



The Air Transportation Industry

Flights play a bigger role in Alaska

The lower 48 states are well connected by the U.S. highway system, but over 80 percent of Alaska's 200-plus communities aren't accessible by road.

Alaska's freight and mail move thousands of miles over mountain ranges, glaciers, and uninhabited wilderness. Without roads, air transportation plays a vital link — planes transport food for grocery shelves and replacement parts for equipment and vehicles. Rural residents also fly to larger hospitals for both routine and emergency medical procedures.

With a greater dependence on airplanes to move people and freight, Alaska has a larger percentage of employment in the air transportation industry than the rest of the country. Air transportation is the largest sector of Alaska's transportation industry, accounting for 30 percent of its jobs. In contrast, air transportation makes up just 11 percent

of the nation's transportation employment. (See Exhibit 1.)

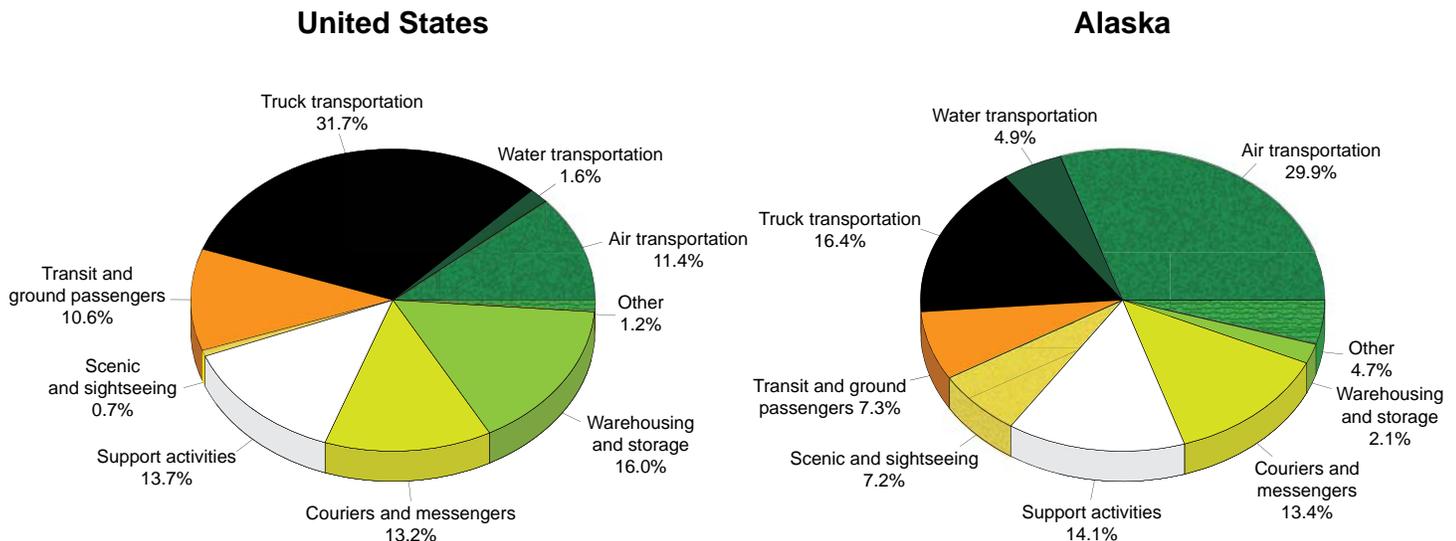
In 2010, the state's airline industry provided 5,600 jobs statewide with a total payroll of \$280.6 million — this includes full-time and part-time employees of private passenger or air cargo carriers, and excludes government and military employment.

Decade of declining jobs

U.S. air transportation employment declined by 27 percent from 2001 to 2010, and even though Alaska's market is different, jobs have declined here as well. (See Exhibit 2.)

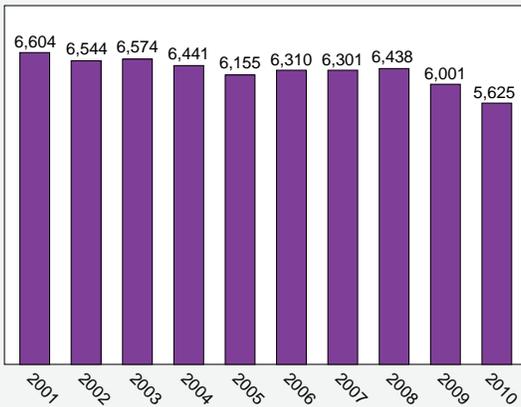
Since 2001, the industry's average annual employment has fallen by 15 percent in Alaska, from 6,604 jobs in 2001 to 5,625 jobs in 2010. This contraction came as other transportation sectors

1 The Breakdown of Transportation Employment United States and Alaska, 2010



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

2 Private Airline Jobs Alaska, 2001 to 2010



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages

grew, such as trucking, water transportation, and courier and messenger firms.

