



# Alaska Department of Transportation & Public Facilities

## Aviation Overview

### Joint Transportation Committee

January 24, 2013



# Introductions

- **Deputy Commissioner Steven Hatter, PMP, CM**
  - Two primary “hats”—Alaska International Airports System (AIAS) Executive Director; As Deputy Commissioner, oversee DOT&PF’s Statewide Aviation mission
- **Mr. John Parrott, AAE, Ted Stevens Anchorage International Airport Manager**
- **Mr. Jesse VanderZanden, AAE, Fairbanks International Airport Manager**



## Mission Statements

**DOT&PF:**

***“Get Alaska moving through service and infrastructure.”***

**Alaska International Airports System (AIAS):**

***“To keep Alaska flying and thriving.”***



# Topics

- **Alaska International Airports System**
  - Structure
  - Alaska Advantage
  - Future
- **Statewide Aviation**
  - Rural System Scope and Scale
  - DOT&PF Aviation Org Structure
  - Stakeholders



# AIAS Structure



# AIAS Structure

Created Fifty Years ago by Ch88 SLA  
1961 - (AS 37.15.410-550)



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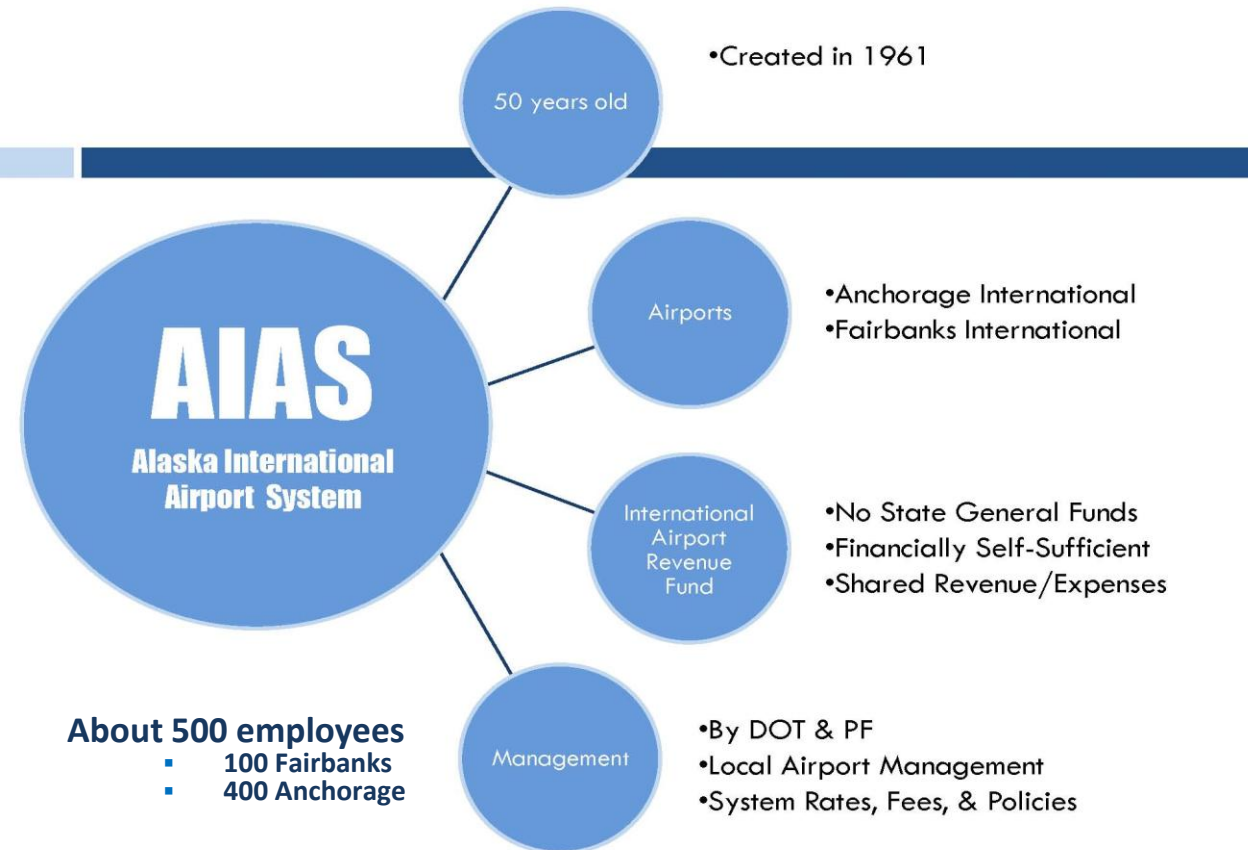


