



# Alaska Department of Transportation & Public Facilities Aviation Overview House Finance Subcommittee

February 4, 2013

Steven Hatter, Deputy Commissioner



# Mission Statements

**Department of Transportation & Public Facilities (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 (AIAS)
- Statewide Aviation (SWA)
- FY2014 Budget Requests
  - AIAS
  - SWA
- DOT&PF Aviation Challenges

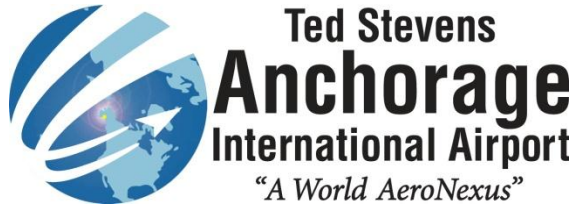


# Alaska International Airports System (AIAS)



# AIAS: A Self Sustaining System

Created Fifty Years ago by Chapter 88  
Session Laws of Alaska 1961 - (AS 37.15.410-550)



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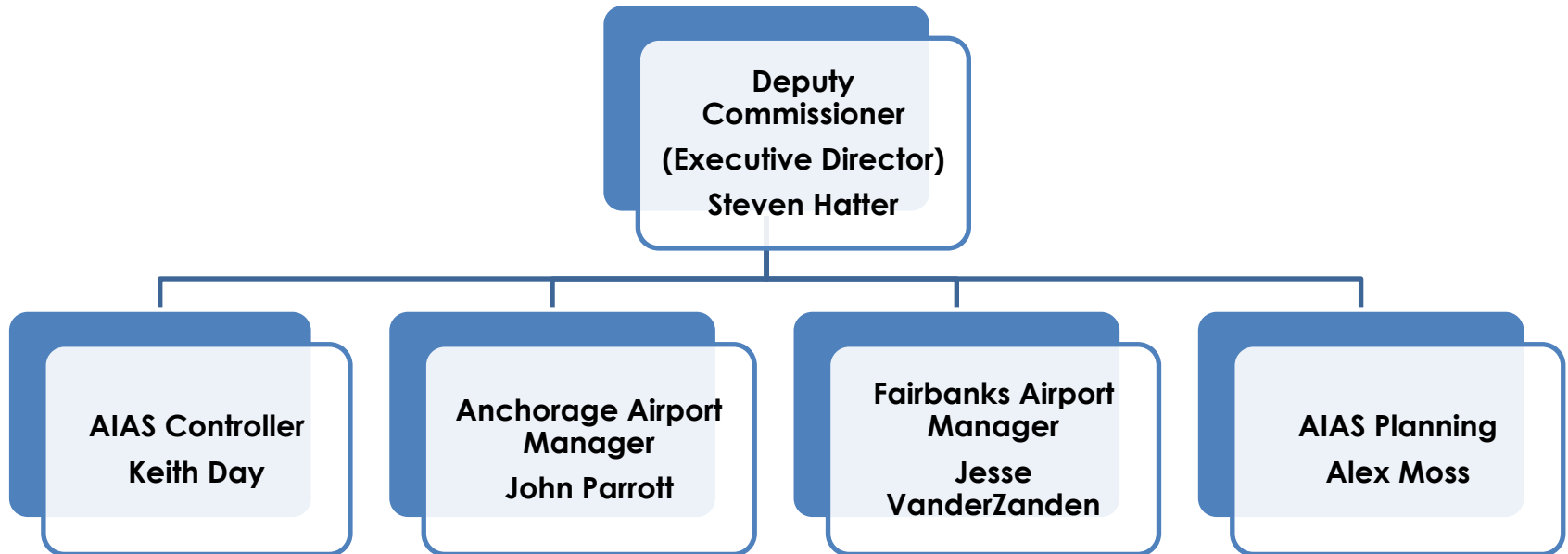
**Alaska**  
International Airport  
System  
*"A World AeroNexus"*