The global recession had an impact on air transportation, but it wasn't the only contributor to the decline. Fuel prices skyrocketed in 2008, making it difficult for airlines to maintain profitability and prompting large carriers across the country to cut jobs. Fuel prices went down briefly after the recession, but appear to be on the rise again. (See Exhibit 3.)

In Alaska, airline employment has been flat or declining for most of the last decade, but the steep-

est drops came in the last few years, at 6.8 percent in 2009 and 6.3 percent in 2010. Altogether, the state lost 800 jobs over those two years. (See Exhibit 4.) Preliminary data show a gain of 100 jobs in 2011.

A comparison of 2008 and 2010 data by borough and census area shows most of the job losses were in Alaska's larger markets. Anchorage shed 670 jobs over that period while Fairbanks, Juneau, and Bethel lost about 100 combined. On the other hand, Nome, Kenai Peninsula, Wade Hampton, Matanuska-Susitna, and the Northwest Arctic all recorded small gains.

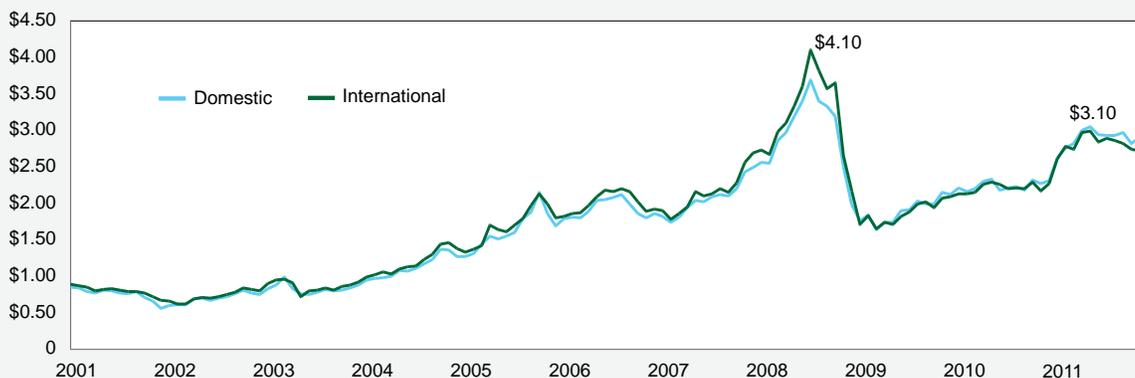
Full planes and returning profits

At the national level, airlines have cut back on scheduled flights as a cost-cutting measure, as full planes have lower per-passenger fuel and labor costs.

Alaska Airlines, the state's largest carrier, has followed that pattern. In 2008, Alaska Airlines had a "load factor" — percentage of passenger seat miles versus air miles — of 77 percent for domestic flights, based on data for all flights in all cities. By 2010, it had increased to 82.9 percent as scheduled domestic flights fell from 150,345 in 2008 to 136,967 in 2010.

Partly as a result of the increasing load factors, profits are up for the nation's largest airlines after a difficult decade in which losses were more common than profits. Combined data for the nation's

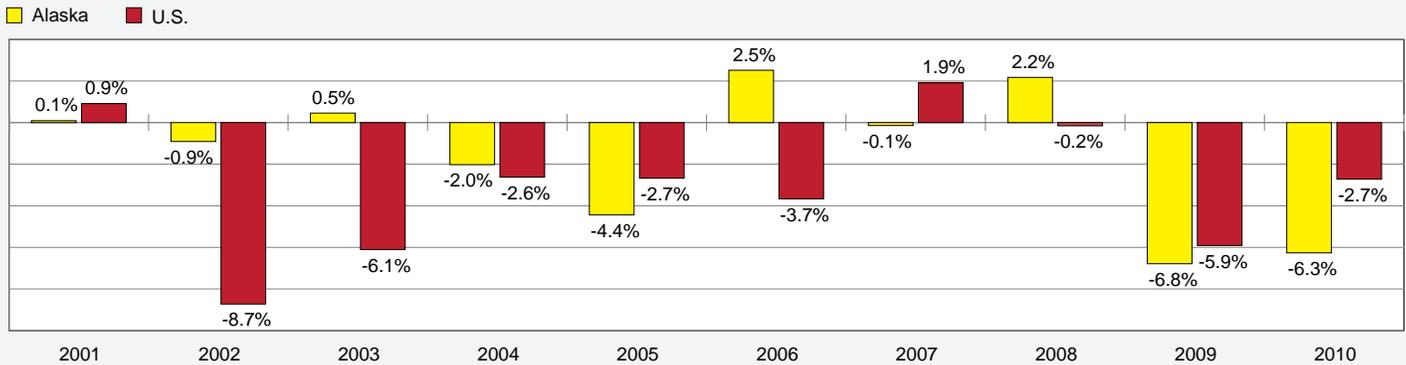
Airline Fuel Costs on the Rise 3 Monthly cost per gallon, 2001 to 2011