**Alaska**  
International Airport  
System  
*"A World AeroNexus"*





# Self-Sustaining



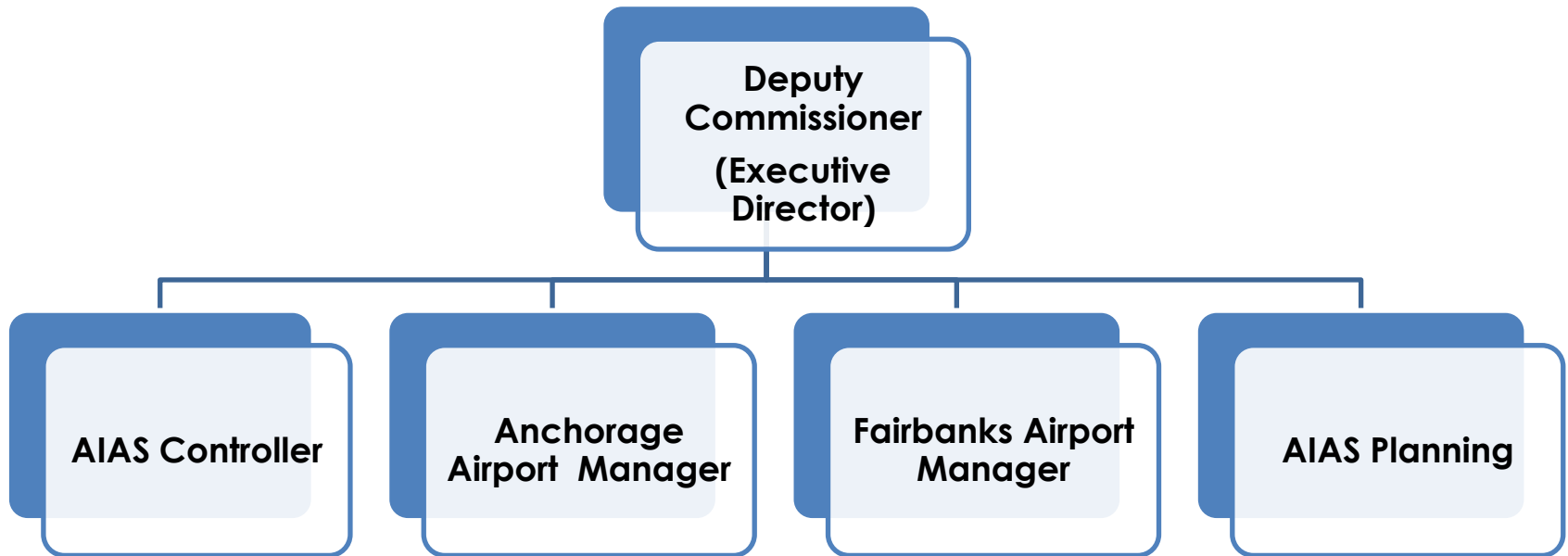
**About 500 employees**

- 100 Fairbanks
- 400 Anchorage

**Funded by user fees  
not State General  
Funds (small PERS  
contribution)**



# Organization/Leadership



**491 Personnel**

- Administration
- Operations
- Facilities
- Field & Equipment Maintenance
- Police and Fire





# State Economic Engine

## Anchorage

- **15,577 Jobs – one in ten jobs**
- **About \$724 million in direct annual payroll**
- **Another \$303 million in annual payroll for jobs in the community**

## Fairbanks

- **1,900 Jobs - one in twenty jobs**
- **\$225 million in economic output**
- **Ranked 85<sup>th</sup> in the nation in weight of total mail and freight (2010)**