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



# AIAS Organization/Leadership



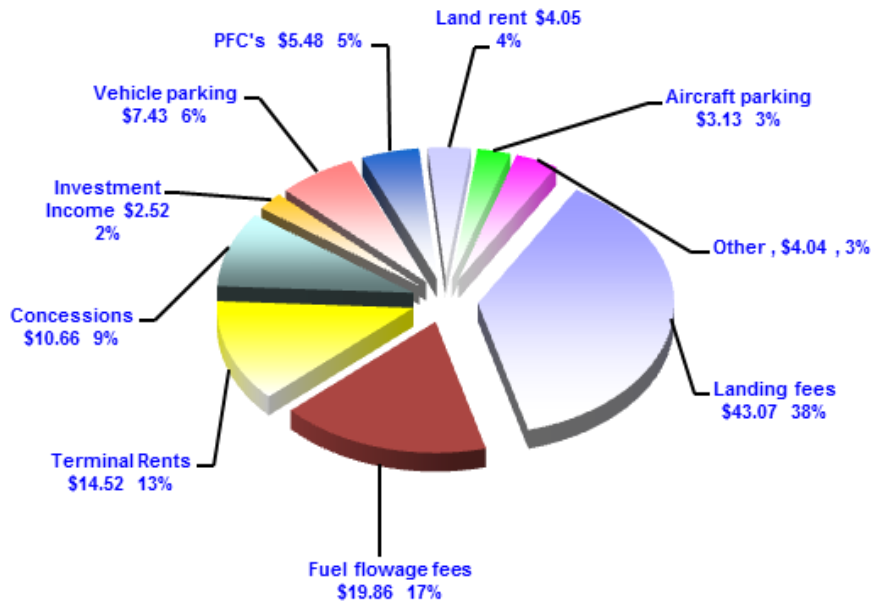
**491 Personnel**

- Administration
- Operations
- Facilities
- Field & Equipment Maintenance
- Safety (Police and Fire)



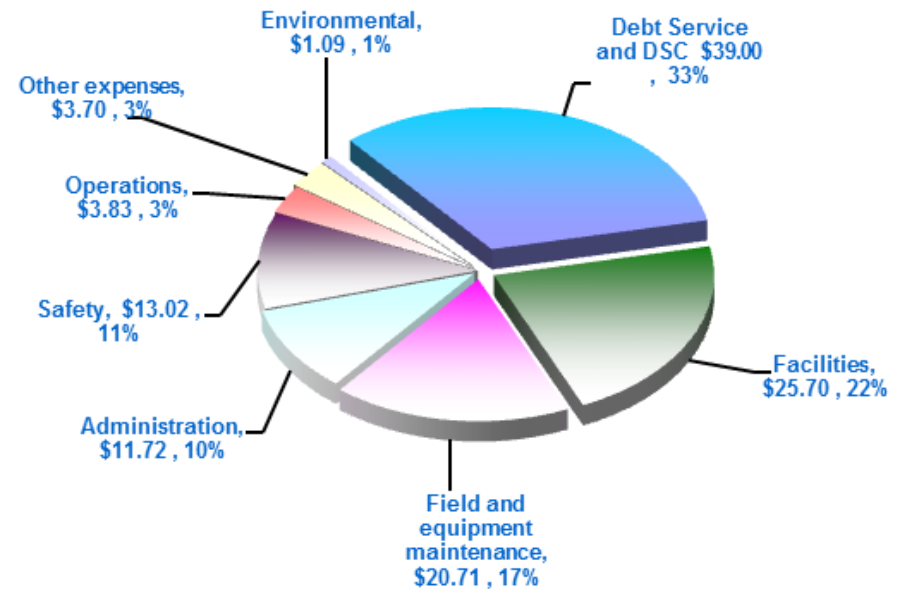
# AIAS Annual Revenues and Operations, Maintenance and Debt Costs - Funded from Customer Charges -