Note: Data include all U.S. carriers with revenue over \$20 million.
Source: Bureau of Transportation Statistics F41 Schedule P12A, as of 3/9/2012

4 A Retracting Industry

Air transportation employment changes, Alaska and U.S., 2001 to 2010



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

largest carriers, including Alaska Airlines, show they earned a profit in 2009, 2010, and the first three quarters of 2011.

Mergers and acquisitions

Consolidation has been another trend over at least the last decade. Among carriers that serve Alaska, Northwest Airlines merged with Delta Air Lines in 2008, and Continental Airlines merged with United Airlines in 2010. After the merger, Northwest Airlines closed its cargo hub in Anchorage, reducing employment there.

At the local level, Fairbanks-based Frontier Flying Service has been particularly active in merging with or buying out its competitors. Frontier bought Cape Smythe Air Service in 2005, merged with Hageland Aviation in 2008, and acquired Era Aviation and Arctic Circle Air in 2009. The new company operates under the name Era Alaska and is now the largest Alaska-based airline, with flights to 97 towns and villages.

Anchorage the largest hub

About 50 percent of Alaska's air transportation employment is in Anchorage, Alaska's largest city. Anchorage is home to Ted Stevens International Airport, the second-busiest international airport in the U.S. and fifth in the world for landed weight of cargo aircraft. Its strategic location equidistant from Europe and Asia makes it a key international cargo hub.

The number of planes landing in Anchorage declined sharply from 2007 to 2009. Cargo plane landings decreased from 49,965 in fiscal year 2007 to a 10-year low of 36,226 in 2009. (See Exhibit 5.) The number of passenger aircraft landings also dropped noticeably.

Although the number of planes landing in Anchorage began to climb again during fiscal year 2011, employment remains lower than its 2008 levels. Most of the declines were in companies that offer scheduled air passenger services, which fell 21 percent between 2008 and 2010, in contrast to a 10 percent decline among companies providing scheduled cargo flights.

Small planes are big in Alaska

Most of Alaska is serviced by smaller planes, as commercial-size passenger jets land in only 19 communities. In addition to moving the essentials, many small regional airlines also cater to tourists and hunters. A significant number are small businesses that operate as air taxi or charter services and have fewer than 10 employees.

Commercial operators of small planes that carry passengers or freight are required to have an FAR 135 certificate from the Federal Aviation Administration, valid for small planes with a payload of up to 7,500 pounds and no more than nine passenger seats. In 2010, about a third of the state's airline employment was in companies that only held an FAR 135 certificate.

Airports are economic hubs

Of Alaska's 385 public use airports, 252 are operated by the Alaska Department of Transportation and Public Facilities. Twenty-eight of these airports are regional hubs and three are international: Anchorage, Fairbanks, and Juneau. The remaining airports meet the needs of individual rural communities.

Data from the U.S. Department of Transportation's Bureau of Transportation Statistics show that some regional airports move more freight and mail than airports in much larger towns. For example, Bethel's regional airport transported 26,211 tons of freight and mail in 2010, including both enplaned and deplaned cargo, the second-highest amount in the state after Anchorage. (See Exhibit 6.)

Bethel's airport, located in a census area with 17,000 people, also moved more freight and mail than the Fairbanks and Juneau airports combined. The two larger cities have a combined population of 128,000 people, with total freight and mail at 22,984 tons. The Bethel Census Area had 111,000 fewer residents but 3,200 more tons of freight and mail.

Unlike both Fairbanks and Juneau, which have relatively simple road or water transportation access, Bethel is more exclusively dependent on air transportation. Bethel is also a postal and freight hub for 56 villages in three census areas.