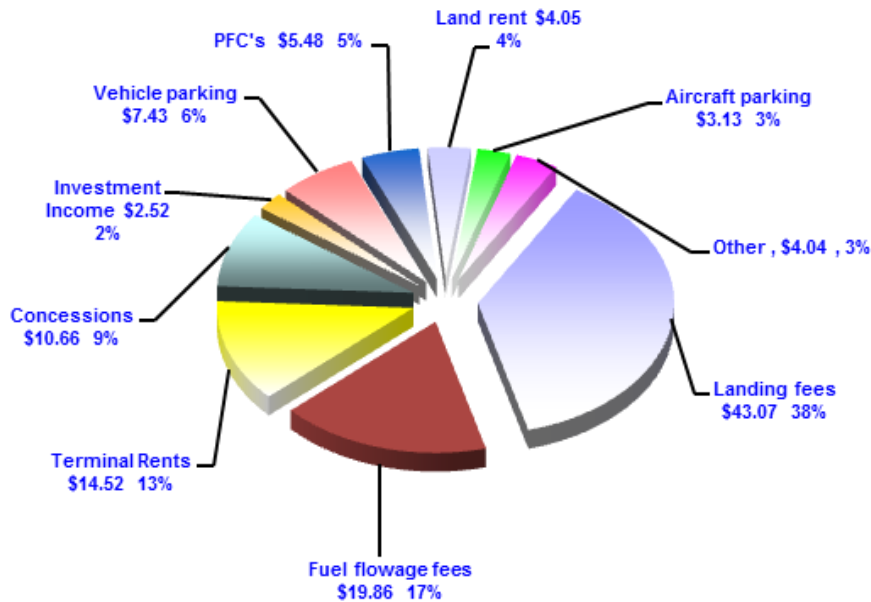
\*Source: 2011 McDowell Group Study

\*Source: 2011 Alaska Aviation System Plan Study



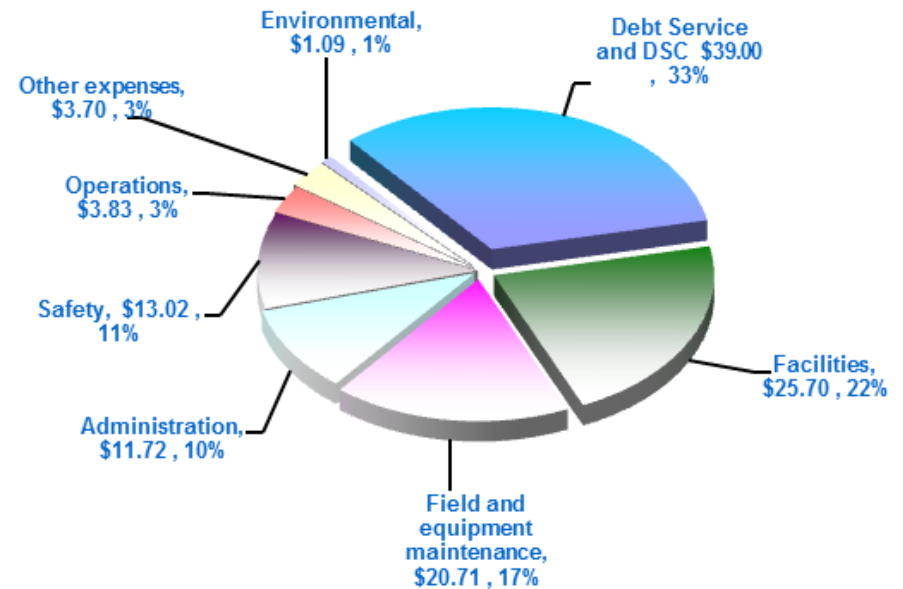
## Annual Revenues and Operations, Maintenance and Debt Costs - Funded from Customer Charges -

**AIAS 2012 Revenue Sources (in Millions)**



**\$115M in Operating Revenues**

**AIAS 2012 Annual Operating Costs (including Debt Service and Coverage) (in Millions)**



**Costs are covered by adjustments to rates and fees – self sustaining system**



# Operating Agreement with Carriers

- **Residual Cost Model**
  - Signatory Carriers underwrite
  - Signatory Carriers have a voice—Operating, Capital
- **Signatory Carriers organize and engage AIAS as Airline Airport Affairs Committee (AAAC)**
- **AIAS has authority to issue revenue bonds**
- **Current agreement expires 30 Jun 2013**