**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**

PFC=Passenger Facility Charges

DSC=Debt Service Coverage



# AIAS Operating Agreement with Carriers

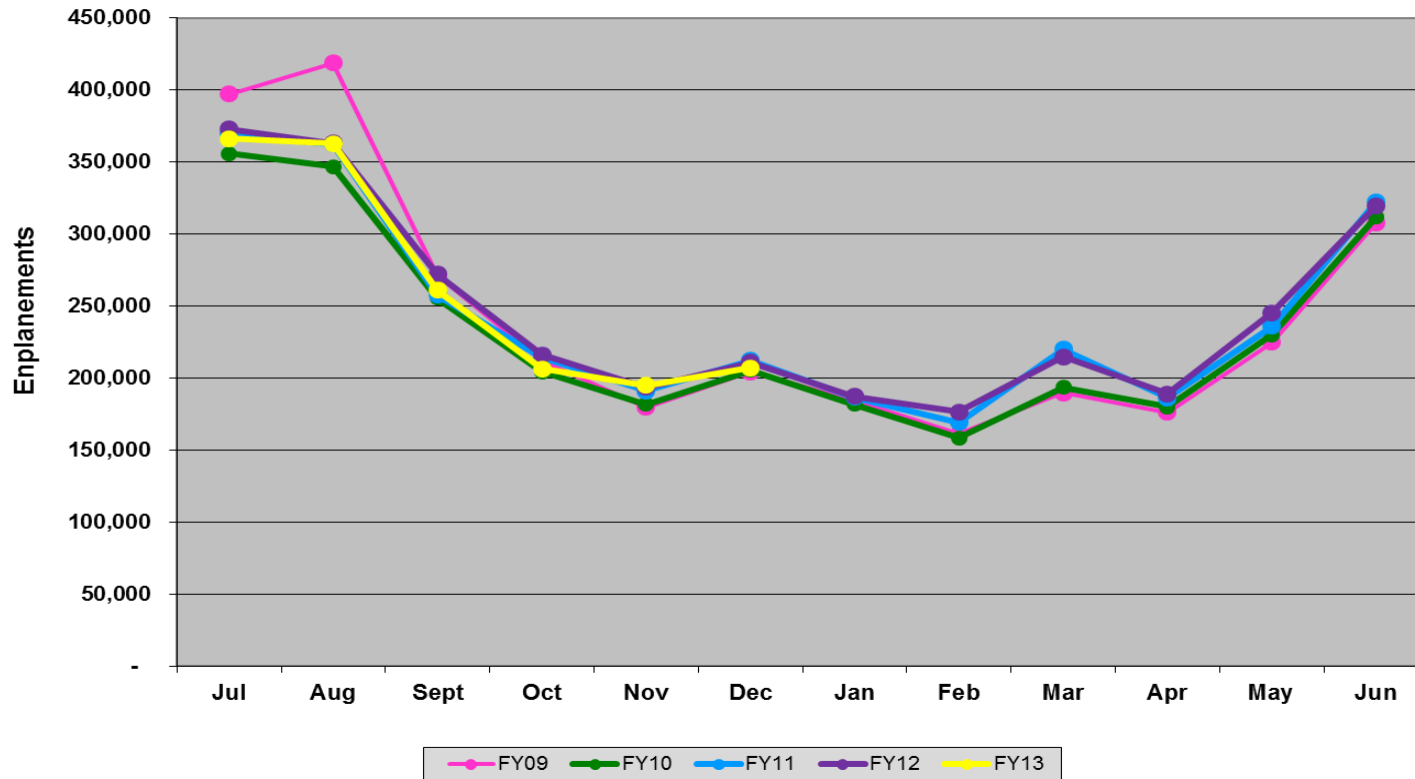
- Residual Cost Model
  - Signatory Carriers underwrite the system
  - Signatory Carriers have a voice—Operating, Capital
- Signatory Carriers organize and engage AIAS as Airline Airport Affairs Committee (AAAC)
- Current five year agreement expires June 30, 2013
- Negotiated Operating Agreement (OA) with Signatory Airlines
- Reviewed rates and fees model and term length—ten years
- *New OA to be effective July 1, 2013*





