	20,872
Real estate expense	(7,403)	(8,543)	(12,626)	(9,878)	(13,063)	(11,494)
Gain on sale of fixed assets	452	616	478	(13)	517	0
Investment Income	430	572	945	377	115	78
Interest expense, net of grant revenue	(1,085)	(1,504)	(1,527)	(1,519)	(1,715)	(1,561)
Net income	\$ 12,655	\$ 10,445	\$ 16,250	\$ 12,557	\$ 13,902	\$ 13,807

Attachment #1

Alaska Railroad Corporation
Financial Highlights 2005-2010
Cash flows
(in thousands)

	2005	2006	2007	2008	2009
Net cash provided by operating activities	\$ 11,836	\$ 9,059	\$ 17,491	\$ 9,770	\$ 17,926
Net cash provided by (used in) capital and related financing activities	(32,198)	50,749	22,195	(59,337)	(48,973)
Net cash provided by (used in) investing activities	12,218	(48,623)	(37,617)	51,330	32,219
Cash and cash equivalents at beginning of year	10,222	2,078	13,263	15,332	17,095
Cash and cash equivalents at end of year	\$ 2,078	\$ 13,263	\$ 15,332	\$ 17,095	\$ 18,267
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 6,352	\$ 4,251	\$ 9,684	\$ 3,305	\$ 5,620
Depreciation and amortization	20,224	26,003	33,977	42,496	42,193
Bond issuance cost amortization	-	-	121	176	176
Grant revenue on capital assets	(11,681)	(16,275)	(24,947)	(31,261)	(29,985)
Changes in operating assets and liabilities	(3,059)	(4,920)	(1,344)	(4,946)	(78)
Total adjustments	5,484	4,808	7,807	6,465	12,306
Net cash provided by operating activities	\$ 11,836	\$ 9,059	\$ 17,491	\$ 9,770	\$ 17,926

Attachment 2 Barge Oil Field related Tonnage 2001 - 2010





Report to the State of Alaska

December 2010





ARRC President: A Look Ahead

The Alaska Railroad Corporation Act (AS 42.40.290) requires the Alaska Railroad Board of Directors to annually adopt a long-range capital improvement and program plan and to forward that plan to the governor and legislature. I am pleased to present the railroad's capital plan for 2011 through 2015.

I joined the Alaska Railroad Corporation (ARRC) as the President and CEO in September 2010 and already I appreciate the railroad's significant role in the state's history and its future. While new to the Alaska Railroad, I have spent 37 years in the national and international rail industry. Through that experience I understand the importance of communicating and working with local government leaders. This report begins my dialogue with you.

The 2010 business year sets the stage for the railroad's outlook. We will emerge from 2010 better than expected even though our largest freight commodity, petroleum, underperformed based on budget forecasts. While rail passenger numbers are down from the peak a couple of years ago, 2010 passenger service revenue surpassed revenue expectations. Gravel and trailer/container businesses were both strong, and export coal volumes set another record year. Real estate lease and permit revenue continued steady growth. Incremental revenue growth coupled with tight expense control yielded total unaudited revenues at \$174.2 million, total expense at \$160.5 million, with corporate net income forecast to be \$13.7 million. Audited results will true these numbers up by April 1, 2011.



CHRISTOPHER
AADNESEN
PRESIDENT & CEO

Railroaders marked many significant accomplishments in 2010. On the transportation side, we developed a method to move export coal trains over Grandview Pass with a single train rather than breaking the train into several sections. This approach offered measurable safety gains and more efficient operations that benefit our customers and our bottom line. We also increased the length of our export coal trains to 75 cars to better serve Usibelli Coal Mine as it increases its capacity to meet demands of the growing export market.

The railroad also continued core infrastructure investments in 2010. Crews installed 43 additional miles of continuous welded rail and replaced 50,000 cross-ties. We completed important track realignment and retaining wall work in Healy Canyon and constructed bridge improvements along the system. Federal Stimulus funding accelerated rehabilitation work on the Anchorage Historic Depot and made passenger improvements possible at the Seward and Talkeetna depots. Stimulus funds also enabled installation of a Wheel Impact Load Detector to improve the safety of rail operations.

Improving safety was the driver behind another 2010 highlight. July 2010 marked the first time since 1983 that ARRC was allowed to use herbicides as part of an integrated vegetation management program. Without this crucial component to weed control, the Alaska Railroad was failing to live up to Federal Railroad Administration (FRA) safety standards. Thanks to a state-issued herbicide use permit and ARRC's implementation of an her-



ARRC President: A Look Ahead

bicide program on the south end of the rail corridor, the FRA has indicated it may consider suspending previously issued vegetation violations, which could save the railroad millions of dollars in fines.

Charting the course for capital spending over the next five years is a little like looking into a crystal ball. The Alaska and national economies appear to be slowly strengthening but the Alaska Railroad is not out of the woods yet. We are guardedly optimistic that improved Flint Hills Refinery forecasts will pan out. Our five-year revenue estimates hinge largely on this essential customer.

Looking forward, we will continue to improve the Alaska Railroad's safety systems, customer service, and infrastructure. This includes plans to modernize signal and train communication systems and is driven in large part by the Federal mandate to implement Positive Train Control by the end of 2015. We will pursue diversification of our revenue sources, working closely with customers and partners to identify new lines of business.



RENOVATING THE HISTORIC FREIGHT SHED TO LEADERSHIP ENERGY & ENVIRONMENTAL DESIGN (LEED) STANDARDS IS A MAJOR INTERNALLY-FUNDED PROJECT.

The information in this report provides a high-level snapshot of our long-range capital improvement plan.

Particularly as the legislative session begins, I will make myself and my team available to provide a more in-depth look at our operation and our budget

through one-on-one meetings, facility tours, or informational committee hearings in Juneau. Please contact our Vice President of Corporate and Government Affairs Wendy Lindskoog if you are interested in any or all of these avenues. You are always invited to stop by my office at our headquarters in Anchorage. I look forward to meeting Alaska's lawmakers and policy makers in the very near future and to working with you all to ensure the continued vitality of the state-owned Alaska Railroad.

Best regards,

Chris Aadnesen
President and CEO



AQUAMASTER HERBICIDE IS APPLIED TO THE SEWARD RAIL YARD IN LATE JULY 2010.



Mission, Vision and Values

Alaska Railroad Mission

- Safety... Customer Service... Profitability

Alaska Railroad Vision

"Building a great Railroad across the Greatland."

An important element in fulfilling this vision is ARRC's success since 1996 in qualifying for federal funding...an entitlement afforded the railroad's public status and its passenger service mission. As a result, ARRC has been able to greatly accelerate long overdue mainline maintenance and upgrades.

In addition, other federal grants have funded facility improvements, such as inter-modal facilities and docks; technology improvements, such as the collision avoidance system; and homeland security grants. These have come to the the Alaska Railroad via recent major federal legislation.

Alaska Railroad Values

We are a values based organization. Values are all about people, not things. We are all about taking care of our people. We believe who you are is as important as what you do. Character counts. Many of our values are embodied in our corporate Code of Conduct. Our fundamental core values consist of integrity, excellence, and service.

As a responsible partner, in order to accomplish the ambitious goals we set out for ourselves in conjunction with those of others along the railbelt, the ARRC must be a safe, secure, customer responsive, financially and environmentally sound, employee friendly corporation. We must provide a stable, reliable foundation that can be counted on to enhance the future economic growth of the state and the municipalities we support. If our corporate foundation is not sound, support for further state growth and development becomes problematic at best. Values and high standards are the building blocks of that foundation.



ALASKA CENTRAL RAILWAY OWNERS POSE IN SEWARD. CIRCA 1902 TO 1907.

HURRICANE BRIDGE UNDER CONSTRUCTION. CIRCA 1921.



BRACE WORK TO STIFFEN THE LOOP DISTRICT TRESTLE AT MILE 48.3. CIRCA 1948.



Alaska Railroad Organizational Chart

Governor • State of Alaska

Board of Directors

President & CEO Chris Aadnesen

**VP Corporate Affairs
Wendy Lindskoog**

**VP Transportation & Mechanical
Pat Shake**

**VP Finance & Chief Financial Officer
Bill O'Leary**

**VP Real Estate & Facilities
Jim Kubitz**

**VP Information, Technology &
Telecommunications Eileen Reilly**

**VP Business Development
Steve Silverstein**

**VP Legal & General Counsel
Phyllis Johnson**

**VP Engineering & Chief Engineer
Tom Brooks**



Alaska Railroad Quick Facts

Purchase Price (January 5, 1985)

Paid to federal government	\$22.3 million
Start-up costs & contributed capital	\$11.9 million
Total Investment-State of Alaska	\$34.2 million

Organization (following State purchase)

- Independent corporation owned by State
- Managed by a seven-member board of directors. Position qualifications are spelled out in law, members appointed by the Governor.
- Mandated to be self-sustaining, responsible for all its own financial and legal obligations

Financial Statistics

January 1-December 31, 2010* (estimated & unaudited)

Total Assets	\$ 882.0 million
Total Revenues	\$ 174.2 million
Total Expenses	\$ 160.5 million
Forecasted Net Income (as of October)	\$ 13.7 million
Budgeted Net Income	\$ 8.4 million

Operating Data

Miles of main line	467
Miles of branch line	54
Miles of yards and sidings	130
Total miles of track	651
Freight cars (owned & leased)	1,160
Passenger cars	47
Locomotives	51

Operating Statistics

January 1-December 31, 2010 (estimated & unaudited)

Passenger ridership	404,000 passengers
Freight tonnage	6.6 million tons

Employees (as of December 2010)(estimated)

Number of year-round employees	657
Average years of service	12.3
Average age	46
Male	541
Female	116

Union Membership

Most of ARRC employees are members in one of five unions:

United Transportation Union	125
Transportation Communication Union	41
International Association of Machinists	63
American Federation of Govt. Employees	254
American Train Dispatchers Department	8

Benefits

- Corporation provides a defined benefit pension plan
- Corporation provides for health and life insurance
- Corporation provides for retiree medical benefits

* ARRC audits are normally complete by March 31.

Five-Year Forecast — Operating Budget

<i>(in millions)</i>	2011 Budget	2012 Plan	2013 Plan	2014 Plan	2015 Plan	TOTAL
Net Operating Income	\$ 11.3	\$ 12.1	\$ 12.1	\$ 12.6	\$ 12.4	\$ 60.5
Net Income-Real Estate	8.3	8.1	8.5	8.4	8.3	41.6
Net Other Income (Expense)	(1.4)	(1.1)	(1.0)	(0.8)	(0.3)	(4.6)
Net Income	\$ 18.2	\$ 19.1	\$ 19.6	\$ 20.2	\$ 20.4	\$ 97.5

Five-Year Capital Project Plan — Internal Funding

<i>(in millions)</i>	2011 Budget	2012 Plan	2013 Plan	2014 Plan	2015 Plan	TOTAL
Nondiscretionary Projects	\$ 14.9	\$ 14.4	\$ 16.2	\$ 9.2	\$ 7.0	\$ 61.7
Continuing Program Projects	6.3	7.2	7.0	7.6	6.8	34.9
Strategic Business Initiatives	2.9	2.9	1.6	1.3	1.3	10.0
Ranked Projects	1.0	1.4	0.5	9.3	13.1	25.3
Total Internal Funding	\$ 25.1	\$ 25.9	\$ 25.3	\$ 27.4	\$ 28.2	\$ 131.9

Five-Year Capital Project Plan — Federal and Bond Funding

	2011	2012	2013	2014	2015	5-YR TOTAL
Federal Transit Administration						
Passenger Equipment: Rehabilitation	\$ 530,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,530,000
Projects:						
Depot Improvements	—	—	—	—	300,000	300,000
Track Rehabilitation	8,328,206	6,666,152	8,965,478	11,797,879	14,482,177	50,239,892
Positive Train Control	3,557,000	7,335,000	6,1561,000	3,556,000	2,040,000	22,649,000
<i>Track Project Subtotal</i>	12,415,206	14,501,152	15,626,478	15,853,879	17,322,177	75,718,892
Bridge Replacements/Upgrades:						
Bridge at Mile Post 29.5 Trail Lake	579,000	—	—	1,000,000	—	1,579,000
Bridge at Mile Post 422.9 Little Goldstream	—	—	—	—	458,402	458,402
Bridge 447.7 Permafrost Bridge	—	—	—	—	300,000	300,000
<i>Bridge Program Subtotal</i>	579,000	—	—	1,000,000	758,402	2,337,402
Debt Service Subtotal:						
2006 Bond Issue Debt Service	7,520,266	7,513,216	7,519,254	7,503,586	7,486,648	37,542,970
2007 Bond Issue Debt Service	9,175,686	9,176,261	9,180,361	9,140,152	9,139,078	45,811,538
<i>Debt Service Subtotal</i>	16,695,952	16,689,477	16,699,615	16,643,738	16,625,726	83,354,508
Preventive / Safety / Security:						
Preventive Maintenance Reimbursement	9,888,331	9,987,214	10,087,086	10,187,957	10,289,836	50,440,424
Slope Stabilization - Area MP52	400,000	—	—	—	—	400,000
Transit Enhancements	208,660	214,920	221,367	228,008	234,849	1,107,804
Transit Security	208,660	214,920	221,367	228,008	234,849	1,107,804
<i>Preventive/Safety/Security Subtotal</i>	27,401,603	27,106,531	27,229,435	27,287,711	27,385,259	136,410,540
Total Federal Transit Administration	40,395,809	41,607,683	42,855,914	44,141,591	45,465,838	214,466,835
Less: Preventive Maintenance Reimbursement	(9,888,331)	(9,987,214)	(10,087,086)	(10,187,957)	(10,289,836)	(50,440,424)
Less: Debt Service Grants	(16,695,952)	(16,689,477)	(16,699,615)	(16,643,738)	(16,625,726)	(83,354,508)
Add: 2010 FTA funds for track rehab	6,628,853	—	—	—	—	6,628,853
Total FTA for Federal Capital Projects	\$ 20,440,379	\$ 14,930,992	\$ 16,069,213	\$ 17,309,896	\$ 18,550,726	\$ 87,300,756

Five-Year Capital Project Plan — Federal and Bond Funding (continued)

	2011	2012	2013	2014	2015	5-YEAR TOTAL
FTA Capital Grant Receipts 2007 Bonds						
Track Rehabilitation Program	\$ 13,580,907	\$ 12,341,552	—	—	—	\$ 25,922,459
Other Federal Funds						
US DOT TIGGER II, Locomotive Emissions Reduction Program	1,380,000	—	—	—	—	1,380,000
FEMA Grants, flood related	2,450,635	—	—	—	—	2,450,635
FEMA Security Related Projects, Anchorage and Fairbanks	478,000	—	—	—	—	478,000
Total Other Federal Funds	4,308,635	—	—	—	—	4,308,635
TOTAL FEDERAL & BOND FUNDING	\$ 38,329,921	\$ 27,272,544	\$ 16,069,213	\$ 17,309,896	\$ 18,550,726	\$117,532,300

FIVE-YEAR CAPITAL PROJECT PLAN SUMMARY - TOTALS BY FUNDING SOURCE

<i>(in millions)</i>	2011 Budget	2012 Plan	2013 Plan	2014 Plan	2015 Plan	5-YEAR TOTAL
FTA Formula Funds (net of PM/Debt Svc)	\$ 20.4	\$ 14.9	\$ 16.1	\$ 17.3	\$ 18.6	\$ 87.3
FTA Bond Proceeds - 2007 issue	13.6	12.3	—	—	—	25.9
Other Federal (FEMA, US DOT TIGGER II)	4.3	—	—	—	—	4.3
Internal Funds (ARRC Revenue)	25.1	26.0	25.3	27.4	28.1	131.9
Third Party Performance Settlement	—	2.7	—	—	—	2.7
Total Capital Program	\$ 63.4	\$ 55.9	\$ 41.4	\$ 44.7	\$ 46.7	\$ 252.1



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杰西·范德赞登
机场经理

费尔班克斯国际机场
美国阿拉斯加州

Senate Finance Committee Briefing

February 2, 2011



Briefing Contents

- Corporate Overview
- Financial Position
- Earnings/Operating Budget Outlook

Handout

- December 2010 State Report





ARRC Corporate Overview

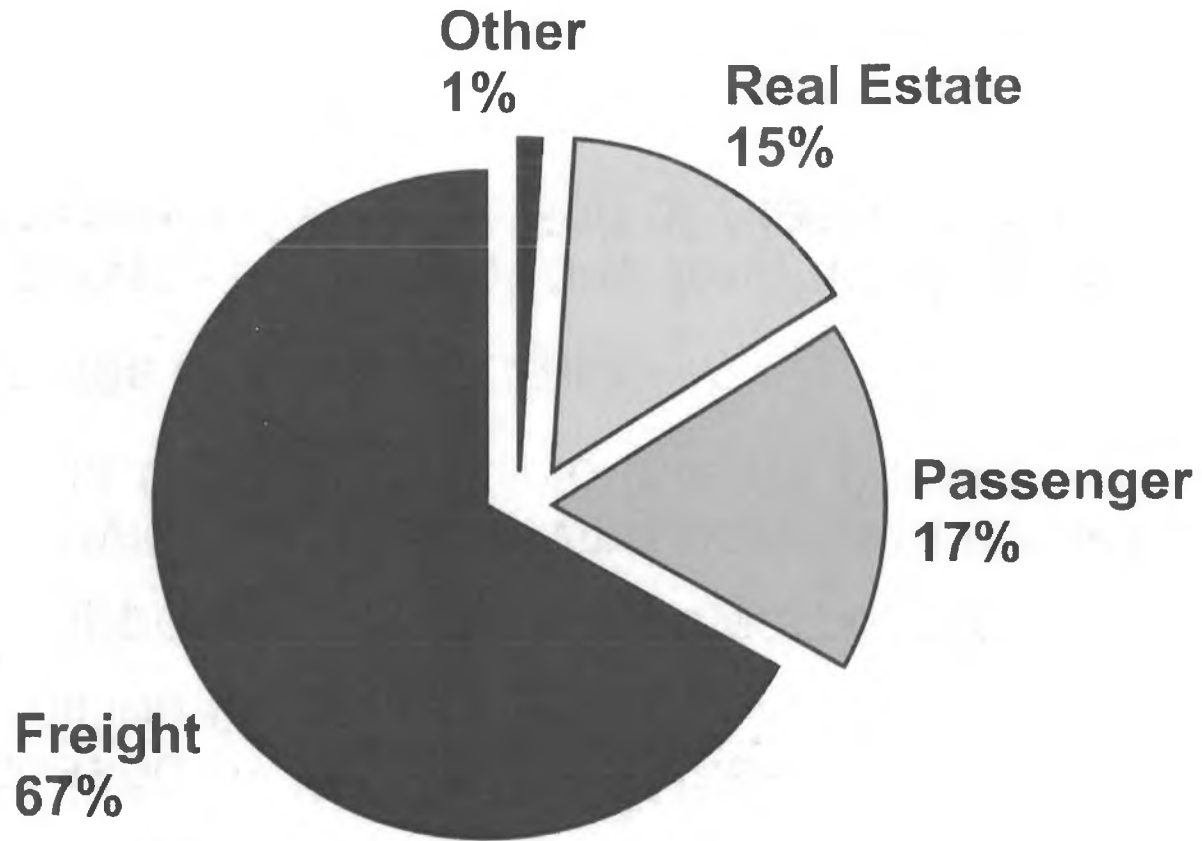


Alaska Railroad Corporation

- Railroad built by the federal government (1914 – 1923)
- Purchased by the State of Alaska for \$22 million in January 1985
- Self-supporting, State-owned corporation
- Full-service railroad serving ports and communities from the Gulf of Alaska to Interior Alaska
- 469 miles of mainline track
- Full-service passenger and freight railroad serving communities from the Gulf of Alaska to Fairbanks.