# New Operating Agreement

- **Negotiated Operating Agreement (OA) with Signatory Airlines (28)**
- **Capital Improvement Program**
- **Reviewed rates and fees model**
- **Reviewed next OA term**
- **New OA to be effective 1 Jul 2013**



# Collaborative Relationships

**We're working closely with airline partners to navigate tough economy and traffic downturn. The following is AAAC's written response to AIAS's November 2011 rate increase:**

***"The State worked collaboratively with the AAAC Chairs...to determine the most prudent course to take."***

***"The State has been very collaborative in their approach...to address the needs of both the Airlines and the Airport."***

***AAAC Co-Chairs***

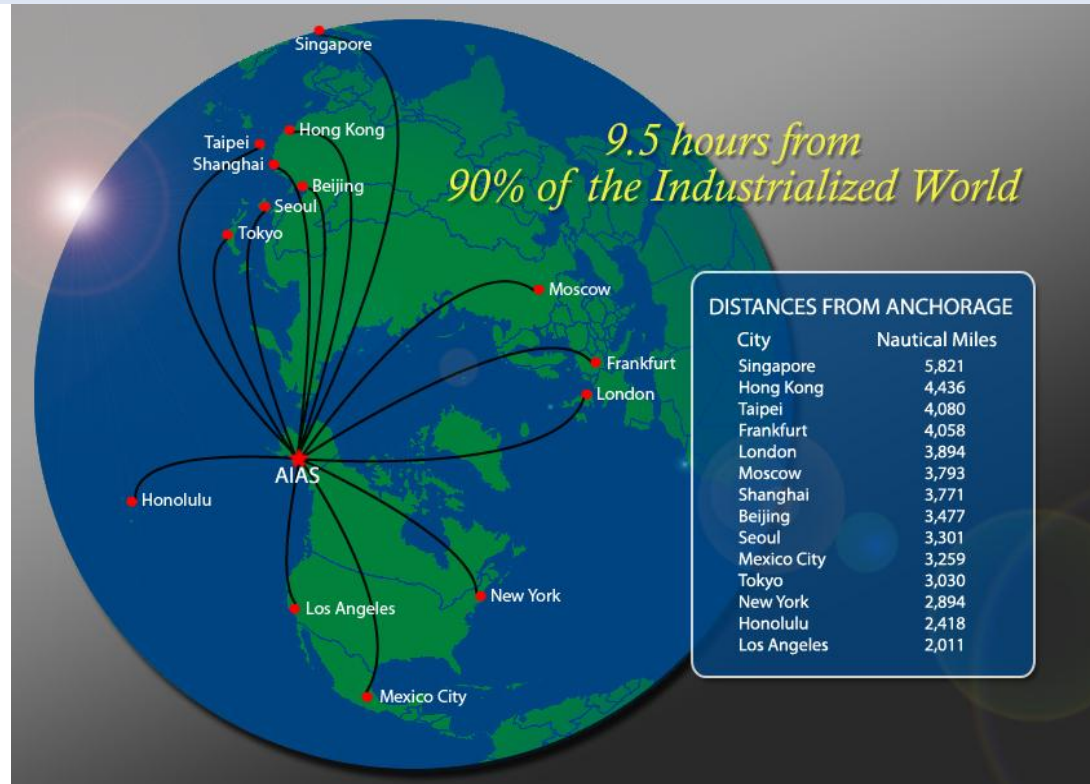


# AIAS: The Alaska Advantage



# Location and Two Airports

- 9.5 hours from 90% of Industrialized World
- Never a same day closure (except 9/11)



+/- 10 minutes diversion Trans-Pac





# Payload vs. Range

## PVG-ORD Direct

Distance: 7,050 miles  
 Payload: 170,000 lbs  
 77,273 kg

## PVG-ANC-ORD

Distance: 7,150 miles  
 Payload: 295,000 lbs  
 134,090 kg



At \$1.00 per lb:  
 PVG-ANC-ORD = \$295,000  
 PVG-ORD = \$170,000  
 ANC Stop = **\$125,000**