# Passenger Activity

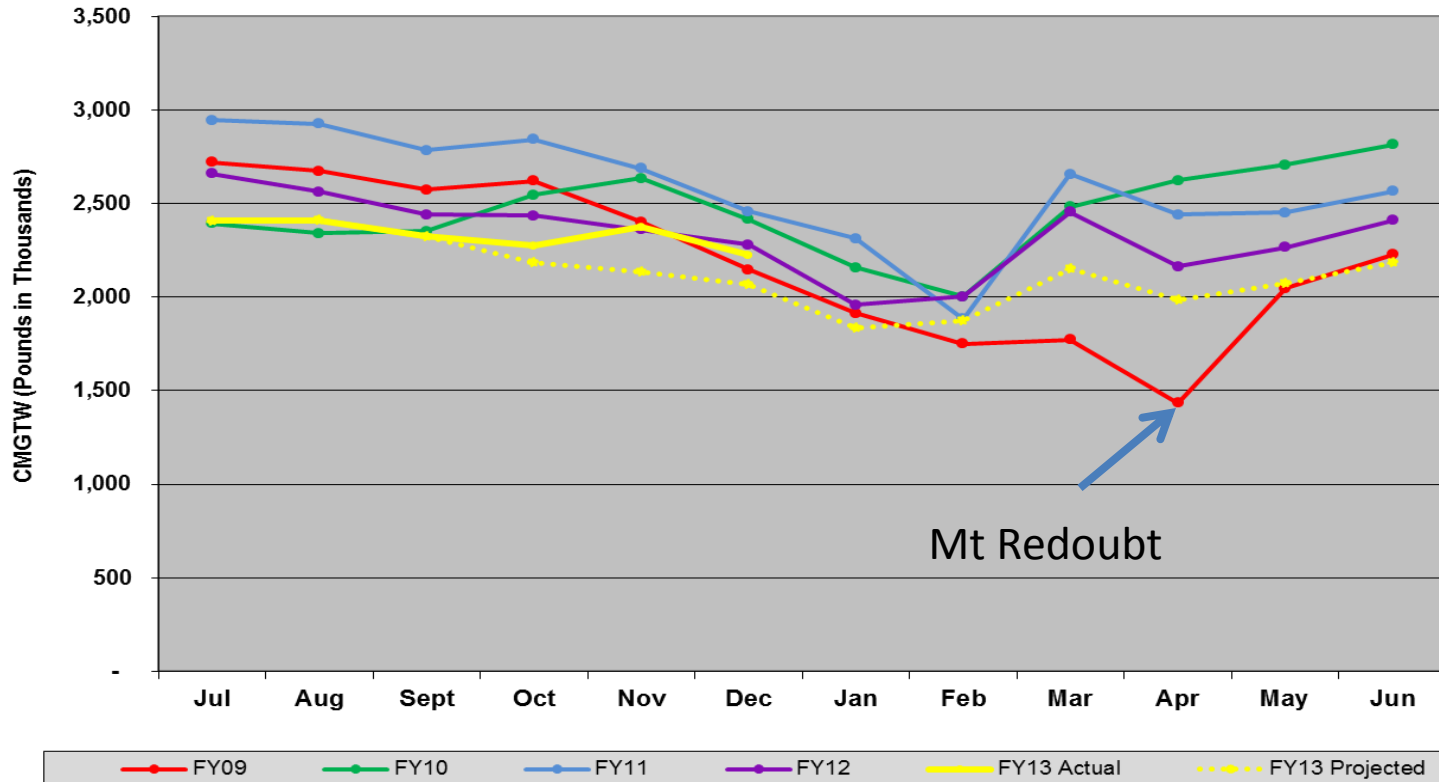
AIAS  
FY09 - FY13 YTD  
Monthly Enplanements  
As of December 31, 2012





# Cargo Activity: -10% FY2012 /-5% FY2013 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



# 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 million gallon storage
- Status today: low risk of a repeat of 2009



# Strategic Planning & Marketing

- System planning/responses to previous legislative audits and management reviews
  - Strategic Plan (2011)
  - Business Plan (2012-2013)
  - Human Resources Study (2011-2012)
  - 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



# AIAS 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
- 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 (SWA)



# 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 General Funds, some revenue via leases
-





# The Rural Lifeline

- Part 139 Certificated Airports (e.g. Nome, Kotzebue, Bethel) serve as hubs to a spoke system serving numerous rural village airports
- Certificated hubs serve jet traffic (passenger and cargo), enable Bypass Mail program via carrier owned infrastructure, and serve as critical logistics and throughput nodes for rural Alaska
- Hubs are manned by DOT&PF professionals; village airports are typically contractor operated



# DOT&PF Aviation Organization Structure

## Statewide Aviation

- Executive Direction
- Aviation Policy
- Federal Airport Improvement Program (AIP)
- Leasing/Revenue
- Statewide Digital Mapping Initiative (SDMI)
- Safety
- Stakeholder Engagement

## The Regions

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



# Stakeholders & Public Process

## Government

- USDOT, Federal Aviation Administration , Transportation Security Administration, Environmental Protection Agency, United States Postal Service
- Federal Congressional Delegation
- State Legislature
- Sister State Agencies
- Municipalities, Boroughs, Local Governments

## Private Sector

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



# FY2014 Budget Requests



# AIAS is Self Sustaining

Important to remember both the Operating and Capital budgets are highly socialized with the Signatory Carriers because they fund this self-sustaining system through payment of rates and fees. This relationship results in high levels of accountability and incentives to ever improve AIAS efficiency and effectiveness, especially in a slow economy.