2010 Sources of Customer Revenue*



*Preliminary/unaudited



Freight Business

- Moved 6.3 million tons of freight overall in 2010, compared to 6.2 million tons in 2009 (2% increase)
- 2011: Anticipate 3.5% overall freight growth over 2010
- Heavily reliant on three primary commodities



Oilfield pipe



Petroleum



Military



Coal



Logs



Gravel



Interstate Barge



Trailers

Passenger Business

- Includes both ARRC trains and cruise partner movements
- Moved 405,000 passengers in 2010, compared to 471,000 in 2009 (14% decrease)
- 2011: anticipate 3.2% passenger growth over 2010
- Makes ARRC eligible for Federal Transit Administration formula funds



Real Estate

- Property Development
- Leases and Permits
- Dockage and Wharfage
- Facilities Maintenance and Management
- Revenue from Real Estate activities are key component to ARRC being self-sustaining
 - 2010: 69% of corporate net income derived from real estate



Top: Ship Creek basin includes highly valuable leasable land. Bottom: upland from the Seward freight dock is being developed

Capital Funding Sources

- ARRC Earnings
 - Provides required match for federal funds
 - Essential for freight-related improvements
- USDOT/Federal Transit Administration
 - Formula Funds, Grants, Repayment Source for Bonds
 - 9-20% ARRC Match Required
- Other Federal Agencies – (Dept of Defense, FEMA, FHWA, FRA, Homeland Security, etc)
- Federal funds allocated to ARRC do not affect federal funding for other state transportation projects
- ARRC federal match is *not* from State of Alaska general fund or gas tax...match is solely from ARRC earnings.



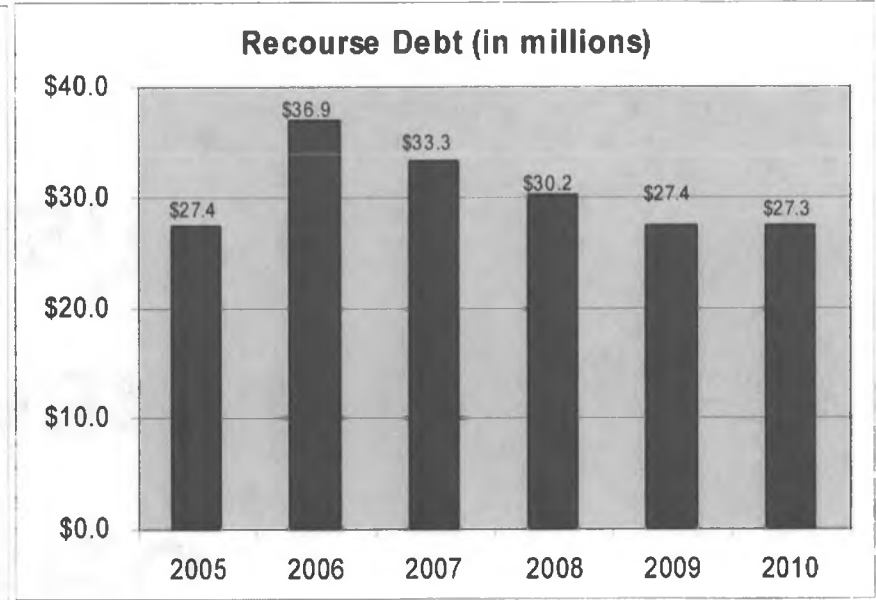
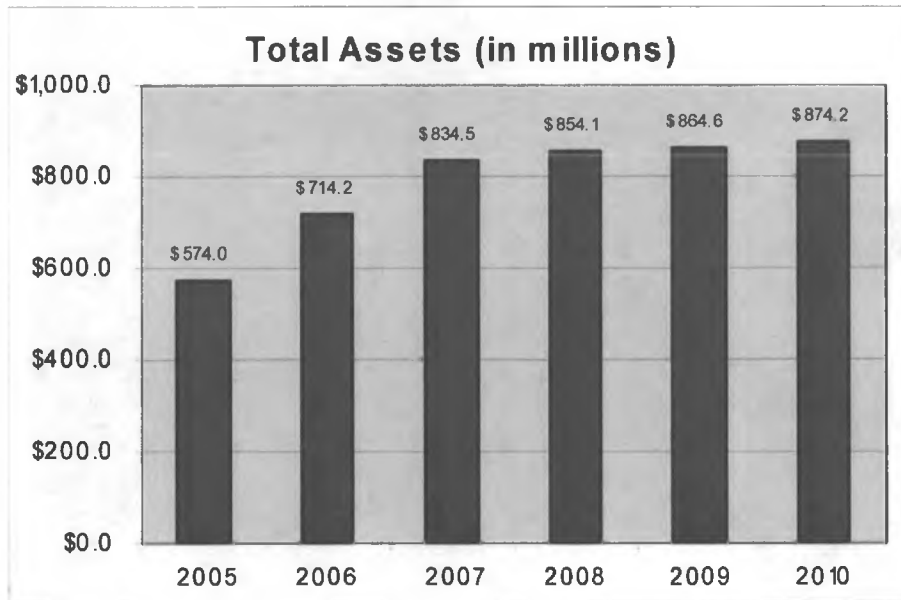


ARRC Financial Position



Balance Sheet Highlights

Assets/Debt

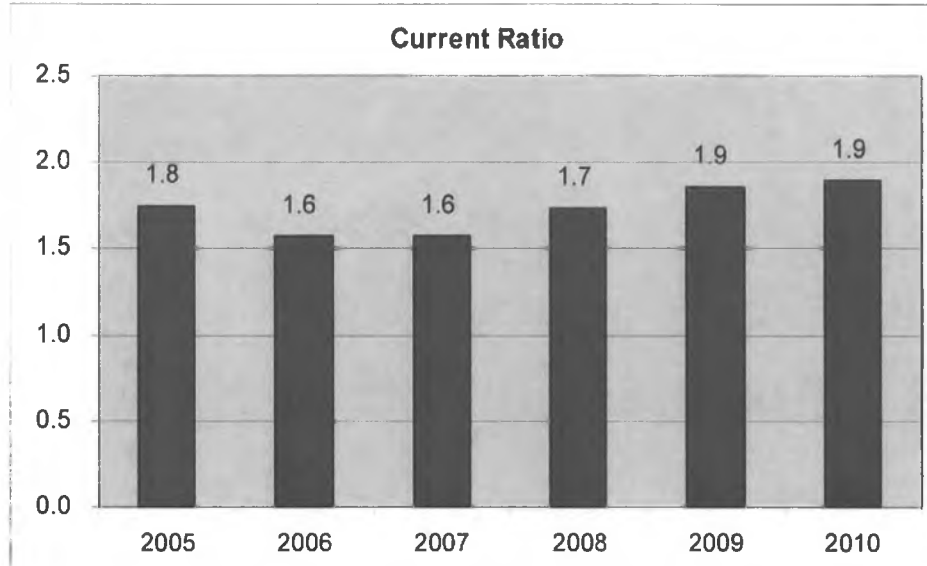


Conservative capital structure: At year-end 2010, ARRC's recourse debt is \$27.3 million, with a debt to capital ratio of 21%, reflecting relatively modest use of debt instruments.

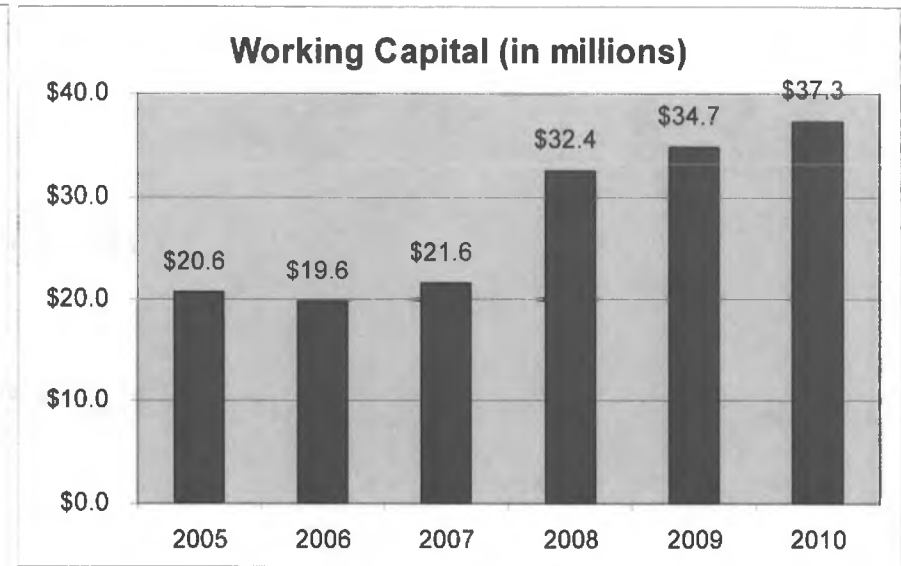


Balance Sheet Highlights

Liquidity



Current ratio is calculated by dividing current assets by current liabilities. The ratio is a measurement of an entity's liquidity and ability to meet current obligations.



Working capital is calculated by subtracting current liabilities from current assets and is a complementary measurement of an entity's liquidity.

ARRC liquidity continues to improve, despite difficult earnings environment.

Benefit Trust Funds

- ARRC is plan sponsor of two benefit trust funds
 - Defined Benefit (DB) pension fund
 - Retiree medical fund

- Both plans financially sound
 - DB pension: 99% funded as of 1/1/10
 - Retiree medical: 118% funded as of 1/1/10

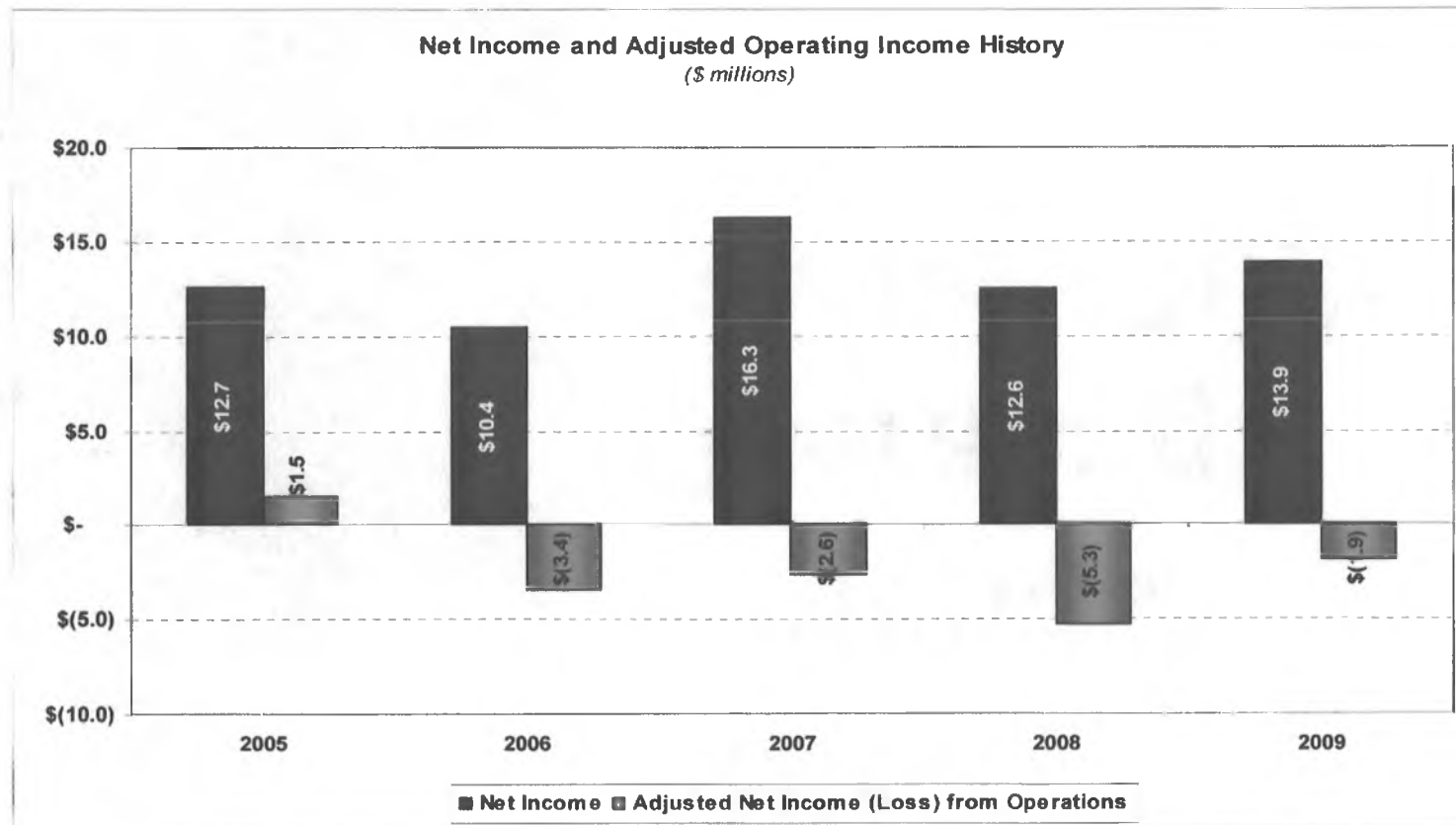




ARRC Earnings/ Operating Budget Outlook



Recent History



- Solid corporate earnings; core train operations run at loss
 - Real estate earnings key to stability and sustainability
 - Non-traditional fund sources important
 - Federal grant reimbursement of operating expenses
 - Section 45G tax credit
- 2009 – Position eliminations/layoffs, significant cost structure reduction



2010 Financial Snapshot

- 2010 Plan – prepare for uncertain future
 - Petroleum haul anticipated to be half that of 2003
 - Passenger: cruise ship redeployments
 - Impact of significant 2009 ARRC personnel downsizing
- Budgeted net earnings: \$8.4 million
 - \$4.3 million loss from train operations budgeted



2010 Financial Snapshot

- Preliminary 2010 numbers exceed expectations
 - Petroleum performed worse than expected, offset somewhat by Trailer on Flat Car (TOFC) and Gravel hauls
 - Passenger revenue did not fall as far as anticipated
 - Solid expense control offset rising fuel costs
 - Year-end boost from tax credit legislation approved by Congress
- Preliminary, unaudited net earnings: \$13.7 million
 - \$700,000 loss from train operations
 - Audit to be completed March 2011



Freight & Passenger Revenues

2009 – 2011 (Budget)

	2009 Actuals	2010 Actuals*	2011 Budget
Freight Revenue	\$ 84,938,713	\$ 84,329,466	\$101,311,645
Passenger Revenue	\$ 21,455,262	\$ 20,782,532	\$ 21,464,033
Total	\$106,393,975	\$105,111,998	\$122,775,678

*Preliminary/unaudited



2011 Freight Revenue Budget – Local Coal

Local Coal: Coal moved north from Healy to Clear Air Site, UAF, Aurora Energy, Ft. Wainwright and Eielson AFB

Local Coal	2009	2010	2011 Budget
Short Tons	762,547	791,286	762,954



2011 Freight Revenue Budget – Export Coal

Export coal: Coal moved south from Healy to Seward for export to Chile, Japan and South Korea

Export Coal	2009	2010	2011 Budget
Metric Tonne	801,254	953,329	1,068,670

➤ *Strong global market – coal prices have increased for 2011*

2011 Freight Revenue Budget – TOFC/COFC

TOFC (trailer on flat car) and COFC (container on flat car): Trailers and containers moved between Seward, Anchorage and Fairbanks; also includes southbound movements between Fairbanks and Whittier.