For 747-8F:  
 Increased Revenue with ANC stop is \$125,000

$\$125,000 \times 5 \text{ days/week} \times 52 \text{ weeks} = \$32,500,000$





# US/Global rankings

Rank	City
1	Memphis
2	Anchorage
3	Louisville
4	Miami
5	Los Angeles
6	Chicago
7	New York
8	Indianapolis
9	Newark
10	Atlanta

Rank	City
1	Hong Kong
2	Memphis
3	Shanghai
4	Anchorage
5	Incheon
6	Paris
7	Frankfurt
8	Dubai
9	Tokyo
10	Louisville

Data from Airports Council International for CY2012 metric tons cargo

Integrity - Enterprising - Excellence - Respect



# Large and Diverse Customer Base



**Approximately 30  
passenger and 40  
cargo airlines  
operate through  
AIAS.**



# 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
- Completed multi-phased expansion of package sorting facility in 2007 / MD-11 simulator





# Asia Centric Cargo Market

- **Over 99% of cargo through AIAS -- five Asian origins (China, Taiwan, Korea, Japan, Hong Kong)**
- **N. America - Asia cargo through AIAS expected to grow ~ 1-2%**
- **71% of all Asia-bound air cargo from U.S. goes through AIAS**
- **82% of all U.S.-bound air cargo from Asia goes through AIAS**
- **All Asia-North America cargo carriers have flights through AIAS**
- **Approx 80% of AIAS carrier generated revenue is cargo**