State's unique mail delivery

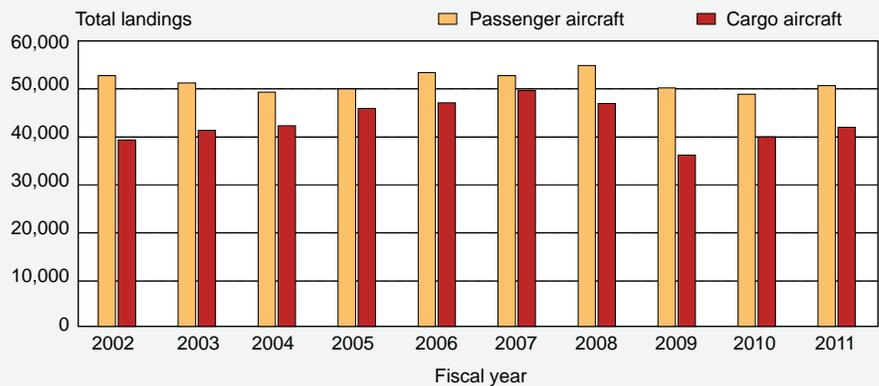
In 2010, 20 percent of all domestic mail shipped by air in the United States originated in Alaska. The state's volume of air mail is high because of its unique "bypass mail" system, which serves more than 125 rural communities in northern, western, and southwestern Alaska. About 75 percent of Alaska's mail is shipped through the bypass mail system.

Bypass mail was created so the U.S. Postal Service could deliver mail to rural Alaska, but Congress recognized it would also help fund air passenger services and reduce the cost of shipping

Passenger and Cargo Aircraft Landings

Anchorage airport, 2002 to 2011

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Note: The fiscal year runs from July 1 to June 30.

Source: Alaska Department of Transportation and Public Facilities, Alaska International Airport System

food, medicine, and freight.

Bypass mail shipping rates are comparable to ground-based parcel post rates in the Lower 48. Federal rules mandate that bypass mail shipments originate in Anchorage or Fairbanks on pallets, with a minimum weight of 1,000 pounds per order. Individual items cannot weigh more than 70 pounds, which means furniture, appliances, and other large items do not qualify.

A large percentage of bypass mail is food for rural grocery shelves. However, restaurants and school districts also ship large quantities of food and supplies this way.

Five mainline air carriers carry bypass mail, and are authorized for shipments over 7,500 pounds: Alaska Airlines, Era Alaska, Everts Air Cargo, Northern Air Cargo, and Lynden Air Cargo (freight only). Mail is delivered to 23 regional hub airports and dispersed in smaller loads by 37 Bush air carriers approved to move shipments of less than 7,500 pounds.