TOFC	2009	2010	2011 Budget
Trailers / Containers	11,690	13,917	13,458



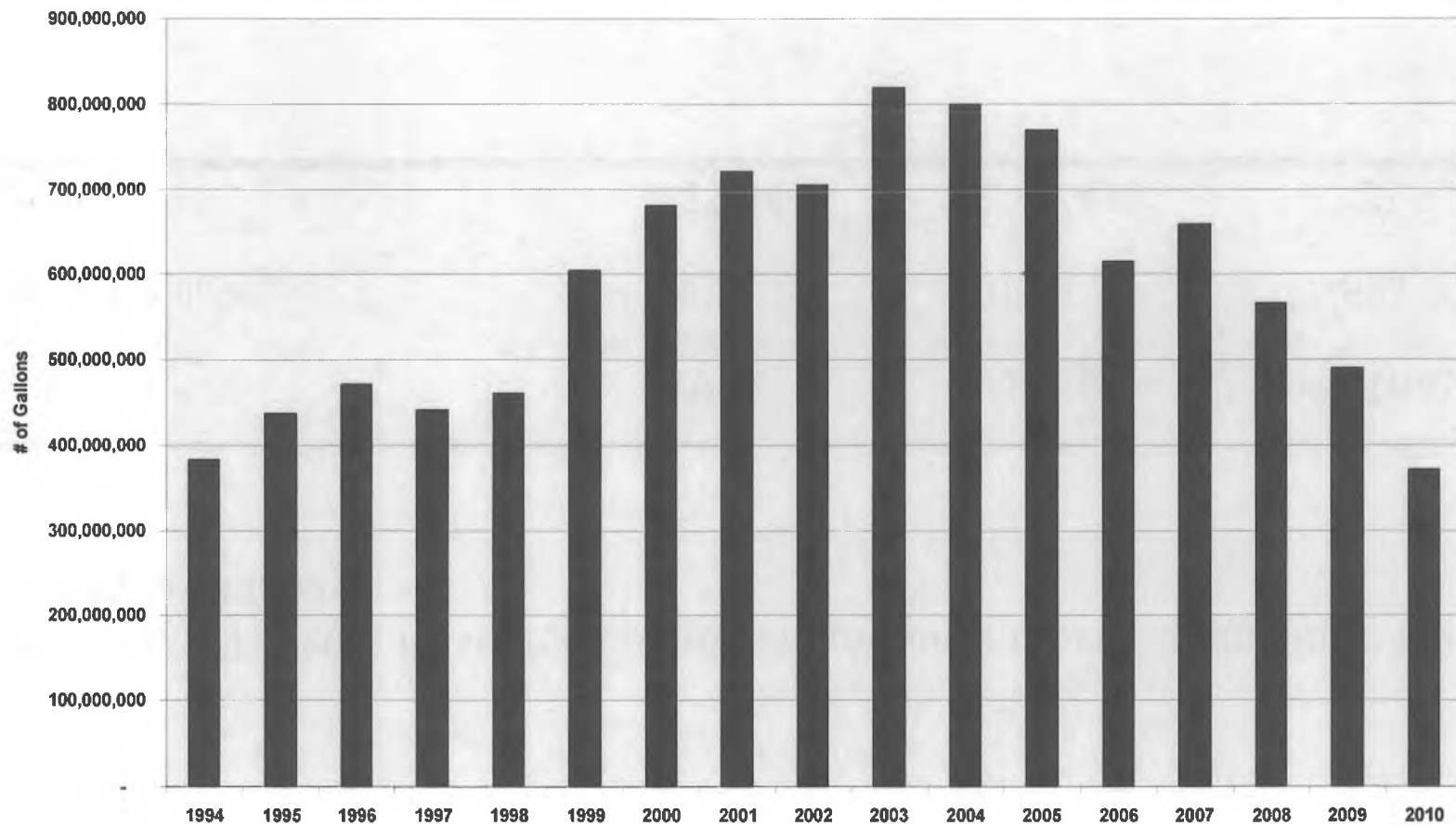
2011 Freight Revenue Budget – Petroleum

Petroleum: Flint Hills Resources petroleum products moved to and from the North Pole Refinery

Petroleum	2009	2010	2011 Budget
Gallons (millions)	488.7	374.2	521.3
Railcars	21,549	16,473	22,901

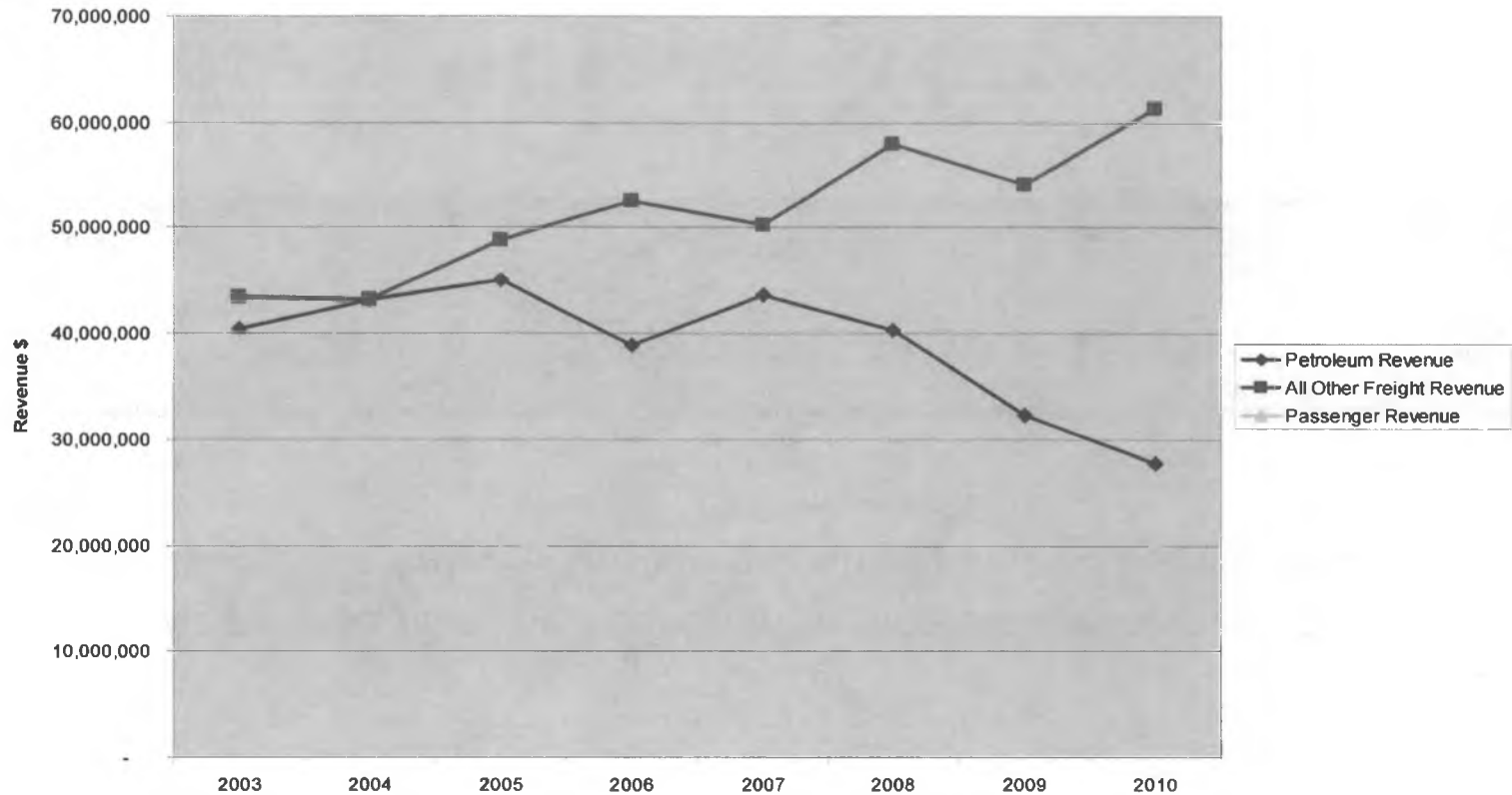


Petroleum Gallons Shipped 1994 - 2010



Petroleum Revenue vs. Other Freight & Passenger Revenue

Freight and Passenger Revenue 2003 - 2010



2011 Freight Revenue Budget – Gravel

Gravel: Aggregate products moved from Mat-Su Valley to Anchorage by Anchorage Sand & Gravel, Granite Construction, and Quality Asphalt Paving

Gravel	2009	2010	2011 Budget
Short Tons	2,306,075	2,613,900	2,500,000



2011 Freight Revenue Budget – ARMS Barge

ARMS Barge: Railcar shipments to and from Alaska via the Seattle Gateway

ARMS Barge	2009	2010	2011 Budget
Railcars	2,090	1,952	1,974
Voyages	53	52	52
Avg Railcars / Voyage	39.4	37.5	38.0

➤ *Revenue depends heavily on oil and gas activity on the North Slope*



2011 Freight Revenue Budget – CN Barge

CN Barge: Railcar shipments to and from Alaska via CN's Prince Rupert Gateway

CNR Barge	2009	2010	2011 Budget
Railcars	1,138	982	931
Voyages	30	31	30
Avg Railcars / Voyage	37.9	31.7	31.0



2011 Freight Revenue Budget – ICOFC

Interline COFC (container on flat car): Container shipments on ARMS
Barge from Whittier to Anchorage and Fairbanks by Alaska Marine Lines

ICOFC	2009	2010	2011 Budget
Trailers / Containers	9,056	6,618	6,953



2011 Freight Revenue Budget – Misc Local

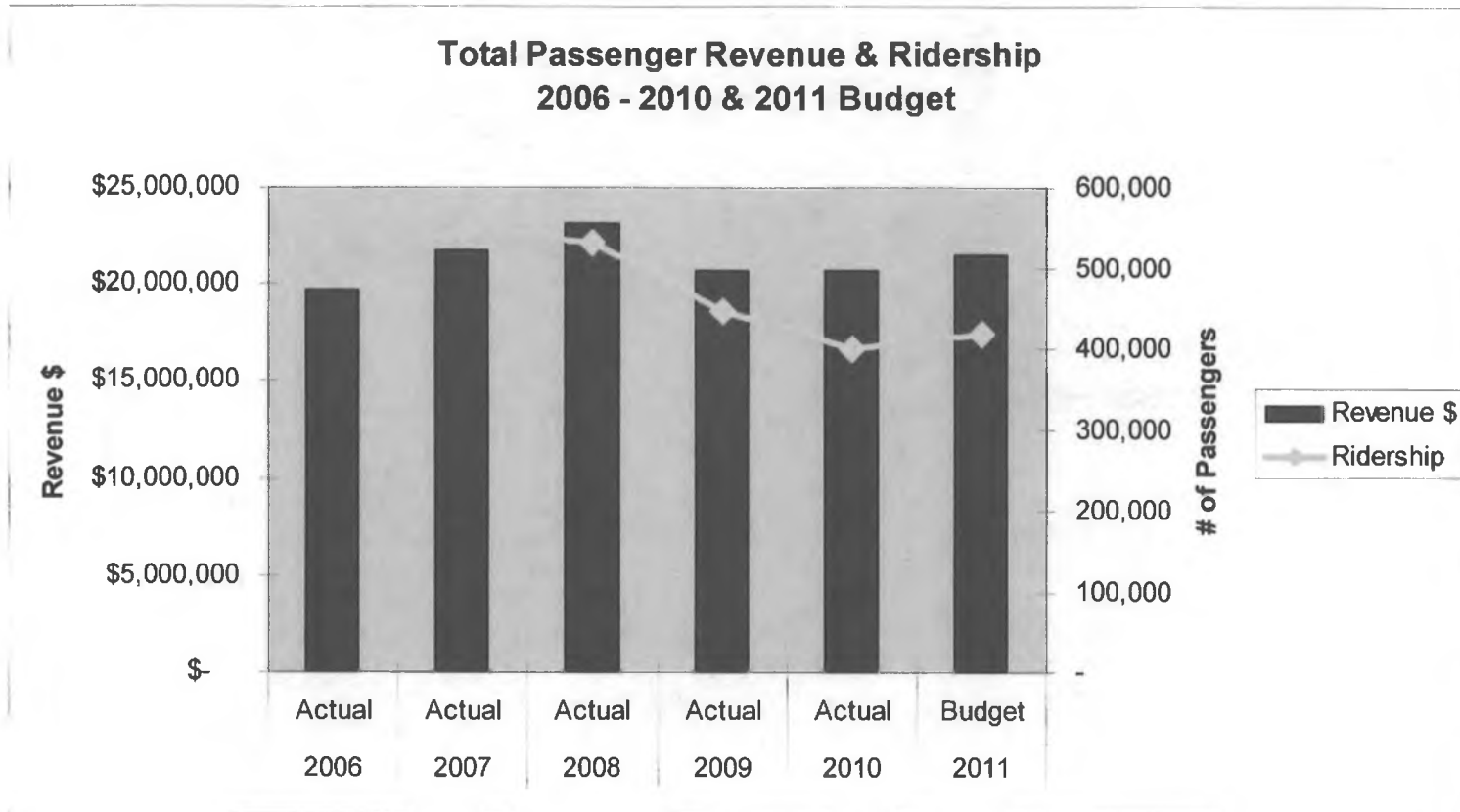
Misc Local: Generally railcar revenue and limited miscellaneous revenue that does not fit into other revenue lines

Misc Local	2009	2010	2011 Budget
Revenue including fuel surcharge	\$ 1,643,268	\$ 2,159,436	\$ 2,036,681

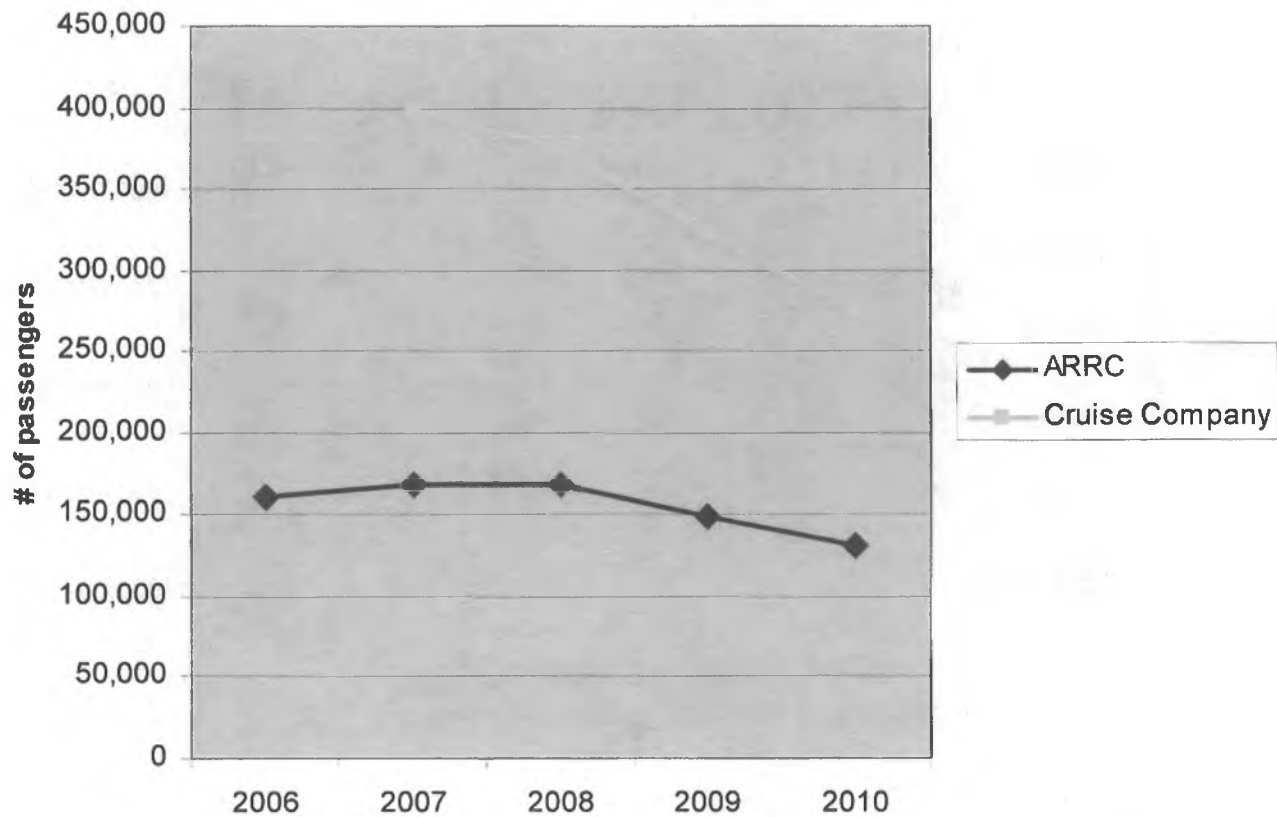
- *Base industries included in this revenue line are:*
 - *Cement between Anchorage and Fairbanks*
 - *Scrap between Fairbanks and Anchorage*
 - *Conoco Phillips chemicals between Anchorage and Fairbanks*
 - *TOTE miscellaneous equipment moves, including military shipments not on TOFC*



Passenger Revenue History and 2011 Budget



Passenger Count 2006 - 2010



2011 Outlook – Operating Budget

- ARRC financial situation still fragile
- Revenue growth planned, but market uncertainty/expense pressures persist
 - Flint Hills projecting growth, but off to rough start
 - Export Coal – strong global demand, tempered by environmental issues
 - Moderate passenger growth seen, more improvement coming in 2012
 - Fuel, benefit cost increases dragging on bottom line
- ARRC Board approved earnings budget of \$18.2 million
 - \$8.7 million net income from core train operations planned
 - Contingency plans in place if revenue does not materialize





Alaska Railroad 2011 Program of Projects

Established in 1923, the Alaska Railroad Corporation (ARRC) is the last of the full-service railroads in the United States, offering both freight and passenger services. From tidewater at Whittier and Seward to the heart of Interior Alaska, our route covers more than 500 miles. ARRC is a state-owned corporation, but it does not receive state funding to operate. ARRC relies on passenger, freight and real estate revenues to operate its trains and maintain tracks and facilities. About \$55.9 million is budgeted in new spending for capital improvements in 2011. Detailed project fact sheets are also available online at www.AlaskaRailroad.com.

Federally-funded Projects

ARRC receives federal grant funding for capital infrastructure improvements and rehabilitation. Funding has been received from the Department of Defense (DOD), Federal Railroad Administration (FRA), Federal Transit Administration (FTA), Federal Highway Administration (FHWA), Transportation Security Administration (TSA), Federal Emergency Management Agency (FEMA), U.S. Forest Service (USFS) as well as other federal funding, such as "Stimulus" money from the American Recovery & Reinvestment Act of 2009. Most FTA, FHWA and FEMA funded projects require 9% to 25% matching funds from the Alaska Railroad. Although ARRC receives no direct funding from the state for capital or operating expenses, ARRC provides support to the Matanuska-Susitna Borough, City of Seward and Fairbanks North Star Borough to execute State of Alaska funded capital projects.

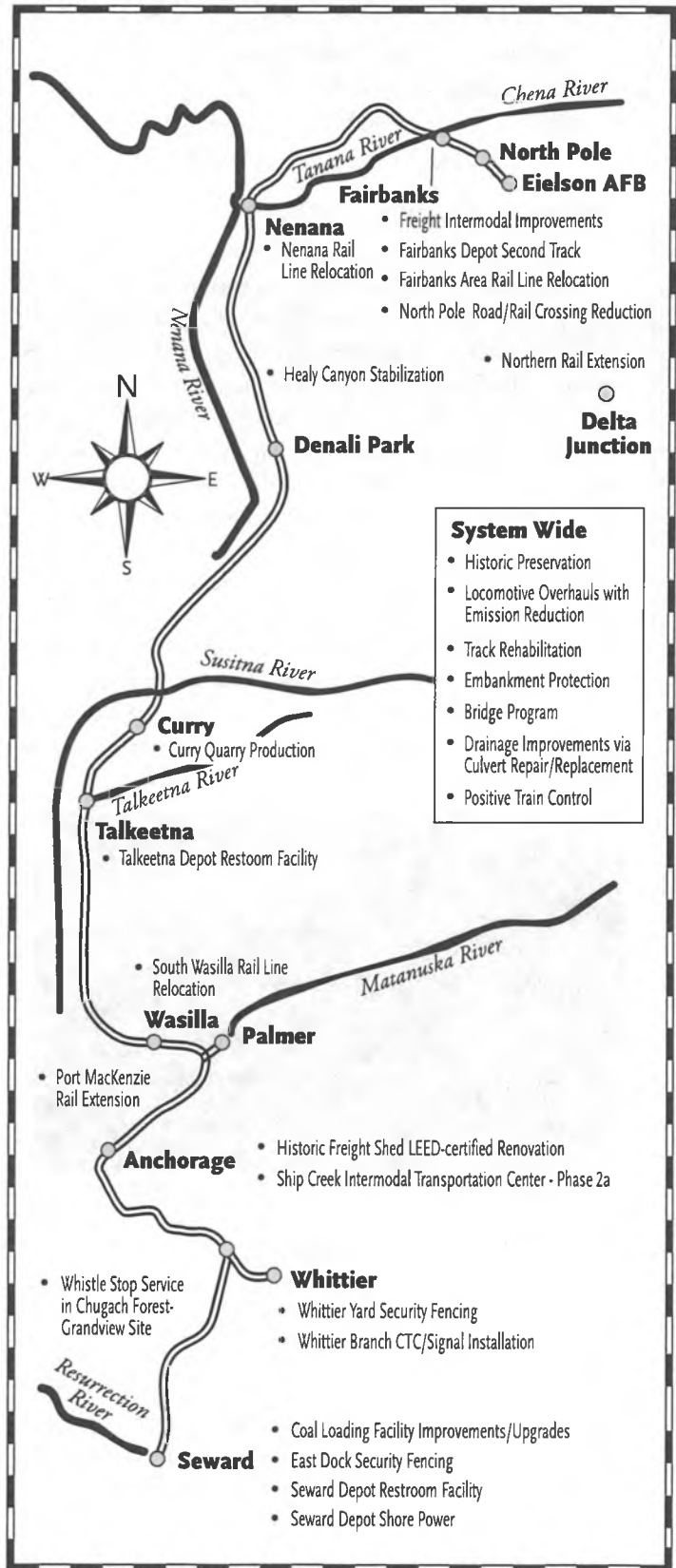
In 2011, ARRC expects to receive continuing FTA formula funding grants totaling \$13.8 million (ARRC will contribute 9% of this amount). Other federal funds for 2011 include \$2.93 million in FEMA-administered grants and a \$1.38 million Stimulus-funded grant.