Federal grant assurances—a contract we sign with the Federal Aviation Administration—prohibit revenue diversion out of the airport system

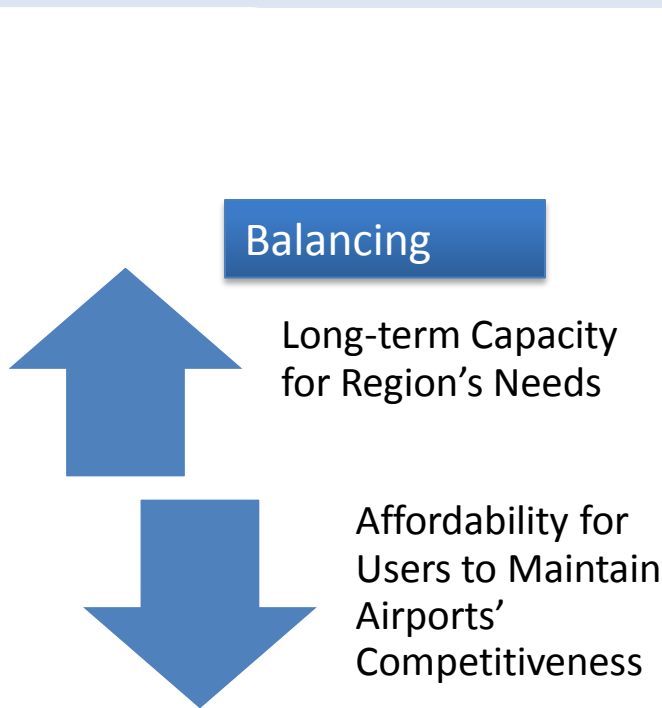


# AIAS Internal Operating Budget Review

- **Internal Management Tool and Communication Tool**
- **Comprehensive review of operating budgets at for each functional component:**
  - To promote organizational effectiveness and efficiency
  - Detailed analysis of staffing levels, major contracts, supplies, equipment, & utilities
- **Evaluated from multiple perspectives**
  - Historical Trends
  - Full Requirements
  - Proposed Rates & Fees Budget reflecting financial constraints
- **Core Mission**
- **Resources Required to Successfully Complete the Mission**
  - Staffing, Supplies & Equipment, Training & Technology Tools
- **Risks if Resources Not Provided**
- **Opportunities for Improvement**
  - Performance Measures, Process Improvement Opportunities, Technology Tools, System Efficiencies and Best Practices



# AIAS Capital Investment Planning & Prioritization

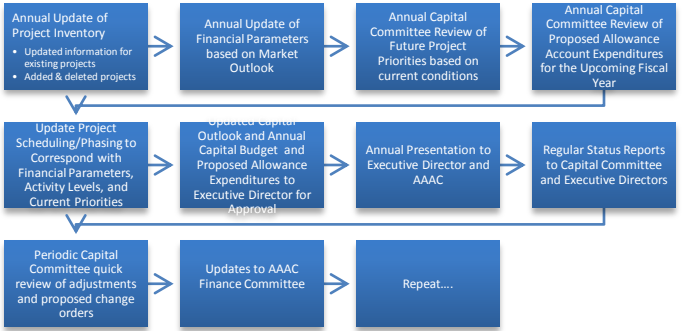


Need to Preserve Existing Assets

Funding Vulnerabilities

Needs to Provide Long-term Capacity

## Annual Collaborative Process





# AIAS FY2014 Operating and Capital Budget

- **Operating Budget**

- Total Legislative Authority (LA) Request: \$82,519,100
- Increment Drivers: De-icing Chemical cost increases due to Environmental Protection Agency ruling on urea, utilities and fuel cost increases at Fairbanks International Airport (FAI)

- **Capital Budget**

- Total Capital Budget Request: \$56,608,000
  - Airport Improvement Project (AIP) LA: \$41,893,272
  - International Airports Revenue Fund LA (includes match for AIP): \$14,714,728
  - Summary of Project Work: AIAS Contingency, Anchorage (ANC) Airfield Pavement Reconstruction, Asphalt Escalation Contingency, Equipment, Advanced Project Design, Annual Improvements, Information Technology Improvements, Environmental, Facility Improvements, ANC Part 150 Noise Study, ANC runway 7R Spall Repairs, ANC Aircraft Fire Training Facility, ANC Structure Fire Training Facility, FAI Airport Rescue & Fire Fighting Upgrades Phase II





# Statewide Aviation (SWA) FY2014 Operating and Aviation Capital Budgets

## SWA Operating Budget

- Statewide Aviation: \$3,336,000
- Aviation Maintenance & Operations (M&O): 25% of \$160,010,800 for Highways & Aviation
- FY2014 M&O Increment Drivers: Akutan Airport opening; De-icing chemical cost increases due to Environment Protection Agency ruling on urea

