

**State of Alaska  
FY2004 Governor's Operating Budget**

**Department of Transportation/Public Facilities  
Ted Stevens Anchorage International Airport  
Budget Request Unit Budget Summary**

## **Ted Stevens Anchorage International Airport Budget Request Unit**

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### **BRU Mission**

The mission of the Ted Stevens Anchorage International Airport (ANC) is to safely, effectively, and efficiently operate and maintain the airport in a manner consistent with Federal regulatory requirements, high service standards, sensitivity to user needs, and awareness of community goals.

### **BRU Services Provided**

- Snow and ice control on runways, taxiways, parking areas, and roadways.
- Repair and maintain all pavement areas, terminal buildings, parking garage, airport equipment, and other airport state-owned buildings.
- Provide fire fighting, emergency medical services, and law enforcement within the airport area.
- Traffic control on arrival and departure ramps.
- Physical and policy planning.
- Property management, financial management, and marketing to maximize revenues used to fund the costs of all ANC's services.

### **BRU Goals and Strategies**

Anchorage International Airport is responsible for providing high quality airport facilities and services that meet the needs of the traveling public for domestic and international airlines on a 24 hour, 365 days per year basis in compliance with all applicable local, state, and federal regulations.

- Sustain a solid development program for terminal expansion and airfield operational requirements.
- Manage an airport with rapidly changing revenue sources in a cost efficient manner while still providing a safe, attractive, and clean facilities for the airport users.
- Comply effectively and cost efficiently to rapidly changing and more stringent regulatory requirements, especially Federal Aviation Administration regulations, state and federal environmental regulations, and the American with Disabilities Act regulations.
- Pursue increased international passenger and cargo service through Anchorage International Airport and new revenue sources.
- Develop longterm use plans for airport land and facilities that maximize use of existing facilities to meet present and future needs.
- Analyze specific transitional needs and respond by effecting organizational or staffing changes.
- Continue close communications with general aviation and commercial tenants around the airport float plane lake areas as AIA transitions to greater enforcement of lease provisions and changes to historical operating practices.

### **Key BRU Issues for FY2003 – 2004**

The attacks experienced on September 11, 2001 have had an extraordinary impact on the operations of airports across the nation. Federal Aviation Administration guidelines are changing on a daily basis, security demands are substantial, the public's view on air travel is changing, and airlines are attempting to cut their losses. As a result, Alaskan airports, as are all airports, are struggling to react to the operational and financial impacts of the situation.

Work continues on the Gateway Alaska Redevelopment Terminal Project. Design changes were necessary to incorporate security needs resulting from the September 11, 2001 attacks. Security-related enhancements such as blast protection, INS expansion, close circuit TV, and passenger screening changes have led to significant terminal redesign. These adaptations and their potential funding sources are at the forefront of near-term airport management focus.

The Airport Master Plan, which ANC had been modifying for over two years, was completed in the fall of 2002. This 20-year investment and development plan will ensure that expansion comes about in an orderly and cost effective manner. ANC fashioned the document in conjunction with community and business leaders, and will closely monitor its execution as it is implemented.

Bonding authority is necessary for the next three years of the airline association approved five-year capital project (CIP) budget, which includes various airfield, terminal, environmental, general aviation, and miscellaneous projects. These projects are both essential to the safety of the airport system as well as to future growth. The bond proceeds will be used along with other available funds for the second phase of the CIP. Legislative approval will be pursued during the upcoming legislative session.

### Major BRU Accomplishments in 2002

- Regained airport operations swiftly after the September 11, 2001 attacks.
- 16.2 billion pounds (all cargo landed weight) transited or transferred through ANC with current cargo landings 11-31% higher than the prior fiscal period.
- Key findings from the updated ANC's Economic Significance Report include:
  - 9,119 jobs at the Airport
  - \$400 million in annual payroll (roughly one in ten jobs in Anchorage)
- Received reinstatement of progressive clearance programs by US Customs and INS.
- Developed and hosted Concession Outreach Program for new spaces created by Terminal Expansion project.
- Commenced Residential Sound Insulation Program & Land Acquisition.
- Submitted FAA Letter of Intent application for \$74M in FAA discretionary funds.
- Commenced construction on new North/South Taxiway.
- Developed Master Plan Alternatives Analysis with intensive public involvement.

### Key Performance Measures for FY2004

**Measure:**

**Whether the department maintains the 100 percent pass level of annual federal airport certification inspections for response and safety standards set out in federal aviation regulations.**

Sec 150(b)(4) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

ANC experienced a remarkably safe year in FY02, encountering no discrepancies or minor problems. Historically, ANC receives approximately 50 annual discrepancies and FIA receives less than three, including numerous minor deviations from FAA standards.

Problems Identified	Major	Minor
FY01	0	2
FY02	0	0

**Benchmark Comparisons:**

There is no established standard or quantitative measure for the FAA certification inspections. ANC attempts to provide the safest, most efficient service to airlines and the traveling public.

**Background and Strategies:**

The International Airports are inspected at least annually by the FAA to ensure safe and standard airfield operations and compliance with its FAR 139-certification requirements. These inspections cover a broad range of areas including Airport Rescue and Fire fighting (ARFF), safety, lighting, markings, runway incursions (interference with aircraft during takeoff and landing) and a number of other operating standards.

The airport's goal is 100% compliance with FAA's FAR 139 program. This can be achieved by the proper identification of deficiencies by maintenance, operations, and safety personnel. This information, in turn, must be detailed into a maintenance management program with all maintenance and training actions completed prior to annual inspections by the FAA.