Internally-funded Projects

In addition to the match for federal funds, ARRC internal funds (funds generated by corporate freight, passenger and real estate revenues) support ARRC's ongoing expense activities as well as an annual capital program. In 2011, internal funds will provide \$23.7 million toward capital improvements and capital rehabilitation activities.

Bond-funded Projects

In 2006, ARRC sold \$76.1 million in revenue bonds with another \$89 million bond sale in 2007. These funds are primarily used to accelerate track rehabilitation efforts. About \$14.1 million will be spent in 2011. Bonds are repaid with FTA formula fund appropriations.



North Pole
Eielson AFB

Fairbanks

Nenana
• Nenana Rail Line Relocation

- Freight Intermodal Improvements
- Fairbanks Depot Second Track
- Fairbanks Area Rail Line Relocation
- North Pole Road/Rail Crossing Reduction

• Healy Canyon Stabilization

• Northern Rail Extension

Delta Junction

Denali Park

Curry

• Curry Quarry Production

Talkeetna

• Talkeetna Depot Restroom Facility

• South Wasilla Rail Line Relocation

Wasilla

Palmer

• Port MacKenzie Rail Extension

Anchorage

- Historic Freight Shed LEED-certified Renovation
- Ship Creek Intermodal Transportation Center - Phase 2a

• Whistle Stop Service in Chugach Forest-Grandview Site

Whittier

- Whittier Yard Security Fencing
- Whittier Branch CTC/Signal Installation

Resurrection River

Seward

- Coal Loading Facility Improvements/Upgrades
- East Dock Security Fencing
- Seward Depot Restroom Facility
- Seward Depot Shore Power

Frequently used acronyms:

- ARRC = Alaska Railroad Corporation
- ARRA = American Recovery & Reinvestment Act
- FEMA = Federal Emergency Management Agency
- FTA = Federal Transit Administration
- FRA = Federal Railroad Administration
- FHWA = Federal Highway Administration
- DOD = Department of Defense
- EA = Environmental Assessment
- EIS = Environmental Impact Study
- STB = Surface Transportation Board

Seward Coal Loading Facility

ARRC acquired the Seward Coal Loading Facility in 2003 and made subsequent improvements in order to increase facility efficiency, driving down the cost of operation, thus making Alaska's coal resources more competitive in the global market. ARRC completed an EA of proposed improvements and upgrades in 2004. FRA provided the original \$9.54 million grant, with \$8.3 million spent on acquisition and associated studies and \$1.24 million used for inspections, repairs and improvements. ARRC is underwriting ongoing maintenance and capital improvements. In response to community concerns over coal dust problems resulting from unusual dry, windy weather in early 2007, ARRC and facility operator Aurora Energy Services (AES) modified operations and ARRC hired industry experts to analyze and recommend future capital improvements. Since 2007, ARRC and AES have spent more than \$1 million on safety, operations and environmental improvements. \$540,000 is budgeted for 2011.



A coal ship docks at the Seward Coal Loading Facility.

Seward Depot Improvements

Construction of a new restroom facility next to the Seward Depot will be complete in 2011. The 24.5-by-26-foot building houses separate men's and women's facilities. Also, a power hook-up was installed beside the track near the depot, allowing trains to plug-in to support onboard food and beverage service. This eliminates the need for locomotives to run their engines to supply power to a parked train. The \$750,000 budget is funded 100% by ARRA Stimulus money via FTA.



ARRC's West (left) and East docks in Seward.

Seward East and West Dock Investments

ARRC built a new East Dock in Seward in 2000, and a section of the 640-by-200-foot East dock was expanded to 320 feet wide in 2007. Beginning in 2001, the West Dock and terminal building have been substantially improved to support intermodal passenger activity. In 2010-2011 a 2,000-foot security fence is being installed around the East Dock, with \$162,400 funded by ARRA Stimulus money. State revenues from the Cruise Ship Tax funded dredging around the docks in 2010 to accommodate larger ships.

Chugach National Forest Whistle Stop Service

ARRC and the U.S. Forest Service (USFS) are partners in developing a whistle stop service in the Chugach National Forest. Plans call for five recreational sites between Portage and Moose Pass that will be accessible by rail and interconnected by trail. Sites include a passenger rail platform, passenger shelter, toilets and interpretive signage. Other features may include picnic, camping and wildlife viewing facilities. The project purchased a self-propelled diesel multiple unit (DMU) rail car, which arrived spring 2009. The first stop site at Spencer was completed late summer 2007. The USFS recently completed preliminary design and engineering for the Grandview stop site and construction is scheduled in 2011. \$1.8 million for Spencer funded by USFS and ARRC. The \$5.35 million DMU was funded \$4.7 million by USFS and \$648,000 by FTA and ARRC. Construction of a pedestrian bridge over Placer River at Spencer (\$1.6 million), and the Grandview site (\$1.2 million) is scheduled for 2011 and funded by ARRA grants obtained by the USFS. Estimated \$14 million is needed to complete all five site facilities.



The bi-level self-propelled "DMU" railcar is delivered in 2009.

Whittier Infrastructure & Master Planning

ARRC is pursuing a Whittier Master Plan to improve railroad infrastructure. Recent projects: 1) built a pedestrian overpass (2002); 2) built an equipment maintenance facility (2002); 3) improved Delong Dock (2002); 4) built barge slip side-loading structures (2002); 5) demolished the old transit shed (2003); 6) built a cruiseship passenger spur and platform (2004); 7) improved security with a yard office at the entrance, seasonal yard fence and video cameras (2006/07); and 8) demolished the marginal wharf (2008). Barge Slip major modification began in 2009 with a \$870,000 ramp extension and track/ground work funded by ARRC. The stern (front) unloading area was replaced in 2010 with the \$4 million cost split between ARRC and Lynden. A security fence around the Whittier Yard will be installed in 2011 with a \$311,224 Homeland Security grant and \$82,000 from ARRC. Future actions recommended by the Master Plan include: a) construction of improved intermodal passenger and public use facilities; b) rail yard reconfiguration and track improvements to separate freight and passenger activity; and c) additional security measures including lighting and detection equipment for passenger facilities.



The Whittier barge slip stern (front) is replaced. The towers were removed and replaced by hydraulic devices to lower/raise the slip.

Whittier Branch CTC / Signal Installation

ARRC is incorporating the 12-mile Whittier Branch into the Centralized Traffic Control (CTC) network. Signals will be installed at sidings near Portage and at the west end of Portage Tunnel. Remote controlled power switches will be installed at the turn-around wye in Portage. \$1.11 million project funded 91% by FTA and 9% by ARRC.

Ship Creek Intermodal Transportation Center

ARRC is pursuing an Intermodal Transportation Center (ITC) and associated improvements (pedestrian amenities, transit infrastructure, parking, track modifications, etc.) in the Ship Creek area. The ITC will facilitate connections from one transportation mode to another — rail, public transit, air, marine, bus, taxi, private vehicle, bicycle and pedestrian — and improve links to Anchorage's downtown business district to meet passenger transit needs over the next 30 years. Phase one, completed 2007-2009, included utility relocation, new track and passenger platform construction, and track reha-

bilitation. Part of Phase Two (2a) began in 2010 to include Anchorage Historic Depot exterior improvements, electrical upgrades and boiler replacement. Phase 2a wraps up in 2011. Future phases will construct a service / office building, a new departure lounge over the tracks and an elevated covered walkway connecting to downtown. Approximately \$23 million for conceptual and environmental work, preliminary design, and Phase One was funded 91% by the FTA and 9% by ARRC. Phase 2a cost of \$7.94 million is funded by ARRA Stimulus money. ARRA Stimulus money also funded \$300,000 in 2009-2010 to install an additional 1,000 feet of security fencing east of the depot. Total cost is estimated at \$78 million.



Phase One of the Ship Creek ITC constructs two new tracks and a pedestrian platform next to the Anchorage Historic Depot.

Historic Freight Shed LEED-certified Renovation

The Alaska Railroad (ARRC) is renovating a historic freight shed in Anchorage's Ship Creek District. It is Alaska's first historic building to be reconstructed with the high environmental standards established by Leadership in Energy and Environmental Design (LEED) criteria. Originally built in 1941, the 36,000-square-foot heavy timber facility offers a "green" commercial office space in lower downtown, featuring a raised heated walkway and ample parking. The building core-and-shell was completed late 2009 and site construction wrapped up in summer 2010. ARRC signed leases with two tenants in 2010 for 93% occupancy by the end of 2011. The overall facility renovation cost \$10.1 million and tenant space renovations are estimated at \$2 million, funded by ARRC.



The Historic Freight Shed renovation nears completion.

South Wasilla Rail Line Relocation

ARRC plans to straighten curves along the main line track in South Wasilla, between ARRC MP 154 and 158. The track relocation would eliminate five at-grade crossings, reduce derailment risk, reduce operational and maintenance costs, and allow for faster train speeds. An EA of alternative relocation routes was completed in 2005. Land acquisition should be complete in 2011. \$246,000 for conceptual engineering and the EA and \$2.72 million for preliminary engineering and land acquisition, funded by 91% FTA and 9% by ARRC. \$2.5 million to continue right-of-way land acquisition funded 91% by FHWA and 9% by ARRC. Total cost for construction of Phase One (MP 154 to 156) is estimated at \$37 million.



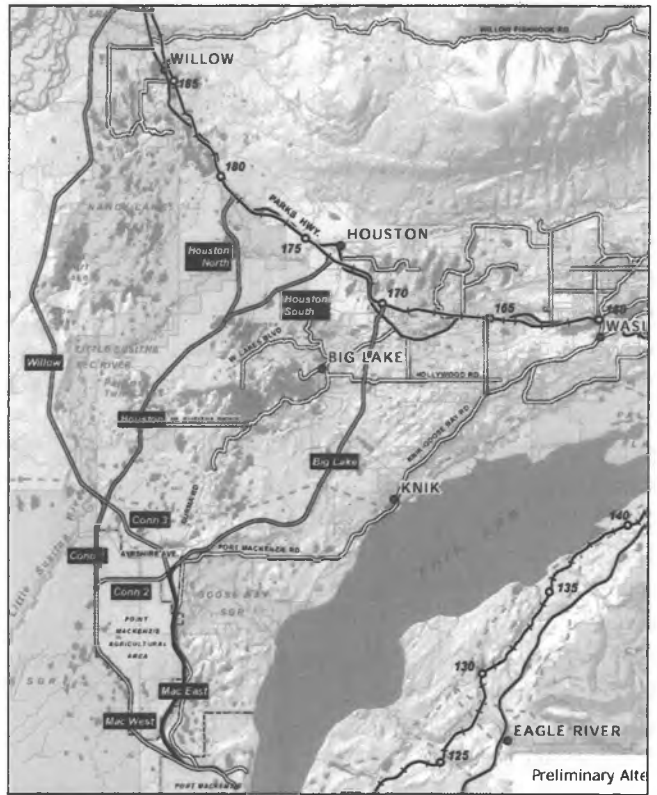
A large curve in the track slows train speeds in south Wasilla.

Port MacKenzie Rail Extension

The Mat-Su Borough and ARRC are partners in proposing a new rail line connecting Port MacKenzie to the existing main track at a point between Meadow Lakes and north of Willow. Three main routes were developed in 2007, ranging from 30 to 45 miles long, depending on a connection near Big Lake, Houston or Willow. Extensive public involvement activities were conducted in summer and fall 2007 to obtain citizen and agency input. In early 2008, ARRC submitted an application to the STB, the federal agency with authority over rail extensions in the United States. STB is conducting the environmental impact study (EIS) as required by the National Environmental Policy Act (NEPA). STB hired a third party contractor (ICF International) to begin the EIS in early 2008; completion is expected in 2011. The State of Alaska appropriated \$27.5 million (2007/2008) to support the NEPA process and \$37 million (2010) to pursue design and construction. Depending on the route selected, an additional \$170 to \$240 million is needed to complete design and construction.

Talkeetna Depot Restroom Facility

In 2011, construction will be completed on a 26-by-24.5-foot restroom facility about 20 feet from the existing Talkeetna Depot. The building houses separate men's and women's restrooms for passengers and employees. With modern plumbing and electrical systems, the new facility will eliminate the need to rent port-a-potties. The \$500,000 budget is funded by ARRA Stimulus money.



Potential Port MacKenzie Rail Extension routes.

Curry Quarry Ballast & Riprap Production

The Alaska Railroad's track rehabilitation, embankment protection and other construction activities are supported by rock material production at the Curry Quarry. The quarry was developed 2005-2007, and a three-year production contract for ballast and riprap followed in 2007-2009. The quarry was dormant in 2010. Production resumes spring 2011.

Healy Canyon Safety & Reliability Program

Healy Canyon lies between Denali Park Station and Healy. The tracks follow the Nenana River gorge on a narrow grade with two tunnels. The area has steep slopes and erosion-prone soil. ARRC proposed a series of projects to: 1) stabilize the track bed in Healy Canyon; 2) control the rock fall problems; 3) "daylight" (remove the top of) Moody Tunnel; 4) realign tracks around Garner Tunnel; and 5) realign the tracks to straighten the corridor. Total cost is estimated at approximately \$71 million. \$2.9 million in FRA funds were used to address track realignment and the slide zone around Garner Tunnel in 2005. \$5.2 million in FTA grants and FTA-backed revenue bonds were used to daylight Moody Tunnel, which was completed in 2009. About \$5.86 million was spent in 2009/2010 to stabilize several areas (MPs 352.9, 354.1, 355.2 and 357) in the canyon, with a combination of funding from FEMA, FRA, ARRC and the Alaska Division of Emergency Services. ARRC continues to seek funding to pursue future stabilization projects, including completion of MP 352.9.

Nenana Rail Line Relocation

ARRC proposes to realign the railroad main track around downtown Nenana, following a route outside of the existing right-of-way, north of the airport and southeast of town, near the Parks Highway. The track structure through Nenana would be maintained to support port activities. ARRC completed an EA of three alternative realignment routes and a "no action" alternative in 2004. Right-of-way acquisition was complete in 2009. A hydrology study completed in 2010 will be used to pursue flood plain permits in 2011. \$1 million budget for the EA funded 91% by the FTA and 9% by ARRC. \$1.04 million for land acquisition funded by 91% FHWA (administered via FTA) and 9% ARRC. \$350,000 for the hydrology study funded by ARRA Stimulus funding. Estimated \$31 million budget for construction and land acquisition. Funding for construction has not yet been identified.

Fairbanks Depot Second Track

ARRC built a new depot in Fairbanks in 2005. Original plans called for two passenger tracks adjacent to the depot. The second track will be completed in 2011. The new 3,000-foot track will provide staging for passenger trains, improving operations efficiency and reducing equipment wear-and-tear. The second track cost of \$1.2 million is funded by ARRA Stimulus money administered via an FTA grant.

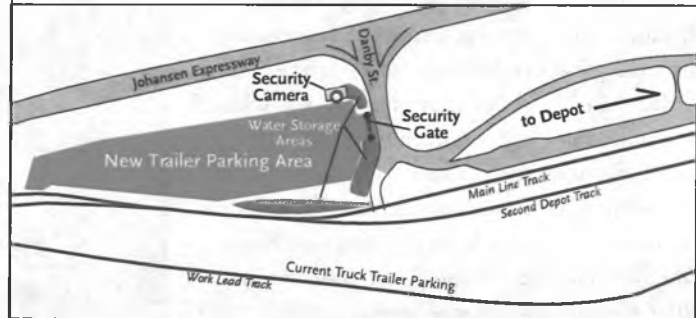


A second track is constructed parallel to the existing track by the Fairbanks Depot.

Fairbanks Freight Intermodal Improvements

ARRC and ADOT/PF are improving the freight intermodal area of the ARRC Fairbanks Rail Yard to enable faster pick-up and drop-off by truck operators, and to enhance safety and security of train/truck operations. Improvements to Danby Street intersection area include: a) moving and improving at-grade crossings; b) constructing a centralized trailer parking area near the entrance and adjacent to Danby; c) improving Danby Street access; and d) improving drainage. Construction began in 2010 and will be complete in 2011. The

\$2 million budget is funded 91% by FHWA and 9% by ARRC. In 2011, the railroad also plans to install a rolling chain-link gate with ID card reader access and a video security camera at the entrance of the new trailer parking area, with funding from a FEMA-administered grant. Future improvements call for 100-foot high mast lighting to be added incrementally and funded annually by ARRC.