\*Source: 2011 McDowell Group Study



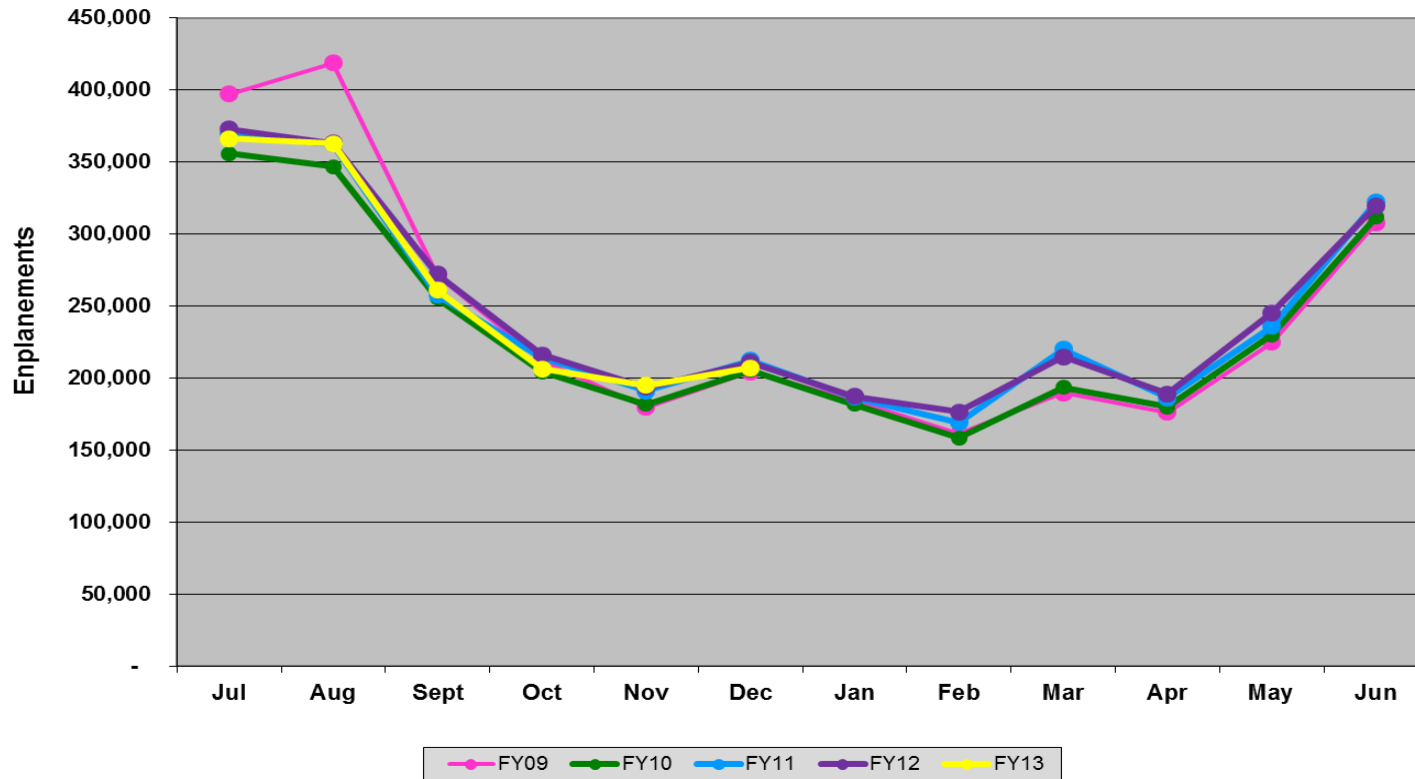
# Competition

- **Portland, Seattle, Vancouver, and Prince George have all visited Asia in an effort to recruit cargo.**
- **Canadian airports operate under a completely different system.**
- **FAA prohibits US airports from direct payment incentives, i.e., risk abatements. As a result, these programs are generally state or local government funded.**
- **Airports allowed to waive fees for a limited period.**
- **AIAS implemented Passenger and Cargo Incentive Program in 2011 that waives landing fees for up to twelve months for new city pairs or relocated cargo flights.**



# Passenger Activity

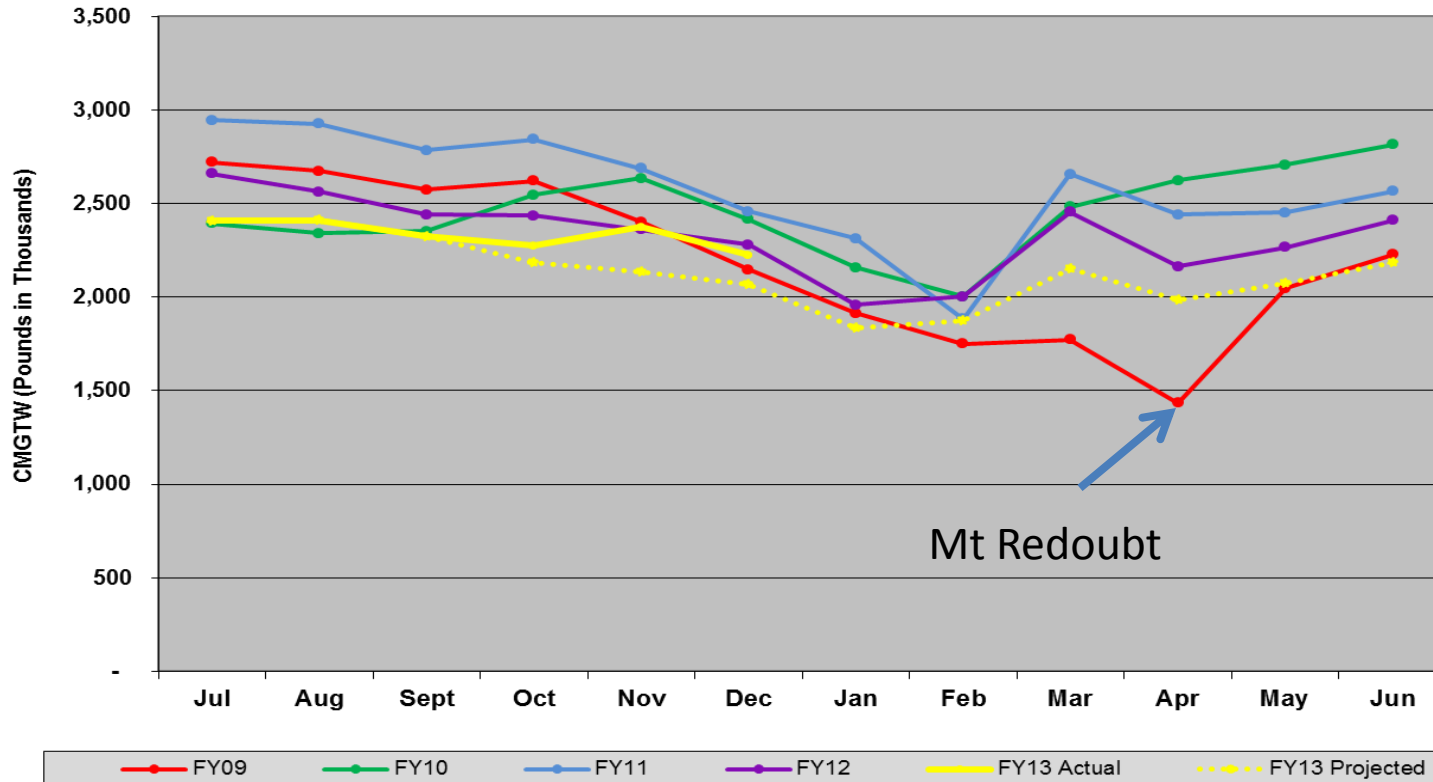
AIAS  
FY09 - FY13 YTD  
Monthly Enplanements  
As of December 31, 2012