These inspections note deficiencies for a broad range of inspection criteria and differ each year depending on FAA focus. Other areas that should be monitored are the existence of repeat discrepancies and attaining 100% correction of deficient areas that do not require a CIP project.

**Measure:**

**The percentage of change in cargo landings at certified maximum gross take off weight (CMGTOW) at the international airports during the last three years.**

Sec 150(b)(5) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

Calendar Year CMGTOW Growth

1998 17.3 billion pounds

1999 19.0 billion pounds 10.2%

2000 21.1 billion pounds 10.8%

2001 20.2 billion pounds -4.1%

2002 23.5 billion pounds 15.9%

The Ted Stevens Anchorage International Airport continues to experience a growing cargo business that is vital to the State of Alaska economy. This enplanement and cargo data is extracted from the Air Carrier Activity Information System (ACAIS), a database that contains revenue passenger enplanement and all-cargo data. The database supports the FAA's Airport Improvement Program entitlement activities. Enplanement and all-cargo data is collected for a calendar year and determines entitlements for a fiscal year (i.e., calendar year 2002 data determines fiscal year 2004 entitlement funds).

**Benchmark Comparisons:**

There are limited established or quantitative measures for evaluating cargo growth against other airports. Boeing World Air Cargo Forecast estimated overall growth in the air cargo industry to average 6.4% over the next 10 years. The International Air Transport Association, which originally projected slightly lower growth rates, is updating their five-year projections in light of the September 11 attacks. Airports Council International-North America tracks cargo growth at airports worldwide. ACI reports for calendar year 2000 that Anchorage was ranked 5<sup>th</sup> in the world for cargo traffic, up 10% over 1999. In calendar year 2001, Anchorage moved to 2<sup>nd</sup> in the world with a cargo growth rate of 4%. Of the top 40 cargo airports in the world, only Memphis and Anchorage showed a positive growth rate. All other airports reported losses from 3% to as much 36%.

**Background and Strategies:**

Cargo growth at Anchorage continues to track upward with the world demand for air cargo. Alaska's unique position has made ANC a key player in the international cargo industry. Anchorage has historically been a transit stop between markets generally due to lack of range of the aircraft. Depending upon the situation in the Middle East some carriers may choose to reroute more flights here to avoid conflict areas.

As the world air cargo market continues to expand and the range of the aircraft grows, the key strategy for Anchorage remains to convert existing transit stops to value-added stops. As we continue to market the current cargo transfer authority and seek an expansion, ANC carriers are increasingly performing value-added services. Nearly two-thirds of our carriers currently perform some value-added service while on the ground in Anchorage, either load, offload, transload, partial sort or full sort of aircraft loads. This strategy of anchoring these airlines allows us to retain our current level of business, work to expand the services offered by our current carriers and continually attract new carriers to the ever-growing marketplace. ANC has an incredible strategic advantage as an international cargo hub based simply on its geographic location.

However, air carriers make decisions on such stops based on a number of reasons, some of which are within the airport's control, and others that are not. The high level of international cargo activity at the Anchorage airport results in a fairly low landing fee by industry standards. However a reliable source of competitively priced fuel is an equally important factor. Fortunately, that has facilitated in continuing to attract and retain international cargo activity.

**Measure:**

**Whether the department completes the Gateway Alaska Terminal Redevelopment Project by September 1, 2004.**

Sec 150(b)(6) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

Construction of 'C' concourse is anticipated to be completed in May 2004. Completion of "A" and "B" concourse renovations have not been scheduled.

**Benchmark Comparisons:**

none

**Background and Strategies:**

The Gateway Alaska Terminal Redevelopment Project is dedicated to completing the project as resources allow.

**Ted Stevens Anchorage International Airport  
BRU Financial Summary by Component**

*All dollars in thousands*

	FY2002 Actuals				FY2003 Authorized				FY2004 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b><u>Formula Expenditures</u></b>												
None.												
<b><u>Non-Formula Expenditures</u></b>												
AIA Administration	0.0	0.0	5,379.6	5,379.6	0.0	0.0	0.0	0.0	0.0	0.0	6,649.3	6,649.3
AIA Facilities	0.0	0.0	9,885.0	9,885.0	0.0	0.0	0.0	0.0	0.0	240.0	10,325.3	10,565.3
AIA Field & Equipment Maint	0.0	0.0	8,368.8	8,368.8	0.0	0.0	0.0	0.0	0.0	0.0	9,274.9	9,274.9
AIA Operations	0.0	0.0	2,148.3	2,148.3	0.0	0.0	0.0	0.0	0.0	0.0	2,248.1	2,248.1
AIA Safety	0.0	310.6	6,181.8	6,492.4	0.0	0.0	0.0	0.0	0.0	2,100.0	6,643.8	8,743.8
<b>Totals</b>	<b>0.0</b>	<b>310.6</b>	<b>31,963.5</b>	<b>32,274.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2,340.0</b>	<b>35,141.4</b>	<b>37,481.4</b>

**Ted Stevens Anchorage International Airport  
Proposed Changes in Levels of Service for FY2004**

none

**Ted Stevens Anchorage International Airport  
Summary of BRU Budget Changes by Component  
From FY2003 Authorized to FY2004 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2003 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Adjustments which will continue current level of service:</b>				
-AIA Administration	0.0	0.0	75.2	75.2
-AIA Facilities	0.0	0.0	3.0	3.0
-AIA Field & Equipment Maint	0.0	0.0	1.4	1.4
-AIA Operations	0.0	0.0	42.7	42.7
-AIA Safety	0.0	0.0	-41.6	-41.6
<b>FY2004 Governor</b>	<b>0.0</b>	<b>2,340.0</b>	<b>35,141.4</b>	<b>37,481.4</b>