Fairbanks Freight Intermodal Site Plan

Fairbanks Area Rail Line Relocation

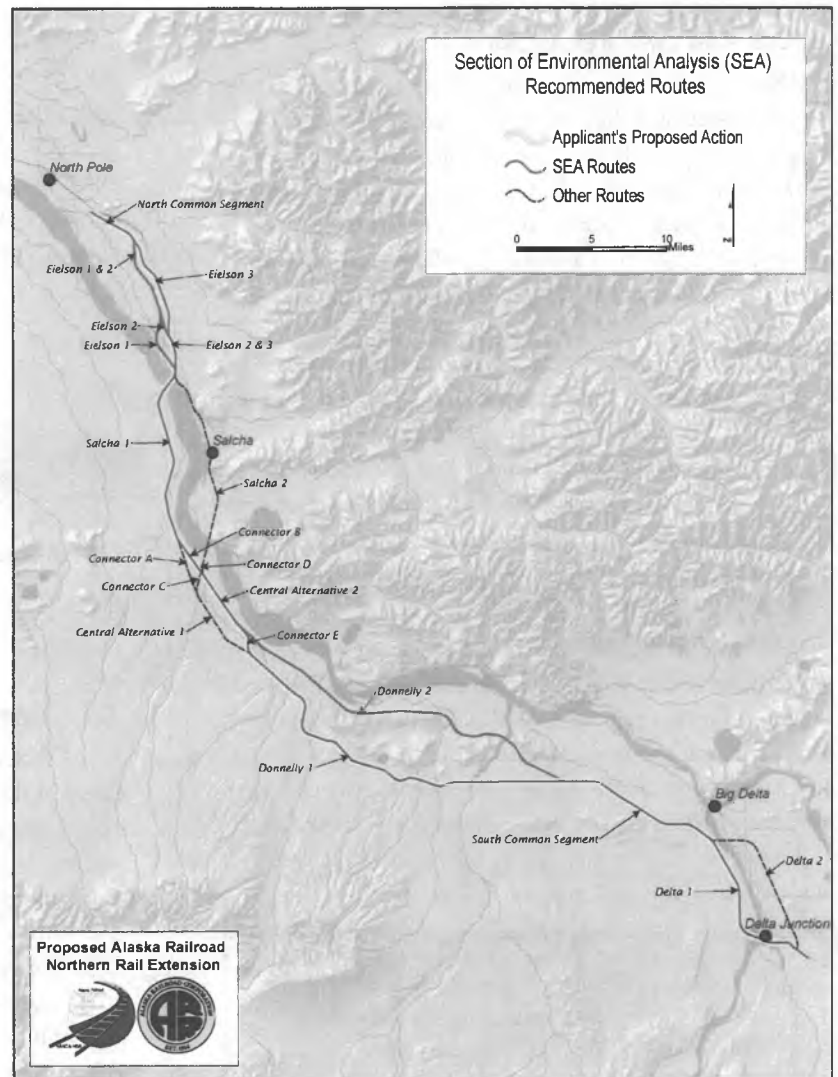
ARRC is analyzing options to: a) realign and improve safety of the main line and branch track, including potential realignments outside the more populated areas of Fairbanks and b) realign and improve the Eielson Branch, from the new Fairbanks depot to the end of the branch near Eielson AFB. The Fairbanks Area Rail Line Relocation will likely require an EIS. As a pre-cursor to the EIS, ARRC conducted an Alternatives Analysis (AA) in 2007-2008 that capitalizes on the findings of previous reconnaissance and engineering studies. The AA recommends a three-phased approach. ARRC also commissioned a *North End Rail Public Transportation Study and Operation Plan* to explore options for passenger rail and commuter service. Findings indicate low demand for Fairbanks-North Pole commuter service and results are inconclusive for Fairbanks-Denali service options. The AA and transportation study were funded by \$450,000 in grants from FHWA and FTA with 9% from ARRC. Funding sources are being sought for NEPA environmental work to include an EIS.

North Pole Road/Rail Crossing Reduction

ARRC, in cooperation with the FRA, is initiating an EA and preliminary engineering for a proposed project to reduce at-grade road/rail crossings by realigning an 8-mile section of the Eielson Branch that currently runs through North Pole, between Richardson Hwy milepost 9 and the Chena River floodway. This project is essentially Phase One of the three-phased Fairbanks Area Rail Line Relocation. The EA is expected to be complete by the end of 2011. Funding of \$1 million comes from FHWA funds reallocated by the Fairbanks Metropolitan Area Transportation System (FMATS) and the Alaska Department of Transportation & Public Facilities.

Northern Rail Extension

ARRC proposes to extend its main line track from North Pole / Eielson AFB, about 80 miles southeast to Delta Junction. The project would offer: a) commercial freight service supporting communities and commerce in the corridor; b) a passenger transportation alternative to the Richardson Hwy; c) support of military training; and d) support of regional tourism. ARRC initiated the conceptual development in 2004. The STB initiated an EIS in 2005. A draft EIS was released for public comment in December 2008. The final EIS was released in late 2009 and the STB approving a license to construct and operate a rail extension on January 5, 2010. Design of Phase One, Tanana River Crossing, got underway in 2010. Construction is scheduled to begin in 2011. The EIS, preliminary engineering and design was funded by \$16.5 million in DOD appropriations, administered by the FRA. DOD appropriated another \$44.2 million in 2007 and \$60 million in 2008 for planning, engineering, environmental work, design and to begin construction on the first phase of the project. The State of Alaska appropriated \$40 million toward Phase One in 2010. Entire rail line cost is estimated at \$650 to \$850 million; later phase funding is not yet identified.



Proposed and recommended routes identified in the Northern Rail Extension EIS.

Passenger Rail Cars and Locomotives

ARRC has 45 passenger-related railcars, including 30 coaches, six diners, six baggage cars, two business cars (charters) and one DMU. ARRC also has 53 locomotives: 28 SD70MACs (12 equipped with head-end-power to supply electricity to passenger cars), 15 GP40s, eight GP38s and two cab/power cars. ARRC upgrades older equipment and buys newer equipment to meet current and future passenger demands. In 2011, several passenger cars will be upgraded with new lighting, public address systems, batteries, signs, carpeting, wall-covering, seat upholstery and restroom refurbishment, thanks to a \$530,000 grant funded 91% by FTA and 9% by ARRC. Four GP40 locomotives will be overhauled to include installation of engine idle reduction systems, and installation of a Tier-0-plus kit to improve fuel efficiency and reduce emissions; funded by a \$1.4 million FTA "TIGGER" (Stimulus-funded) grant and \$328,000 by ARRC.



Left to Right: GP-38-2, GP 40-2 and SD70MAC locomotive.

Positive Train Control

ARRC is developing a multi-phased program to design, develop, and implement a communication-based train control system that uses data radio communications between train dispatchers and train crews, or dispatchers and roadway workers. The Positive Train Control (PTC) project is comprised of a Computer Aided Dispatch (CAD) system, an on-board computer system, VHF packet data radio technology, and GPS locator technology. The PTC will provide improved information for decision-making, and will also detect infrastructure failure and potential operations violations quickly, and intervene when necessary. The PTC is being accomplished in phases, each achieving incremental safety benefits. The total cost is estimated to be more than \$70 million. To date, FRA has funded \$15.74 million; \$4.48 million has come from FTA-backed revenue bonds; and FTA grants (91% FTA and 9% ARRC) account for \$29 million. An additional \$2 million was provided in 2009-2010, funded by ARRA Stimulus funding.



Matanuska River Bridge is undergoing rehabilitation work.

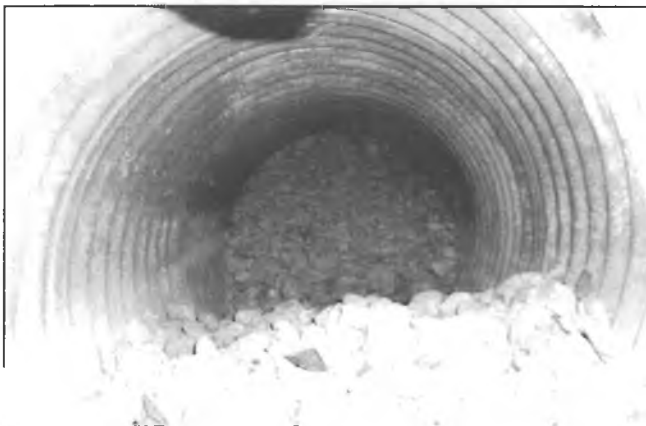
Bridge Program

ARRC's 500-plus miles of main line track include about 160 bridges that cross barriers ranging from streams to gulches. ARRC's 2011 Bridge Program calls for major maintenance, overhaul and replacement needed to maintain railroad integrity, safety and efficiency. In 2011, ARRC plans to complete replacement of two aging bridges (Little Goldstream Creek at MP 432.1 and Ship Creek at MP 115.1) and to design replacement of three culverts at Indian Creek (MP 88.1). A new bridge may be constructed over Skookum Creek Drainage (MP 59.4, near Portage). Upgrades and rehabilitation are also planned for five other bridges. In addition, a

"rock shed" will be installed at the tunnel about 50 miles north of Seward to protect against falling rock and ice. Funding includes \$1.69 million by FTA, \$1.25 million by ARRC and \$1.19 by FEMA.

Drainage Improvement/Embankment Protection

ARRC will repair or replace up to nine culverts along the northern half of the rail corridor. Several culverts in this area are at risk of washout, collapse or clogging. ARRC also plans to install riprap and armor rock to fortify track embankment that is susceptible to high water events, including flooding. Culvert repair/replacement budget is \$1.05 million funded by ARRC. Embankment protection work is supported by a \$2.45 million grant funded 75% by FEMA and 25% by ARRC.



A culvert becomes clogged with ballast (track bed rock) leaking in.

Track Rehabilitation

ARRC continues an aggressive track rehabilitation program in 2011 that calls for replacement of rail, ties and ballast in areas of critical need. Each year, ARRC converts several miles of track into continuously welded rail, which dramatically decreases maintenance costs and improves ride quality. ARRC also replaces a portion of its nearly two million wooden ties (50,000 ties in 2011), and installs concrete ties along curves and other high-use stretches (none in 2011). ARRC also plans to resurface many miles of track using 70,000 tons of ballast rock. For 2011, \$14.1 million is funded through the sale of ARRC revenue bonds backed by FTA formula funds; \$8.3 million is funded by FTA grants (91% FTA; 9% ARRC); and \$665,000 is funded by ARRC.

Historic Preservation

ARRC supports historic preservation efforts that are related to railroad assets and infrastructure. Some ARRC assets are historic properties and are listed on the National Register of Historic Places and more than 50 ARRC properties are eligible for listing on the National Register. ARRC often consults with state and federal historic preservation agencies to mitigate impacts from capital projects that may adversely impact historic assets. Mitigation often takes the form of educational materials, including brochures, interpretive signage, archived photos and documentation.

Timber Trestle Bridges on the Alaska Railroad

In 1914, President Woodrow Wilson charged the Alaska Engineering Commission with charting a railroad route from a southern Kenai harbor to the northern interior. It would be along this route that the railroad was constructed. From 1914 to 1923, 1,000 miles along with machinery built 500 miles of track leading Seward and Fairbanks.

Bridges were built along the Alaska Railroad to cross gorges, rivers, streams, bogs and other geographical barriers. Timber trestle bridges were used because they were easy to construct and a great many were constructed. The railroad had up to 300 bridges in service at one time. Even though timber has a relatively short useful life (25-50 years) and other maintenance issues, its construction potential widespread provided use as early bridge construction.

Timber trestles were typically constructed in spans of 14 to 18 feet in accordance with General Specifications for Trestle Bridges which were approved by the Alaska Engineering Commission on May 25, 1915 (revised below). Specifications called for built-upon girder spans to be used for filling for all timber trestle bridges. Starting in the early 1980s, structural timber was replaced with concrete trestle spans to increase the useful life of the trestles. Local timber was used to the extent possible.

Most timber trestle bridges on the United States were constructed between 1900 and 1950. The majority of timber trestle bridges constructed on the Alaska Railroad were built from 1915, when initial construction began, through 1950. Since then, timber trestle bridges have been gradually replaced with bridges made of steel and concrete.

Building to Standard

The following photographs show examples of timber trestle bridges built to standard specifications. The photographs are arranged in a grid, with each photo having a small caption below it.

This interpretive sign will be posted in several common-use passenger railcars as part of a public education effort.

Integrated Vegetation Management Program

The Alaska Railroad pursues an integrated vegetation management program to protect the millions of dollars invested each year in its infrastructure. Uncontrolled weeds pose safety risks to

RC operations and employees, including: **a)** vegetation makes track and train inspection difficult; **b)** plants hinder automated equipment operation; **c)** overgrown weeds hide walking hazards, contributing to slips, trips and falls; **d)** roots create uneven, heaving surfaces, again posing walking hazards for track workers; and **e)** vegetation accelerates rail and tie deterioration. Public safety is also impacted by uncontrolled weeds: **a)** overgrown bushes block line-of-sight; **b)** vegetation can obscure signs and signals that warn the public; **c)** plants cause heaving and slippery conditions at road/rail crossings; and **d)** dry vegetation can fuel brush fires.

The railroad has always, and will continue to use mechanical and manual methods to clean the ballast, cut and clip brush, mow grass and weeds, saw roots and trim limbs, etc. Mechanical and manual methods achieve limited and temporary success. ARRC has also tested many alternative and experimental methods of controlling weeds (including steam, hot water, radiant heat, abrasion, flaming and burning), with no lasting success. Herbicides provide an additional tool to help maintain safe operations and regulatory compliance, and to protect infrastructure investments. The railroad seeks to control vegetation with a combination of mechanical and chemical methods, using herbicides in the most critical and difficult areas.

In 2008, ARRC commissioned herbicide research to provide scientific information about use in Alaska's environment. Results indicate that herbicides behave the same as in other climates, and the glyphosate-based herbicide AquaMaster does not linger or migrate in the soil. In 2009, ARRC applied for a Department of Environmental Conservation (ADEC) permit to use herbicides in the Seward yard and along 30 miles between Seward and Indian. The permit was approved in spring 2010 and AquaMaster was applied selectively within the permitted area with good results. ARRC is currently applying for additional permits for herbicide use in the Anchorage Yard, Healy Yard, Fairbanks Yard and along the Eielson Branch.



Ineffective mechanical/manual control in Seward yard prior to herbicide application.

current as of 1/05/2011

Alaska Railroad Corporation 2011 Program of Projects

At the beginning of each calendar year, ARRC conducts project open house events in Anchorage, Fairbanks, the Mat-Su Valley and Seward to inform the public about the proposed Program of Projects (POP) for the year. While these events provide a good forum for residents to comment on any or all projects, the public is not limited to commenting at these events. Public input is accepted year-round, and in a variety of formats as outlined at the right. Detailed project descriptions are provided within fact sheets that are created for major federally-funded and internally-funded capital improvement efforts. These fact sheets are accessible at the Alaska Railroad web site www.AlaskaRailroad.com (click on "Capital Projects").

Public Input:

Public comment on any or all of these projects may be submitted via:

- Mail to: Capital Projects
Alaska Railroad Corporation
P.O. Box 107500
Anchorage, AK 99510-7500
- E-mail to public_comment@akrr.com
- Fax to (907) 265-2365
- Call Stephenie Wheeler at (907) 265-2671
ARRC's TTY/TTD 265-2620
or voice 265-2494 or Alaska Relay TTY
800-770-8973 or voice 1-800-770-82555

Alaska Airports and Aviation

Annual Report 2010



Statewide Aviation
Alaska Department of Transportation & Public Facilities
4111 Aviation Avenue • Anchorage, Alaska 99502
www.dot.alaska.gov





**Message from:
Marc Luiken, Commissioner - DOT&PF**



It is my pleasure to submit the Department of Transportation and Public Facilities' *Airports and Aviation Annual Report*. Our department continues its diligent work toward improving the safety and efficiency of Alaska's airports.

Nowhere in the nation is aviation more important than Alaska, since 82% of Alaska's communities are not connected to the national highway system. Many state airports still have not been improved to current FAA standards and some communities are totally reliant on very substandard airports for their only means of all season access. Even airports which have been improved to current standards require major capital investments to keep them operating in a safe and reliable manner. In addition, our state still has a need for new airports to improve basic access to some remote communities. Through the ongoing Alaska Aviation System Plan update, I am evaluating all aspects of our aviation system including the vision, planning, design and construction, as well as the management and operations of our airports.

The Alaska International Airports System (Anchorage and Fairbanks airports) is a vital gateway for trade and commerce between North America and Asia and both airports are economic engines for their respective communities and the state. A strategic plan is being developed that will identify the international airports' mission, vision and values for the next decade. We are reaching out to our customers to help them understand the economic benefits our system can provide to their companies.

As our rural airports' infrastructure is developed our need to meet maintenance and operation commitments will continue to grow. The evolution of an airport project does not stop with construction. My goal is to identify issues and funding requirements to ensure these airports receive timely maintenance and airport operators/contractors receive adequate training to improve the competence and capability of our airport staff.

I'm committed to the growth and development of our aviation system while enhancing its contribution to Alaska's economy and the quality of life of Alaska's citizens.

Safe Travels,

Marc Luiken
Commissioner

**Alaska Aviation System
Largest Aviation System in North America**





Tradeshows, Conferences and Public Communication Efforts

DOT&PF airports' staff can be found throughout the year at numerous trade shows and conferences with the goal of increasing communication, sharing information and providing better customer service. Aviation stakeholders and the general public can find information on airport projects, aviation policy issues, airport activity surveys, contacts, and more at these events.

One of the larger annual events is the Alaska Airmen's Aviation Trade Show and Conference held annually at the FedEx Hangar. Approximately 25,000 people attend this show with DOT&PF well represented with booths from Ted Stevens Anchorage International Airport, Alaska Division of Investments (Capstone Loan Program), ANC Airport Rescue and Firefighting recruiting officers, and Division of Statewide Aviation.

Upcoming events include the Alaska Air Carriers Association 45th Annual Conference and Tradeshow, February 14-18, 2011 and the Alaska State Aviation Trade Show and Conference, April 30—May 1, 2011.



(L-R) Jessica Semmler, Statewide Aviation Planner; Jeff Roach, Northern Region Aviation Planner and Rich Sewell, Statewide Aviation Policy Planner at the 2010 Alaska Airmen's Conference & Trade Show

Piston Aircraft put on Notice by EPA

The Alaska aviation community received an Advanced Notice of Proposed Rulemaking (ANPRM) this year from the EPA asking for comments for their evaluation of the science and research available about lead contamination from av-gas powered airplanes. Governor Parnell was quick to respond and was the only Governor to provide comments to this ANPRM. Air service to Alaskan rural communities is primarily provided by piston-engine aircraft and without a substitution, this rule would impact thousands of aircraft and would be a disaster for our communities.

As Governor Parnell addressed in his letter to the EPA, piston powered aircraft require high octane fuel that provide reliable performance at high altitude and in extreme temperatures. 100 octane low lead avgas (100 LL) aviation fuel has over 60 years of dependable proven safety. There is no substitute fuel for 100LL, which must be considered as EPA proceeds with their evaluation of this change. The entire letter can be read online:

www.dot.alaska.gov/documents/Gov-Parnell-EPA-letter.pdf



NOTIFICATION
ALASKA DEPARTMENT OF
TRANSPORTATION & PUBLIC FACILITIES



GovDelivery is a service offered by DOT&PF to keep the public up-to-date on the Department's latest news alerts, press releases, and more. A complete list of topics is available to choose from so you'll only receive the news you can use. Sign up for GovDelivery at www.dot.alaska.gov

There are many organizations in Alaska that promote and support the aviation industry. Information on these organizations and other useful aviation links can be found at www.dot.alaska.gov/stwdav/Links.shtml



Alaska International Airports System Air Cargo Summit



(L-R) Vice-President of Air China Cargo Dongfeng Gu with Governor Sean Parnell, and DOT&PF Commissioner Marc Luiken.

At the invitation of Governor Sean Parnell, representatives from 18 air carriers from North America, Asia and Europe gathered in Anchorage in August, for an Alaska International Air Cargo Summit. The summit was designed to spotlight the unique airline opportunities for international air cargo transfer in Alaska that have been provided to the state by U.S. Department of Transportation (USDOT) and U.S. Congress.