# Cargo Activity: -10% FY12 /-5% FY13 ytd

AIAS  
 FY08 - FY13 YTD & Projected Oct - Jun FY13  
 Monthly Reported Combined Cargo/Pax CMGTW  
 As of Dec 31, 2012



Mt Redoubt



# What Causes Decreased Activity?

- **The global economy.....**
- **Other risk factors:**
  - **Fleet mix (passenger 777)**
  - **Potential competitor airports**
  - **Perceptions that operating at/through AIAS doesn't "pencil"**
- **We aggressively and collaboratively manage those factors within our control, while also proactively marketing and myth busting**





# AIAS Future



# Kulis

- **Background:**
  - 129 acres in ANC South Airpark
  - Leased from State by USAF from 1959 to 2011
  - USAF licensed Alaska Air National Guard to operate as Kulis Air National Guard Base.
- **Base Realignment and Closure (BRAC)**
  - Initiated in 2005
  - Action: Close Kulis Air National Guard Base (ANGB), AK. Relocate the 176th Wing (ANG) to Joint Base Elmendorf-Richardson, AK.
  - Lease terminated Oct 2011
  - DoD performing contaminated soil clean-up through summer 2013



# Kulis

- **Leasing Interest:**
  - **Must conform to FAA grant assurances**
    - Examples include compatible land use and revenue self-sustainment.
  - **Government Entities**
    - Various State and Federal agencies have expressed interest in the non-aeronautical facilities.
  - **Private Corporations**
    - High level of interest to lease non-aeronautical buildings as corporate campus for large private entities. Third party developers looking to sublease to private entities.
    - Northern Aviation Service (NAS) servicing Shell



# Fuel Supply

- Fuel market is entirely private
- 2009 fuel shortage caused by swift and unexpected recovery in air cargo market
- Some carriers opted to overfly AIAS lacking confidence in fuel supply
- Fuel price and supply a large part of airline routing decisions
- New suppliers entered the market
- Private industry has added 16 M gallon storage
- Status today: low risk of a repeat of 2009



# Preserving/Increasing Cargo Activity

- Working cooperatively with airlines
- Held Alaska Cargo Summits in 2010, 2011
- Followed up with Asia trips
  - Build relational equity and market Alaska advantages
- Comprehensive AIAS Strategic Planning begun in 2011
- Implemented Cargo Incentive Program



# Passenger Activity

- Nearly 3 million enplanements per year...2.5 million at Anchorage and 500,000 at Fairbanks. Approximately 1/5 were out-of-state and international.
- Japan Airlines summer charters **ANC/FAI**
- Korean Airlines summer charters **ANC**
- Jet Blue initiated ANC-Long Beach for second summer **ANC**
- United initiated FAI-DEN last summer **FAI**
- United initiating FAI-ORD (Chicago) this summer **FAI**
- Icelandair Anchorage-Reykjavik 2013 **ANC**
- Working with Alaska “Coalitions of the Willing”
- Implemented Passenger Incentive Program