## DOT&PF Aviation Capital Budget

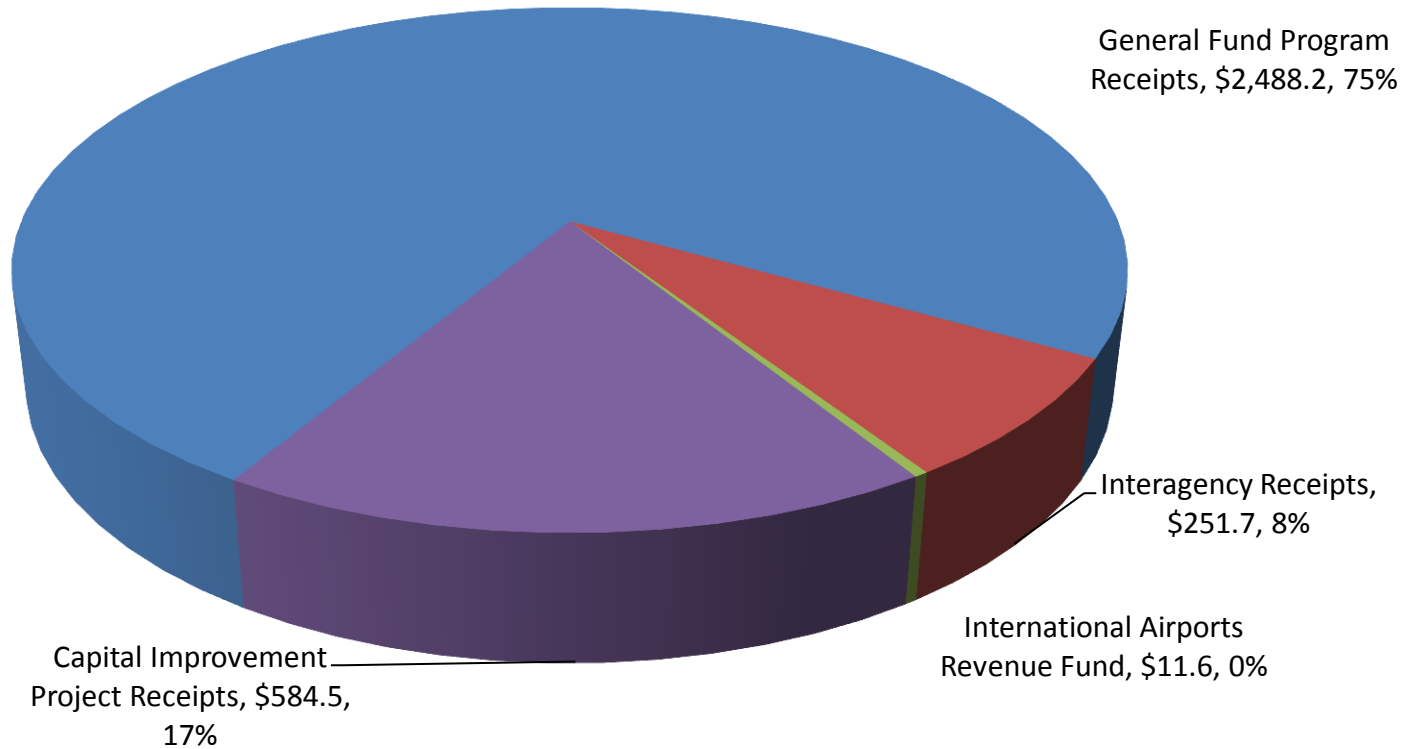
- Nearly all federal funding via Airport Improvement Program (AIP)
- FAA's "4 Cornerstones"
  - Runway Safety Areas, Pavement, Rural Access, Safety
- DOT&PF's Aviation Project Evaluation Board (APEB)



# Statewide Aviation Funding Sources

**FY2014 Operating Budget Funding Sources  
Statewide Aviation**

Total: \$3,336.0





# Rural System Airport Improvement Program (AIP) Legislative Authority (LA) Request

## FY2014 Rural Airport System LA Requested:

- Federal AIP Funds = \$149.5 million
- General Fund AIP Match = \$11.7 million



# Planned Rural System AIP Construction Projects Federal FY2013 & 2014

- **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 ruling 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 remain structured and focused to meet these opportunities.



# Aviation Challenges--Future

- Evolving federal agency relationships
  - Increasing regulatory pressure [Federal Aviation Administration (FAA), Transportation Security Administration (TSA), Environmental Protection Agency (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”
- Sustaining rural system infrastructure and service levels under flat or declining budgets and/or absent measures to generate revenue from system users



**Thank you!**

**Questions?**