“Aviation is an economic force in Alaska, contributing \$3.5 billion to the state’s economy every year,” Governor Parnell said. “Our exclusive air cargo transfer authority reinforces the business-friendly environment that we’ve built in our state, and keeps Alaska favorably positioned in the global market.”

Aviation experts addressed specifics of the special cargo transfer authorities available to international cargo carriers operating at the state-owned and operated international airports. Scheduled speakers included: George Wellington, Chief of the Foreign Air Carrier Licensing Division of USDOT, and Jeff Shane, partner in Hogan & Lovells who previously served as USDOT’s chief U.S. aviation negotiator and as an undersecretary for policy.

The Alaska International Airports System (AIAS) is working to increase the air cargo activity at both Anchorage and Fairbanks airports by helping carriers expand markets and increase revenue through the combination of Alaska’s strategic location and exclusive cargo transfer rights.

Alaska is equidistant between Tokyo and New York City. Freighters carry maximum cargo payloads and refuel in Alaska, which in turn create lower costs and access to imported goods for American households. 5% of the value of all U.S. international cargo or \$41 billion worth of merchandise passed through ANC in 2008. The largest aircraft in the world can land at these airports.



Aviation Advisory Board

The Governor's Aviation Advisory Board is comprised of 11 board members representing different user groups and geographic areas of Alaska. They meet three to four times annually and advise the DOT&PF Commissioner and Deputy Commissioner regarding aviation issues and concerns about the state's aviation system.

At the August meeting in Unalakleet, the Board heard comments and concerns first-hand from local residents that are totally dependent on Alaska's aviation system. Key issues that the Board is addressing include the impacts of expanding postal hubs in Alaska, maintenance and operations at rural airports, and long-term sustainability of funding rural airport improvements.

Aviation Advisory Board (AAB) members and user groups they represent:

Jim Dodson (Mayors of Fairbanks & North Star Borough)

Tom George (Statewide Organizations of Pilots, Aircraft Owners & other Aviation Supporters)

Ken Lythgoe (Non-Airline Tenants, Anchorage)

Judy McKenzie (All Cargo Air Carrier)

Frank Neitz (Unorganized Borough)

Tom Nicolos (Public)

Al Orot (Alaska Int'l. Airports System Operating Agreement Signatory Airlines)

Lee Ryan (2nd Judicial District)

Hon. Mike Salazar (Alaska Air Carriers Association)

Mike Stedman (Regional Air Carriers)

Steve Strait (Mayor of the Municipality of Anchorage)



Statewide Aviation Leasing

Statewide Aviation Leasing's online land use application program allows customers to apply for:

- Lease or Permit
- Building Permit
- Mobile Fuel Dispensing Permit
- Tiedown Permit

Submit reports, pay fees, and rent with a Visa or MasterCard directly online.

More information on the web at:

www.dot.alaska.gov/stwdav/leasing/shtml

Alaska Aviation System

The Alaska Aviation System is the largest system in North America. Alaska has 255 state owned airports of which 172 are gravel strips, 46 paved, 36 seaplane bases and 1 heliport. The Alaska International Airports System (Anchorage and Fairbanks) is managed as an enterprise fund of the State of Alaska.

The DOT&PF rural airport system is divided and managed by three regions: Northern, Central, and Southeast.

Each region has the responsibility for the planning, design, construction, maintenance, operations, and management of each airport.

Maintenance and operation challenges at remote village airports include spring floods with river ice, poor soil conditions, access to gravel, land acquisition and overall high costs associated with remote locations such as mobilization and material acquisition.



Aviation Advisory Board in Unalakleet, Alaska.



How Are Airport Projects Identified and Prioritized?

Airport projects are identified and submitted by DOT&PF regional planning sections with significant input from community representatives, the FAA, legislature, and aviation stakeholders.

After the airfield improvement projects have been identified they are evaluated and scored by the Airport Project Evaluation Board (APEB), a six member board that meets annually to score proposed airport projects. Each project goes through a technical scoring process of 16 different detailed quantitative criteria to help objectively prioritize which ones get the limited funding that is available each year. After projects are scored, Statewide Aviation develops the rural airport system capital spending plan and reports.

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Alaska Airlines jet departing from Barrow Airport. Runway and apron paving project completed in 2010.



Stevens Village new runway as seen during spring flooding.

Rural Airport High Spot During Flooding

Stevens Village was one of the villages hit hard by spring flooding on the Yukon River last year '09. The village's new runway is only two years old and was just about the only place above water in the entire village. Many homes were under water and the road to the airport was cutoff as well. Fortunately, aircraft were still able to get in for emergency operations because of the elevation of the runway.

This airport was built on very wet land in stages over about five years. The process includes letting the main runway fill stand and settle for two years. Then going back and adding additional fill to build up the height of the runway above the max anticipated flood levels and as seen in the above photo-that worked!

Total cost of the new airport was \$13.3 million and that included the new runway, snow removal equipment and building, and aeronautical survey for wide area augmentation system (WAAS) approaches. A WAAS approach can guide aircraft to as low as 250 feet above touchdown resulting in safer approaches and better airport access in poor weather.



Aviation Education Needed to Meet Growing Demand

A recent Boeing press release (Sept. 15, 2010) predicted a requirement for more than one million pilots and maintenance personnel over the next 20 years, noting there will be more than 30,000 airplanes that will be delivered by 2029. In Alaska, the aviation industry is the 5th largest employer or 10% of Alaska jobs.

Recognizing the local need and global demand, efforts are underway to develop an aviation outreach program for middle and high school students.

The FAA has been very successful educating youth through Aviation Career Education camps, and supporting projects throughout Alaska including the Build-A-Plane program. This program provides high school students classroom learning with hands-on efforts to build a real airplane. Currently there are four programs in Alaska Hooper Bay, Chevak, Anchorage and Talkeetna.

High school students will be invited to participate in an Aviation Career Day planned for February 17, 2011 from 12:00 p.m.-4:00p.m. at the Alaska Aviation Heritage Museum. For more information please call Statewide Aviation at 269-8654 or the FAA at 271-5228.

Airport Managers & Operators Receive Training

This year, 70 airport managers/operators including 58 from DOT&PF participated in airport operations training specifically designed for Alaskan airports. Five airport employees earned the Certified Member (CM) designation from the American Association of Airport Executives and one completed the Airport Certified Employee (ACE) program for operations personnel.

Training will keep the airports and state in compliance with FAA regulations as well as provide current information on maintaining and operating airports in efficient and effective methods as we keep up with the ever growing needs of an expanding aviation industry.

Within DOT&PF lies the Research, Development and Technology Transfer section (RD&T2) providing training, technical assistance, library, research management, and technology deployment services to ADOT&PF, local transportation agencies, and their partners. RD&T2 in partnership with the FAA produced an aviation safety video in 2009, about the challenges of performing construction activity on an active runway and the importance of communication. Landings have occurred on closed sections of runways and this video highlights what role construction can play in preventing aviation accidents. The video, *Alaska Aviation Construction Safety - Approach to Communication*, has been distributed to contractors and Alaska's flying community.

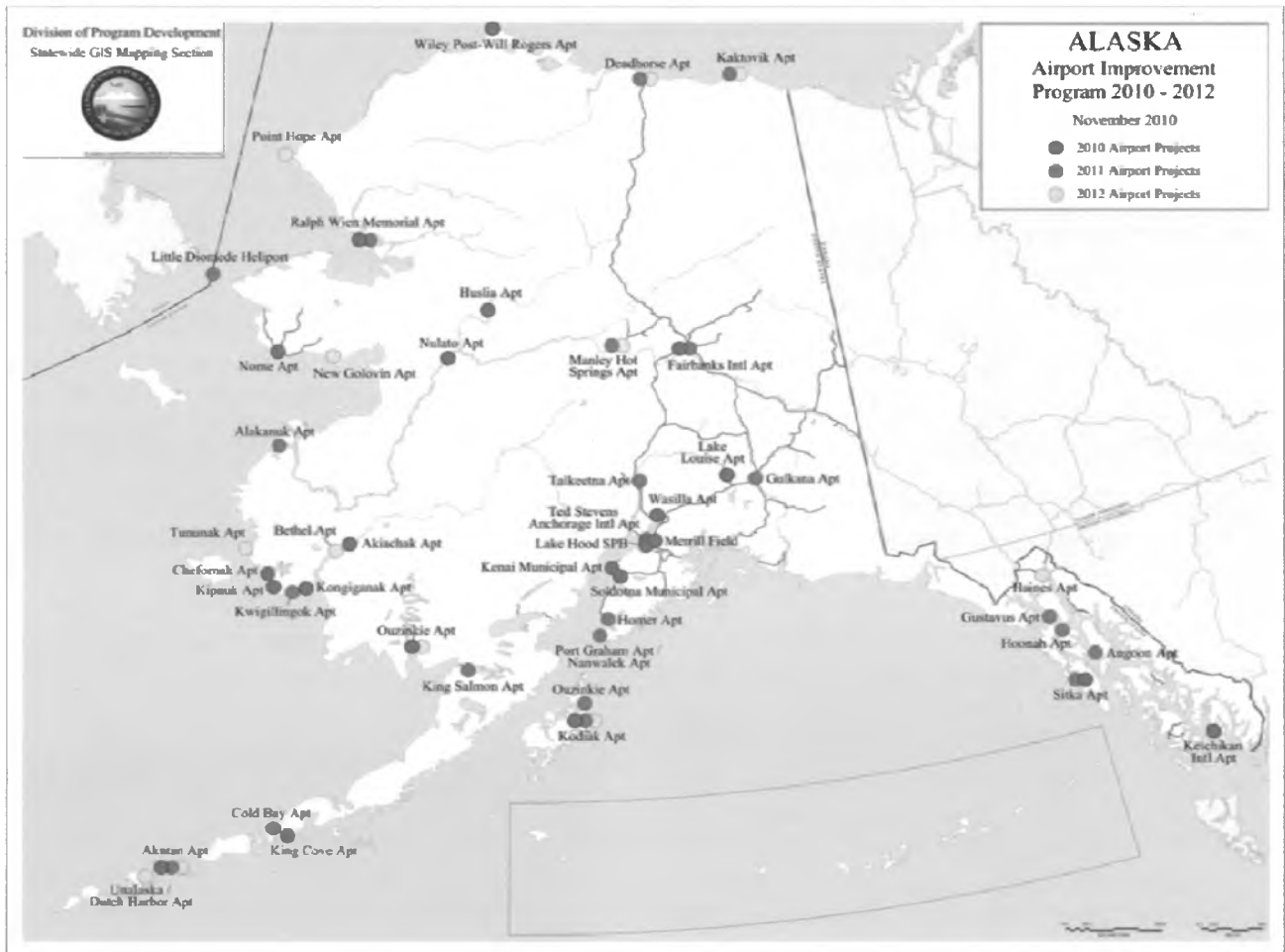


(L-R) Adam Archibald - Airport Security Coordinator for Ketchikan Airport and Mike Carney - Ketchikan Airport Manager at the August "Airport Operations Practicum".

Airport Safety Inspections

DOT&PF inspected 125 rural public airports this year, or about 1/3 of the total number of public airports in Alaska. This is part of the safety inspection program called the 5010 Airport Master Record inspections funded by the FAA. All of the public airports updated information is listed in the salmon colored *Alaska Supplement*.

The DOT&PF Airport Managers and Regional Safety Officers work with FAA inspectors to accomplish the airport inspections for the Part 139 certificated hub airports. DOT&PF owns and inspects nineteen Part 139 (jet service) airports.



Funding for Airport Improvement Projects

DOT&PF relies on federal Airport Improvement Program (AIP) funding for airport improvement projects. In general, AIP funds can be used on airfield capital improvements, repairs, or planning. Federal AIP grants cover 95% of the eligible costs for all airports except Anchorage International, which is eligible for 93.75% federal AIP funding. The funding match for the rural airport system comes from the general fund. Match funding for International Airport projects is provided through the International Airport Revenue Fund, rather than state general funds.

2010 AIRPORT PROJECTS

- Akiachak Airport:** Airport Relocation – Stage 2 (\$11,780,074)
- Akutan Airport:** Airport Construction – Stage 2 (\$20,000,000)
- Barrow Airport:** Runway and apron paving/SA Expansion Stage 4 (\$7,200,000)
- Chefornak Airport:** Airport Relocation – Stage 2 (\$21,692,300)
- Dillingham Airport:** Apron and Taxiway Rehabilitation (\$8,555,483)
- Fairbanks International Airport:** Master Plan Update (\$950,000); Access Control Improvements (\$950,000); Aeronautical Survey, GIS & ALP (\$700,000)
- Huslia Airport:** Airport Improvements – Stage 2 (\$800,000)
- Ketchikan Airport:** Runway Overlay and Safety Area Expansion – Stage 3 (\$652,126—Municipal Airport)
- King Cove Airport:** Fencing (\$1,820,936)
- Kipnuk Airport:** Airport Relocation - Stage 2 & 3 (\$17,637,423)
- Kodiak Airport:** Chemical Storage Building (\$2,499,922)
- Kongiganak Airport:** Airport Improvements (\$5,685,750)
- Kotzebue Airport:** Runway Safety Area Improvement – Stage 1 and Rehabilitate Runway 9-27 (\$17,700,000); Certification Compliance (\$2,470,711)
- Lake Hood Seaplane Base:** Property Acquisition- Stage 1 (\$1,355,517); Strip Guidance Signs (\$608,255); Bank Stabilization- Stage 1 (\$1,644,483)
- Lake Louise Airport:** Runway Rehabilitation (\$2,106,833)



2010 Airport Projects (continued)

Nulato Airport: Airport Improvements (\$8,200,000)

Sitka Airport: Runway Safety Area Expansion (\$29,957,716)

Ted Stevens Anchorage International Airport: Residential Sound Insulation Program (\$1,313,500); South Terminal Seismic & Security Upgrades - Stage 6 and 7 (\$2,573,710); Upgrade Runway 6R/24L (\$17,972,654); Runway 7R/25L Drainage and Embankment (\$10,027,500); Snow Removal Equipment Building (\$991,491); Communications and Badging Center (\$1,016,551); Security and Badging Center Equipment (\$2,130,626); Runway 7R/25L Extension - Phase 1 (\$2,767,912); Part 150 Noise Study (\$750,000)

2011 Airport Projects (Tentative Projections & Cost Estimates Only)

Akutan Airport: Airport Construction – Stage 3 (\$11,000,000)

Alakanuk Airport: Airport Relocation – Stage 4 (\$6,000,000); SREB (\$1,100,000)

Angeon Airport: Airport Environmental Impact Statement – Stage 3(\$2,500,000)

Cold Bay Airport: Runway Safety Area – Stage 1 (\$4,000,000); North Terminal Apron Rehab. – Stage 2 (\$5,000,000)

Deadhorse Airport: Runway Rehabilitation and Lighting Replacement – Stage 1 (\$18,100,000)

Fairbanks International Airport: Access Control Improvements (\$950,000)

Gulkana Airport: Apron and Taxiway Repaving (\$1,900,000)

Gustavus Airport: Runway Safety Area (\$10,500,000)

Homer Airport: Apron and Taxiway Rehab (\$3,000,000)

Hoonah Airport: Airport Improvements (\$3,400,000)

King Salmon Airport: Lighting System Replacement – Stage 3 (\$6,500,000)

Kodiak Airport: Rehab Runway 18/36, Taxiway B, and Parking – Stage 1 (\$12,000,000)

Kotzebue Airport: Runway Safety Area Improvements – Stage 2 & 3 (\$23,000,000)

Kwigillingok Airport: Airport Rehabilitation (\$1,100,000)

Little Diomed Heliport: Temporary Snow Removal Equipment Building (\$200,000)

Manley Airport: Airport Relocation – Stage 1 (\$9,000,000)

Nanwalek/Port Graham Airports: Master Plan – Stage 3 (\$800,000)

Ouzinkie Airport: Relocation – Stage 2 (\$3,800,000)

Talkeetna Airport: Airport Improvements – Stage 2 (\$10,800,000); Runway 18/36 Pavement and Rehabilitation (\$2,100,000); Apron and Taxiway Pavement Rehabilitation (\$3,300,000)

2012 Airport Projects (Tentative Projections & Cost Estimates Only)

Akutan Airport: Airport Construction – Stage 4 (\$5,250,000)

Bethel Airport: Parallel Runway and Other Improvements – Stage 6 (ROW acquisition) (\$1,650,000); Runway, Taxiway, Commercial Apron Pavement Rehabilitation (\$13,000,000)

Deadhorse Airport: Apron and Taxiway Rehabilitation and Lighting Replacement – Stage 2 (\$13,400,000)

Dillingham Airport: Runway Safety Area – Stage 1 (\$25,000,000)

Golovin Airport: Runway and Apron Improvements – Stage 1 (\$2,000,000)

Haines Airport: Drainage, Taxiway, and Apron Rehabilitation and Fence (\$7,400,000)

Kodiak Airport: Runway 7/25 Rehabilitation (\$14,800,000)

Manley Airport: Relocation – Stage 2 (\$6,400,000)

Point Hope Airport: Pavement Rehabilitation (\$7,000,000)

Sitka Airport: Runway 11/29 Overlay (\$5,000,000)

Tununak Airport: Airport Relocation – Stage 1 (\$14,400,000)

Unalaska Airport: Runway Safety Area and Pavement Rehabilitation (\$24,200,000); Chemical Storage Building (\$2,750,000)

Municipal Airport Projects 2010/2011/2012 (Tentative Projections & Cost Estimates Only)

The following municipal airport projects have been funded or are being considered by the FAA for AIP funding:

Kenai Airport: Airport Apron and Float Plane Basin Development (\$199,614) - 2010

Merrill Field Airport: Runway Rehabilitation, Snow Removal Equipment Building, VASI/ROW (\$4,515,378) -2010

Soldotna Airport: Apron (\$1,546,891) - 2010

Wasilla Airport: Apron (\$1,139,689) - 2010

Kaktovik Airport: Airport Relocation – Stage 1 (\$4,000,000) - 2011

Kaktovik Airport: Airport Relocation – Stage 2 (\$23,000,000) - 2012



DIGITAL ELEVATION MAPPING CONTRIBUTES TO AVIATION SAFETY

The existing map of Alaska is over 50 years old, is widely regarded as grossly inaccurate and does not support modern requirements. In truth, Mars is more recently, extensively and accurately mapped than Alaska. The Statewide Digital Mapping Initiative (SDMI) is a collaboration of state and federal agencies to create a digital map of Alaska.

There are a multitude of mission critical requirements which rely on accurate elevation data, which are the primary component of the digital map. The benefits of accurate elevation data are significant and support a broad range of disciplines. Here are just a few examples:

Resource development, "Roads to Resources" and infrastructure development all require accurate elevation data. Elevation data are foundational to project planning and permitting, engineering and design and responsible resource management.