# Strategic Planning & Marketing

- **System planning/responses to previous management reviews**
  - **Strategic Plan (2011)**
  - **Business Plan (2012-13)**
  - **Human Resources Study (2011/12)**
  - **Marketing Plans / System Branding (Ongoing)**
- **Proactive communications**
  - **Work with sister State agencies; Convention and Visitors Bureaus (CVBs) and Economic Development Corporations (EDCs) to strategize opportunities**
  - **Attend passenger and cargo conferences to promote AIAS**
  - **Pursue Asian carriers**



# Master Plans

## AIAS Strategic Plan (DOWL/HNTB Team)

- FAI Master Plan (RS&H Team)
- ANC Master Plan (RS&H Team)





# Takeaways

- **Two Airports - One System**
  - Local, regional, national and global resource
- **Self-sustaining - no general funds**
- **Business-centric: rates and fees and self-supporting bonds**
- **Economic engine of regional, state, and global significance**
- **Critical aviation enabler in our nation's most aviation-centric state**
- **Working cooperatively with the airlines – they shoulder the financial risk - unilateral state action puts this relationship at risk**
- **Aggressive strategic planning to protect and enhance our system**
- **Great people doing great things for our state**

***To Keep Alaska flying and thriving!***



# Statewide Aviation



# Rural System Scope and Scale

- **253 DOT&PF owned/operated airports & seaplane bases**
- **172 gravel & 47 paved airports; 33 Sea Plane Bases & 1 heliport**
- **19 Part 139 certificated airports**
- **Primary access for 82% of Alaskan communities off the contiguous road system**
- **Rural System is not self sustaining; primarily funded by GF, some revenue via leases**



# DOT&PF Aviation Organization Structure

## Statewide Aviation

- Strategic Direction
- Policy
- Federal Programs (AIP)
- Leasing/Revenue
- Statewide Digital Mapping Initiative (SDMI)
- Safety
- Stakeholder Engagement

## The Regions

- Program/Project Delivery Management (Planning & design through construction)
- Maintenance and Operations



# Stakeholders

## Government

- USDOT, FAA, TSA, EPA, USPS
- Federal CODEL
- State Legislature
- Sister State Agencies
- Municipalities, Boroughs, Local Governments

## Private Sector

- Alaskans!
- Alaska Air Carriers Association (AACAA)
- Alaska Airmen's Association
- Aircraft Owners and Pilots Association (AOPA)
- Alaska Airports Association
- Medallion Foundation
- Safety Organizations



# Major Rural System AIP Construction Projects

## Expected to be Funded in FFY'13 & '14

- **Runway Safety Areas**

- Nome
- Kodiak
- Kotzebue
- Adak

- **Pavement Rehab**

- Sitka
- Nome
- Ketchikan
- Bethel
- Talkeetna
- Gulkana

- **Rural Access**

- Tununak
- Koliganek
- Ambler
- Hooper Bay
- Haines
- Pilot Station
- Golovin

- **Buildings**

- Unalaska
- Barrow
- Bethel
- Manley



# Aviation Challenges--Current

- Meeting Federal Aviation Administration (FAA) requirements at 255 airports – most of which are rural.
- The increasing cost of winter maintenance chemicals and the federal ban on a common chemical (UREA) used at the largest airports
- Maintaining the current level of service at the International Airports, while developing new revenue opportunities in a dynamic and margin-oriented business.
  - Global air cargo market opportunities continue to change as economic and political conditions change in China, Asia Major, Russia, and central Asia.
  - Alaska's International Airport System (AIAS) must be managed to remain competitive and focused to meet these opportunities.



# Aviation Challenges--Future

- **Evolving federal agency relationships**
  - Increasing regulatory pressure (FAA, TSA, EPA)
  - Lessening awareness of, and appreciation for, Alaska realities not present in lower 48
  - Likely Decreasing FAA AIP funding means greater competition among airport sponsors—sponsor lack of compliance could factor as a “tiebreaker”
- **Long term sustainment of infrastructure and service levels in austere funding environment**





**Thank you!**

**Questions?**