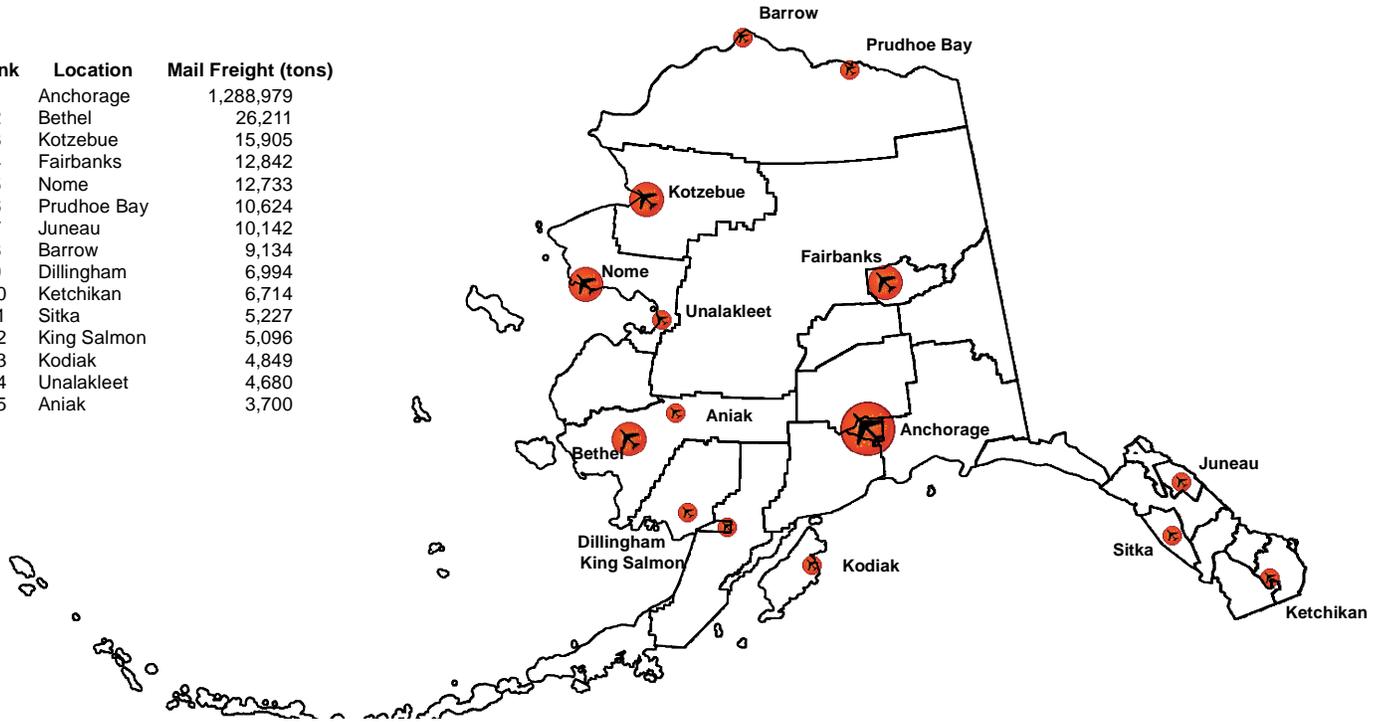
Wages

The industry paid an average wage of \$49,880 in 2010 (see Exhibit 7), comparable to the trucking industry but considerably lower than water transportation, which paid \$70,642. The disparity is partly due to the high number of relatively low-paying occupations, including employees who handle baggage and work at ticket counters. Pilots,

6 Alaska's 15 Busiest Airports

Freight and mail, 2010

Rank	Location	Mail Freight (tons)
1	Anchorage	1,288,979
2	Bethel	26,211
3	Kotzebue	15,905
4	Fairbanks	12,842
5	Nome	12,733
6	Prudhoe Bay	10,624
7	Juneau	10,142
8	Barrow	9,134
9	Dillingham	6,994
10	Ketchikan	6,714
11	Sitka	5,227
12	King Salmon	5,096
13	Kodiak	4,849
14	Unalakleet	4,680
15	Aniak	3,700



Note: Includes enplaned and deplaned freight and mail.

Source: Alaska Department of Transportation and Public Facilities, Alaska State Aviation System Plan 2011

7 Yearly Transportation Wages

By sector, Alaska, 2010

Transportation and Warehousing	\$57,295
Air transportation	\$49,880
Water transportation	\$70,642
Truck transportation	\$49,949
Transit and ground passenger transportation	\$23,314
Pipeline transportation	*
Scenic and sightseeing transportation	\$35,495
Support activities for transportation	\$46,810
Postal service	*
Couriers and messengers	\$94,830
Warehousing and storage	\$58,029

*Information is suppressed due to confidentiality requirements.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

mechanics, and air traffic controllers require more formal training and receive higher pay.

Occupational forecasts

Airline mechanics, commercial pilots, flight attendants, and other associated occupations are expected to generate less than 10 percent of their openings from new jobs between 2008 and 2018, which is considered low employment growth. However, though the number of forecasted new workers is relatively low, workers who leave or retire will create demand for replacements. Many airline occupations will have more than 300 total openings over the 10-year period, which is considered high. (See Exhibit 8.)

Economist Mali Abrahamson contributed to this article.

Projections for Jobs, Wages, and Residency

Selected Alaska air transportation jobs, 2008 to 2018



Occupation	Wages and Residency		Projected Employment, 2008 to 2018					
	Average 2010 wage	2010 non-residents	2008 jobs	2018 jobs	Percent growth	Growth openings	Replacement openings	Total openings
Airline Pilots, Copilots, and Flight Engineers	\$94,500	48.9%	1,358	1,474	8.5	116	356	472
Cargo and Freight Agents	\$33,220	8.3%	1,244	1,360	9.3	116	308	424
Aircraft Mechanics and Service Technicians	\$59,580	18.1%	1,339	1,430	6.8	91	323	414
Commercial Pilots	\$70,750	42.8%	1,045	1,140	9.1	95	278	373
Reservation and Transportation Ticket Agents/Travel Clerks	\$31,490	17.6%	957	1,035	8.2	78	279	357
Air Traffic Controllers	\$84,530	35.4%	227	245	7.9	18	60	78
Flight Attendants	\$37,220	20.5%	319	347	8.8	28	45	73
Aircraft Cargo Handling Supervisors	\$58,800	9.9%	111	122	9.9	11	27	38
Avionics Technicians	\$55,310	14.9%	83	90	8.4	7	26	33

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section