Modern public safety and emergency response capabilities supporting first responder situational awareness are largely unrealized in Alaska due to the absence of a digital base map. Disaster preparation, recovery and mitigation efforts are greatly impeded by the lack of accurate elevation data. Disaster response training cannot be adequately addressed without an accurate base map in a digital context. Search and rescue efforts are hindered by inaccurate elevation data; for example: when an F-22 Raptor crashed in November, rescue and recovery efforts were impeded because terrain and slopes could not be calculated to accurately predict the threat of avalanche danger to responders.

Floodplain risk and mitigation analysis, sea wall construction and coastal erosion cannot be adequately addressed without accurate elevation data. Climate change and its effects on Alaska require accurate elevation data. For example, as the tundra becomes permeable, existing safe drinking water supplies may be impacted and sewage lagoons may affect ground water. Elevation data are needed to understand these potential impacts and plan accordingly.

Advancements in Next Generation aviation safety utilize elevation data for terrain avoidance purposes, which has the promising capacity to reduce Controlled Flight Into Terrain (CFIT) fatalities from occurring. Navigational devices, survey equipment and tracking applications require accurate elevation data in order to function properly.

State and federal funds were pooled to collect elevation data over approximately ten percent of the state last summer. A cost sharing and federal outreach meeting is planned for early 2011. A public demonstration of elevation data collected in 2010 will be performed at the annual Alaska Surveyors and Mapping Conference, scheduled for February, 2011. Information about this conference is available at www.aksmc.org. Nick Mastrodicasa is Project Manager for the Statewide Digital Mapping Initiative and can be contacted at nick.mastrodicasa@alaska.gov



(L-R) Nicholas Mastrodicasa, Project Mgr.; Dr. Vicki Childers / NOAA-National Geodetic Survey (NGS) & Project Manager GRAV-D; Lt. Governor Mead Treadwell; Dr. Mark Myers (previous Director of USGS); Marc Luiken, Commissioner and Phil Thiel, Vice President Dewberry Engineering participate in "Skybreaking Ceremony" highlighting the progress being made in statewide mapping.



Alaska Aviation System Plan

With 82% of the communities in Alaska not connected to a highway or road system, it is important that the state maintain a comprehensive airport system plan that identifies the aviation facilities needed to meet air transportation needs.

The first Alaska Aviation System Plan (AASP) was adopted in 1986, updated in 1996, and currently being updated to meet the needs of today's aviation system. The AASP proposes aviation policy, and documents the existing system with published reports and studies. The AASP also includes the element of continuous planning to keep the plan current and relevant to the ever-evolving aviation system.

The AASP planning team includes members of the DOT&PF, FAA, professional consultants, airlines, and other aviation stakeholders, working together through various focus work groups to support the total system planning effort.

The AASP team has worked together over the past three years to develop numerous technical reports and studies, including the first economic impact assessment of aviation in Alaska, an economic analysis of runway extensions, and fact sheets covering Maintenance & Operations issues and air mail service in Alaska.

This past year, the AASP developed the following elements of the plan:

- A database inventory of the current aviation system
- Aviation system forecasts
- Goals, objectives, and performance measures to regularly assess the status and health of the system
- Classifications of the state's airports

More information on the AASP can be found online at www.AlaskaASP.com

Aviation contributes to Alaska's economy

- \$3.5 Billion to the State economy
- 47,000 Jobs—represents 10% of all jobs in Alaska
- 1 in 8 Jobs in Anchorage attributable to the Anchorage Airport **AVIATION SYSTEM**

Rural Airport Lighting Program

Occasionally rural airport runway lighting fails, and DOT&PF deploys battery operated emergency runway lights to provide a safety net until M&O staff can repair lights during summer months.

This year Togiak runway lighting failed and DOT&PF shipped a set of emergency runway lights to the village. Night medevac operations require runway lights and our battery powered runway lights are a great back-up system. DOT&PF has 10 full runway sets and 50 six-packs for helicopter operations.



On a clear night lights are visible 5 miles out on approach to the airport. Emergency runway lights are easily stored and installed.

COMMUNITY LIFELINE



ECONOMIC ENGINE

mission

*To provide for the safe movement
of people & goods and the
delivery of State services*



**STATE of ALASKA DEPARTMENT of
TRANSPORTATION & PUBLIC FACILITIES**

From:
Statewide Aviation
Department of Transportation & Public Facilities
P.O. Box 196900
Anchorage, AK 99519

TO:



ECONOMIC ENGINE

alaska aviation system

Largest aviation system in North America

COMMUNITY LIFELINE

AIR FREIGHT GATEWAY

The Alaska International Airports System, comprised of the Anchorage (ANC) and Fairbanks (FAI) airports, is a vital gateway for trade and commerce between North America and Asia.

Alaska is the halfway point between Asian countries and the Continental U.S. Freighters carry maximum cargo payloads and refuel in Alaska, which in turn creates lower costs and access to imported goods for American households.

2.5 million tons of air cargo handled at ANC ranking it the #2 airport in North America for volume of cargo handled.

5% of the value of all U.S. international cargo or \$41 billion worth of merchandise trade passed through ANC in 2008.

Largest aircraft in the world can land at these airports.

AVIATION *CONTRIBUTES TO* ALASKA'S ECONOMY

\$3.5 BILLION
to the State economy

47,000 JOBS
represents 10% of
all jobs in Alaska

1 in 8 JOBS
in Anchorage attributable
to ANC Airport





DISTANCE FROM ALASKA

City	Nautical Miles
Singapore	5,792
Hong Kong	4,415
Frankfurt	4,064
London	3,902
Moscow	3,791
Miami	3,479
Beijing	3,442
Seoul	3,286
Mexico City	3,284
Tokyo	2,983
New York	2,941
Chicago	2,473
Honolulu	2,413
Los Angeles	2,037

**9.5 HOURS
FROM 90%
OF THE WORLD**

COMMUNITY LIFELINE



mission

*To provide for the safe movement
of people & goods and the
delivery of State services.*

ECONOMIC ENGINE



STATE of ALASKA DEPARTMENT of
TRANSPORTATION & PUBLIC FACILITIES

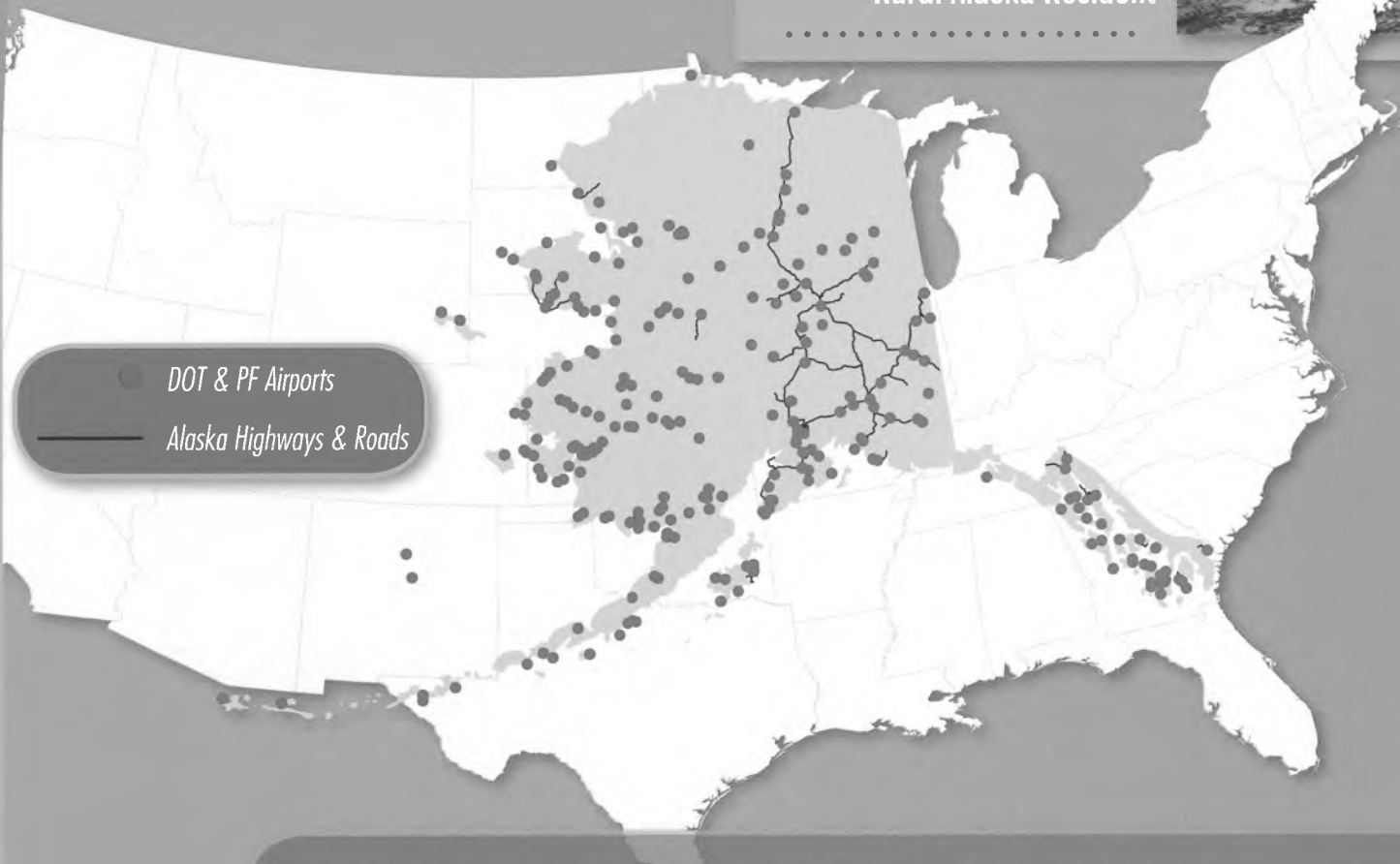
Alaska's Aviation Lifeline

Aviation is more important in Alaska than anywhere else in the United States.

- 255 airports are owned and operated by the State of Alaska
- Airports provide a vital link for access to food, mail, schools, medical services and travel

.....
"If we didn't have the airport we wouldn't have anything. The airport is a fact of life for living out here in the villages. The airport is our roads, highway, ocean, our lifeline."
.....

-Rural Alaska Resident



● DOT & PF Airports
— Alaska Highways & Roads

82% of the communities in Alaska are not connected to a highway or road system.

Three busiest airports at a glance



Ted Stevens Anchorage International Airport

- 5 million passengers annually
- New terminal in 2009
- World's largest and busiest seaplane base
- Ranked #5 in world cargo tonnage
- #2 airport in the U.S. for landed cargo weight
- 522,000 annual flight operations

anchorageairport.com



Fairbanks International Airport

- 1 million passengers annually
- New terminal and 11,800' runway in 2009
- Seaplane base with 322 tie-downs and 185 float slips
- 118,000 annual flight operations
- Hub airport for Interior Alaska and alternate for ANC

dot.state.ak.us/faiiap



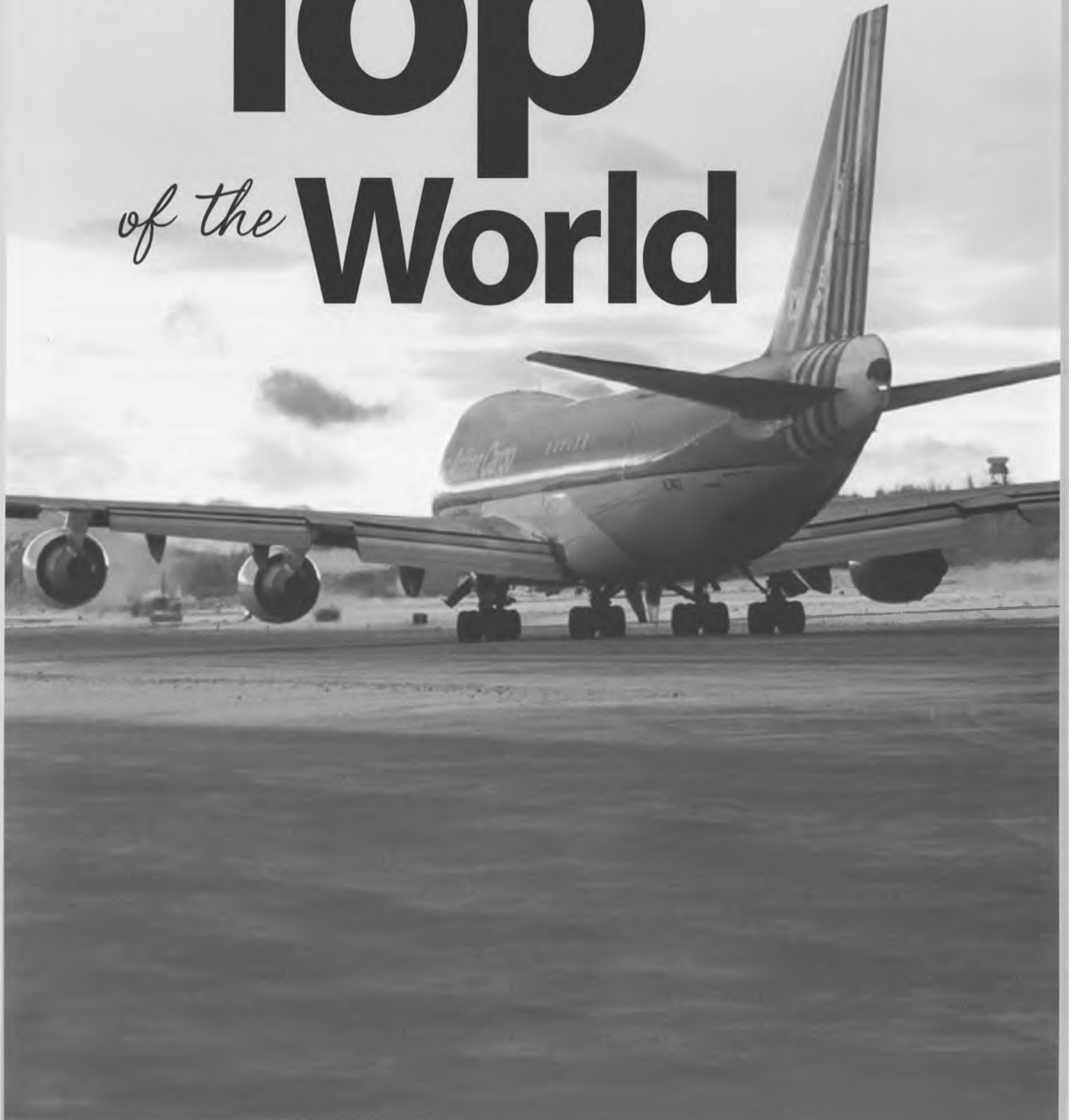
Bethel Airport

- 300,000 passengers annually
- New runway in 2009
- 2nd busiest cargo airport in Alaska
- 122,000 annual flight operations
- Serves 56 villages in Yukon-Kuskokwim Delta

dot.alaska.gov

Anchorage International Airport

On **Top**
of the **World**



Anchorage International Airport

One of the northernmost airports in the US is continuing to evolve to meet the changing needs of the aeronautic industry. John Parrott explains.

When the first 747 airplane flew, aeronautic experts heralded a new age of nonstop flights. Some said airports like Anchorage International (ANC), which had served for years as a refueling station for cargo and passenger craft alike, would go the way of the dodo. Airport manager John Parrott said those experts had forgotten about the payload range equation.

“If you want to fill your 747 to capacity, you can’t also carry enough gasoline to make it from Asia or Europe to the lower 48 states; you need to fly with less cargo to make room for the weight of more fuel,” he explained. “That’s why it’s still extremely cost effective for carriers to stop here and refuel, which is why we’re still number five in the world for cargo throughput.”

In addition, the US government has granted airports in Alaska and Hawaii a special privilege: cargo in those airports can be transferred from one craft to another without the move counting as an official break in an international voyage. This allows carriers to connect international cities in one trip even with fuel limitations.

ANC, Parrott said, is about nine-and-a-half hours from 90% of the industrialized world but in addition to this fortuitous location, this airport has evolved over the years to become a perfect blend of cargo and passenger service.

The airport has 14 wide-body, pull-through parking spaces, which means even the largest aircraft don’t need to park to the side and be pulled out by trucks when its time to take off. And in those parking spaces, ANC has an extensive hydro-refueling system that eliminates the need for a team of trucks to refuel the giant tanks. Parrott said whenever possible, his team arranges for planes from the same carrier company to be parked side by side to give the carrier a more efficient space to work.

For all its fame as a cargo hub, however, ANC also serves five million passengers each year. Parrott said in the summer, about one million tourists pour into the state, most through a cruise and fly package, and all of those come through ANC at least once.

“Aviation is truly the lifeblood of travel and commerce in Alaska: there are no roads west of the center of the state and only one



that traverses the length of the state north to south,” Parrott said. “Alaskan’s fly year round to get anywhere.”

In fact, AIA supplies 10,000 direct jobs and 8,000 indirect in the city of Anchorage, meaning one out of every eight employed citizens works for the airport in some way. And Parrott said that ratio is consistent for aviation impact throughout the state.

That’s one reason why the recession had a significant impact in Alaska. The airport saw a 20% drop in revenue between 2008 and 2009. Parrott said the airport had to tighten its belt like everyone else but that he and his team are cautiously optimistic that they’ve been through the worst of it. Parrott reported the airport is about 10% up over 2009 this year, and hopes to get back to its 2008 levels next year.

Making plans

The team at ANC has done a lot in the last few years and has a lot of big plans for the future, to fuel the airport’s growth and continue its evolution as a transportation hub of the north.

For one thing, the airport just completed a 10-year renovation project to its terminals. The project included a tear down and rebuild of the original, 1950s C concourse, a complete renovation of the B concourse, and an entirely new road system for the property.

Of the 4,800 acres owned by the airport, Parrott said a significant portion is not yet developed and is suitable for aeronautic use. And amid all the turmoil last year, ANC got some additional news: as part of the Base Relocation Commission, the Department of Defense would not be renewing its lease on the 135 acres that made up its Kulis Air National Guard Base and is consolidating those operations at a nearby air force base.

Those 135 acres have hangars, garages, and runway access as well as a mess hall,

The team at ANC has done a lot in the last few years and has a lot of big plans for the future, to fuel the airport’s growth and continue its evolution as a transportation hub of the north.



Anchorage International Airport



medical building, and ample storage. Parrott, his team, and development and real estate experts are currently assessing the best possible use of the land for the airport.

“An opportunity like this doesn’t come along very often, so we want to make sure we get it right to ensure future success for the airport and beneficial economic development for the city,” said Parrott.

One option the team is considering would be to add wide-body aircraft maintenance services, giving carriers and opportunity to get scheduled maintenance done on their aircraft while they stop over in Alaska for fuel anyway. Most important to the team’s consideration, Parrott said, are the needs of ANC’s diverse customer base.

Even with this new space and the renovation project, however, Parrott is concerned the airport will need to look at further expansion a few years from now thanks to a continuing interest in the state from tourists. In the last few months, he said a large number of US carriers requested landing rights at the airport. In addition to Alaska, Delta, Continental, and US Airways, which have a year round presence at ANC, United, American, and Frontier have added flights for the summer.

This is of course, a challenge most airport managers these days would die to have and Parrott said he and his team are excited about the opportunities to position ANC for future success.

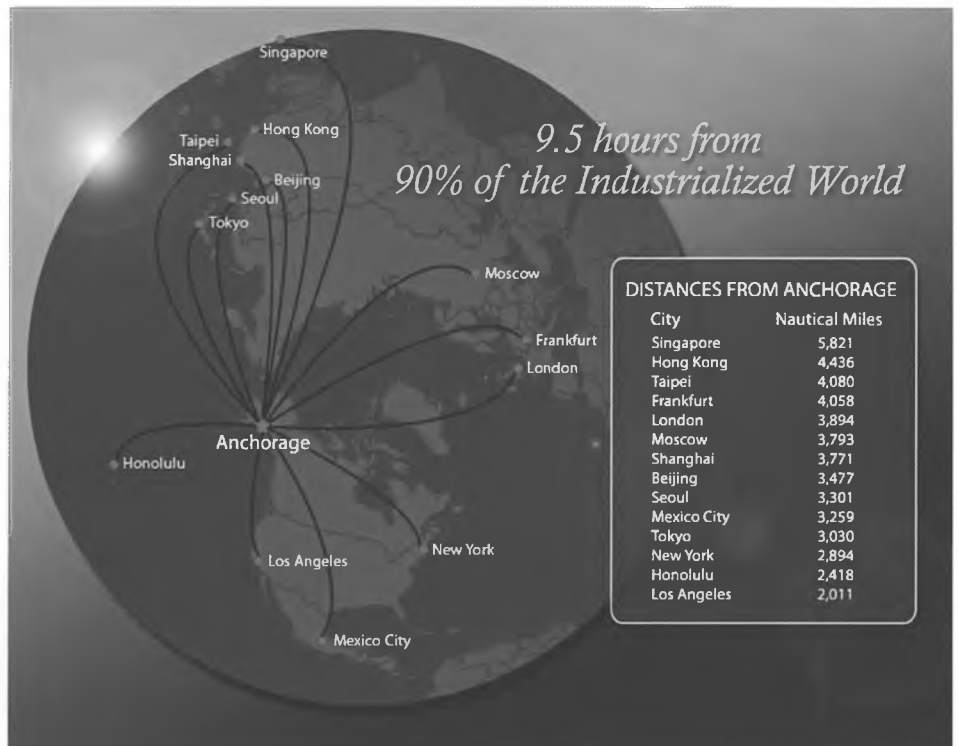
“There’s a large Asian population in Alaska, and we used to have a sizable passenger service from Europe before

the former Soviet Union opened its airspace in the early 1990s,” he said. “We’d like to become a new destination for those markets.”

As foreboding as Alaska can seem to those who’ve never been there, Parrott added that the team at ANC is among the best in the world in providing a hassle-free and welcoming experience. In fact, ANC’s snow removal team has won the Balchen-Post award four times for their work and Parrott said the airport hasn’t closed for snow in decades.

“I’m proud of the hard work that every member of this team does every day,” he said. “I’ve known for years that this crew can stack up to the crews at any major metropolitan airport, and it’s exciting to see them get the recognition they deserve.” **W**

—Meghan Flynn





The Economic Contribution of the Aviation Industry to Alaska's Economy

Alaska Aviation System Plan

Introduction

As an economic engine for the State of Alaska, Alaska's aviation industry contributes \$3.5 billion dollars and over 47,000 jobs to the state's economy. Aviation is a critical component of the state's economy and the vitality of Alaska's communities. The Alaska Department of Transportation & Public Facilities (ADOT&PF), Aviation Division recently embarked on updating the Alaska Aviation System Plan. An important part of that update is determining the value and contribution of Alaska's aviation industry to the state's economy. This determination was accomplished through an extensive survey effort targeting all public airports managed by ADOT&PF, public airports managed by other entities, private airports throughout the state, leaseholders located on ADOT&PF airports, and 600 residents in rural Alaska and the Railbelt who have flown within the last 12 months. The study included interviews with airport managers, city officials and other community leaders in 18 selected communities in Alaska, and four western states to evaluate the importance of airports to remote, rural communities.

Contributions to Alaska's State Economy

Airports and aviation-related businesses create significant economic value within the State of Alaska. In fiscal year (FY) 2007, the Alaska aviation industry contributed \$3.5 billion to the state economy and supported over 47,000 jobs statewide. The aviation industry contributed about 8 percent of Alaska's gross state product of \$44 billion in 2007 and supported almost 10 percent of 2007 statewide annual average employment. If compared to the primary economic sectors the aviation industry would be the fifth largest employer in Alaska.



Economic Activity

The aviation industry contributes to Alaska's economy by supporting local businesses and employing citizens in year round operations. The value of the economic activity generated by the operation of the airports, the businesses, and agencies operating within the airport premises in FY2007 amounted to more than \$2.1 billion.

This direct spending by airports, businesses located on the airports and their employees in turn creates additional employment and income in other sectors of the economy. The economic contribution of the aviation industry through those secondary (multiplier) expenditures is estimated to be \$1.4 billion in FY2007 resulting in a total of \$3.5 billion in economic activity. **(See Figure 1)**

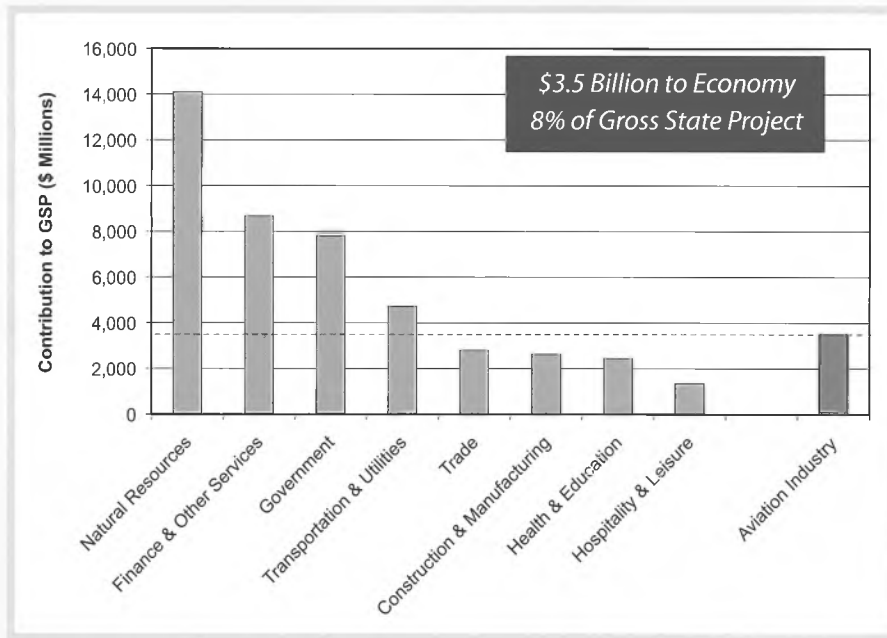


Figure 1 The Aviation Industry's Contribution to GSP Compared to Primary Economic Sectors, 2007

Source: Northern Economics estimates, 2008

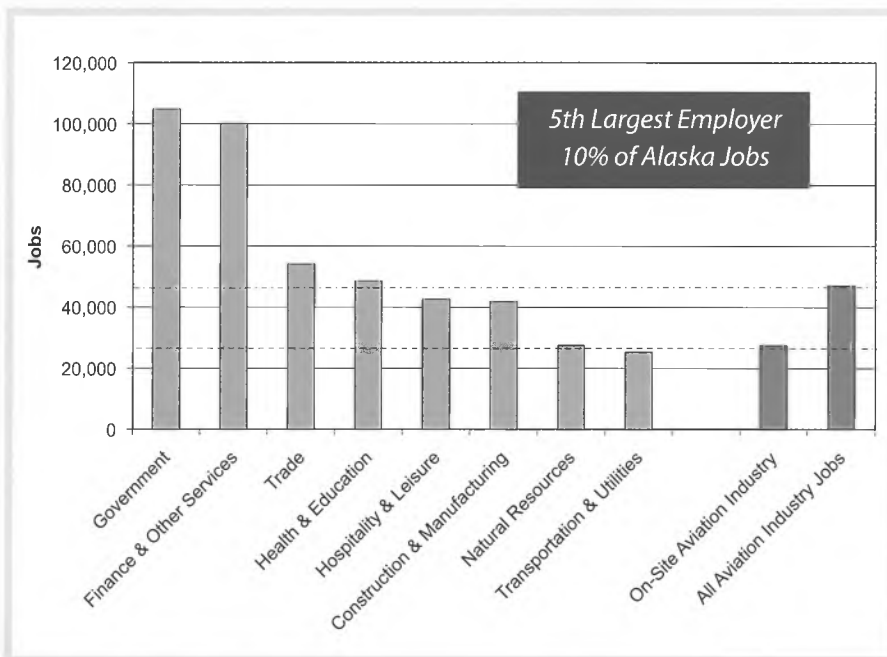


Figure 2 The Aviation Industry's Contribution to Available Jobs Compared to Primary Economic Sectors, 2007

Source: Northern Economics estimates, 2008

Employment

In 2007, the aviation industry provided over 47,000 on-site and off-site jobs across the state. The highest concentration of jobs are located at the international airports in Anchorage, Fairbanks, and the state's regional hubs. These jobs include more than 27,000 on-site jobs and nearly 20,000 off-site jobs created by this industry.

(See Figure 2) The on-site jobs include more than 2,000 full-time and part-time jobs directly related to the operation and maintenance of public and private airports in Alaska as well as more than 25,000 jobs created by on-site businesses, organizations, and government agencies operating out of the airports. These businesses include commercial air carriers, fixed-base operators, fuel distributors, caterers, air taxis, charter operations, general aviation services, state agencies and other public agencies. The number of on-site jobs underscores the value of airport infrastructure in creating jobs in various businesses and communities across the state.

The nearly 20,000 off-site jobs are created when goods and services are purchased from other businesses in

EMPLOYMENT

Jobs related to aviation:

- 2,000 jobs** to operate airports statewide, full and part time
- 25,000 jobs** due to on-site business, organizations and agencies
- 20,000 jobs** created due to multiplier effect from aviation jobs
- 47,000 total jobs** attributed to aviation in Alaska in 2007

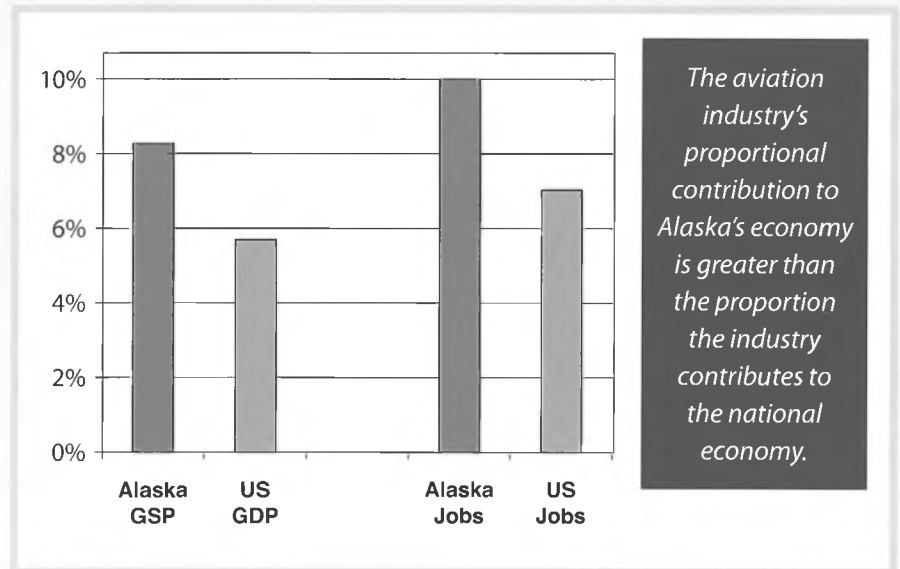
This represents about **10% of all jobs** in Alaska

the state to support the operations and maintenance of airports and businesses located at airports, and when on-site employees spend their wages on goods and services within the state.

Over 47,000 jobs generated by the firms, agencies and businesses that make up the industry provided approximately 10 percent of the total jobs in Alaska's economy in 2007, including the self-employed and the military. The aggregate aviation industry was smaller than the government, finance and other services, trade, and health & education sectors, but larger than the hospitality & leisure, construction & manufacturing, natural resources, and transportation & utilities sectors.

Figure 3 shows that the aviation industry's proportional contribution to Alaska's economy is greater than the proportion the industry contributes to the national economy. In actuality, the figure underestimates the relative importance of the aviation industry to Alaska as the true difference is even greater than shown; the national data include the expenditure of visitors and this study

Figure 3 Economy and Jobs: Importance in Alaska vs. the US



does not include this factor in the estimates for Alaska's economy.

Importance of Alaska's Airports to Alaska's Communities

Telephone surveys of 500 households were conducted in 18 selected communities throughout the state, 100 households within the Railbelt stretching from Fairbanks to the Kenai Peninsula, and also

with airport managers, community officials, and other leaders in these communities to evaluate the importance of Alaska's airports to state residents.

The study compared the importance of Alaska's airports to remote airports in other rural, western states. Interviews were made with airport managers and community officials for airports in Idaho, Montana, Oregon and Wyoming, for a comparison of enplanements and freight volumes per capita for the 18 airports in Alaska and the airports in the western U.S. **Figures 4 and 5** show that enplanements and air freight loads are much higher per capita in Alaska than for airports in the western U.S. Enplanements for Alaska communities can exceed enplanements of other rural U.S. communities by eight times per person while air freight loads can be more than 39 times higher per person.



"If we didn't have the airport we wouldn't have anything. The airport is a fact of life for living out here in the villages. The airport is our roads, highway, ocean, our lifeline."

Alaska Aviation System Plan

Rural survey respondents emphasized the importance of air travel in rural Alaska. For many communities, especially in Alaska's West and Interior, air travel is the only means to get in and out of the communities; there are no roads or ferry service. These villages rely on air travel for emergencies, family visits, work-related travel, social and vacation trips, and transportation of supplies. Some communities do not offer medical services and residents need to travel for all medical visits. This situation is especially common in small communities and the survey data indicate that community airport respondents made more than twice as many family or personal business related and medical trips than those in larger communities.

Some rural communities in Western and Interior Alaska would be completely isolated in the winter without their rural airports. In parts of Central and Southeast Alaska, ferry or road transportation may be alternatives, but communities still rely heavily on their airports for swift and reliable travel and cargo transport.

By contrast, rural communities in the Lower 48 more often commented that their community would be less attractive for people visiting or doing business but that they could likely live without an airport.

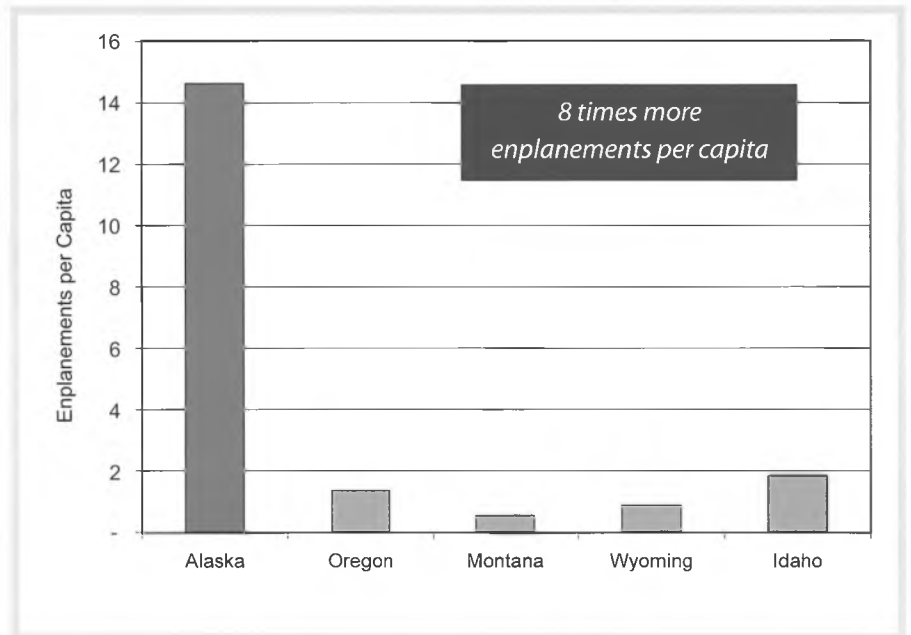


Figure 4 Comparison of Enplanements per 1,000 Persons for Selected Community Airports, 2007

Sources: Bureau of Transportation Statistics, 2008. U.S. Census Bureau, 2008.

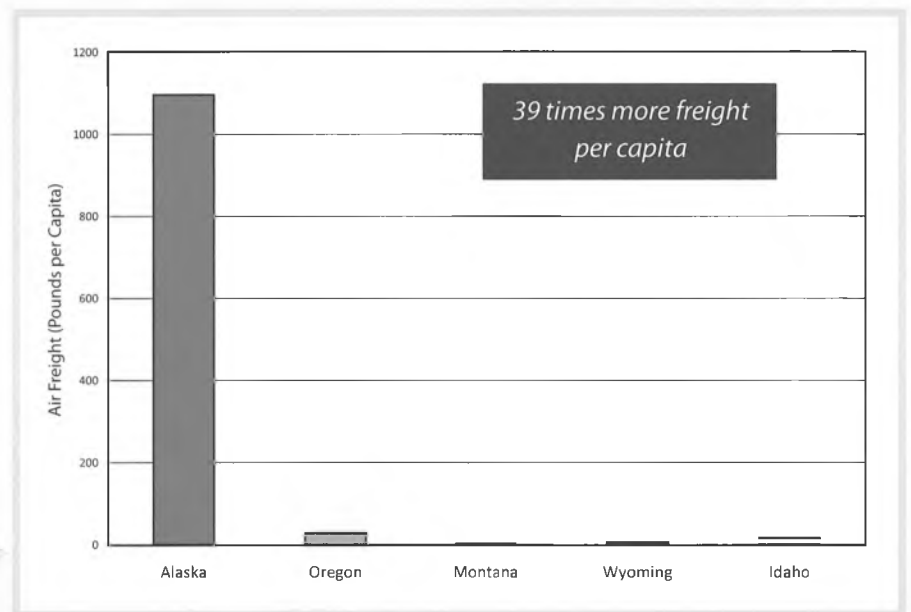


Figure 5 Air Freight per Capita for Selected Community Airports, 2007

Sources: Bureau of Transportation Statistics, 2008. U.S. Census Bureau, 2008.



This report was prepared by Northern Economics, Inc. For more information please call ADOT&PF Aviation Division at (907) 267-0730. www.dot.state.ak.us

