

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No. 7b
Date of Meeting April 9, 2013

DATE: March 22, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Elizabeth Leavitt, Director Aviation Planning & Environmental Programs
SUBJECT: Sea-Tac Airport International Arrivals Facility (IAF)

SYNOPSIS:

International passenger activity at Seattle-Tacoma International Airport (Airport) requiring Federal Inspection Services (FIS) clearance has grown 54 percent since 2004. Since 2004, activity has also concentrated in the mid-day peak which has increased from two to nine widebody flights and 127 percent growth in the number of arriving international passengers. While such increases are welcome news, they nonetheless significantly strain capacity and degrade the passenger experience provided within the aging and inadequate international arrivals facilities of the Airport's South Satellite.

Each new international flight provides significant economic benefit to the region, and expenditures by international visitors support tourism and travel as a major export industry in the U.S. The Commission's Century Agenda focuses Airport resources to advance the Puget Sound Region as a leading tourism and business gateway in part by doubling the number of international flights and destinations over the next 25 years. The Commission has directed staff to report back with bold ideas to accomplish Century Agenda objectives. This briefing will update the Commission on continued planning to define and evaluate alternatives by which to improve the Airport's international arrivals facilities to ensure continued growth and deliver exceptional customer service to our customers. The estimated price tag for building a new international arrival facility ranges from \$250 million to \$400 million, but our best guess is that the cost would probably be closer to \$300 million.

BACKGROUND:

International Air Service History at Sea-Tac Airport - For nearly 65 years, Sea-Tac Airport has served the international air service needs of the Pacific Northwest. Sea-Tac Airport is equidistant between Asia and Western Europe and benefits from being the closest west coast airport in the United States to many important international markets. The South Satellite and associated International Arrivals Facility (IAF) – including the FIS facilities - opened in 1973. Since then, there have been minimal changes to the overall South Satellite IAF facility apart from an expansion in the mid-1980s, which increased capacity from 600 to 1,200 arriving passengers per hour.

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Economic Benefit - International flights provide significant economic benefit to the region and bring additional traffic in domestic routes via new connections. A 2012 study estimated that each new international flight generates on the order of \$75 million annually in direct and indirect economic impact to the region. Staff further estimates that one international route generates an average of \$1.5 million annually in landing fees and terminal revenues to the Port, in addition to PFC (Passenger Facility Charge) revenues. Furthermore, international passengers typically contribute higher amounts in concession and other related passenger revenues. There have been several analyses at other airports that indicate that the economic benefit of a non-stop flight to a new international destination are far greater than just the economic activity associated with the flight activity itself. The potential benefits to the local economy involve increased foreign direct investment and exports of goods and services.

Century Agenda Strategic Objectives - In 2012, the Port Commission established a 25-year vision, which includes a strategic objective to advance this region as a leading tourism and business gateway by:

- Making Sea-Tac Airport the West coast “Gateway of Choice” for international travel;
- Doubling the number of international flights and destinations;
- Meeting the region’s air transportation needs at Sea-Tac Airport for the next 25 years, and encouraging the cost-effective expansion of domestic and international passenger and cargo service; and
- Doubling the economic value of cruise traffic to Washington State.

International Air Service Growth - International air service continues to grow at a rapid rate due in large part to Seattle’s proximity to Asia and the rapid growth of economic development there. International passenger activity at Seattle-Tacoma International Airport (Airport) requiring FIS clearance has grown 54 percent since 2004. Since 2004, activity has also concentrated in the mid-day peak which has increased from two to nine widebody flights and 127 percent more arriving international passengers.

Peaking Problem - More important to FIS facility capacity than annual traffic is the peaking nature of airline schedules. Airlines make market-driven decisions that determine when flights depart airports in Europe and Asia for gateway airports in North America, which results in congestion at Sea-Tac Airport during the mid-day. On a typical day, 1,200 international passengers arrive at Sea-Tac Airport in the mid-day peak hour. Staff anticipates that 2 to 3 additional flights will arrive at peak within the next 5 years. This would further increase the number of peak hour arriving international passengers by approximately 50 percent.

FIS Capacity - The existing FIS facility is experiencing capacity problems today. For example, in 2012, airlines were forced to hold passengers onboard aircraft or in the sterile corridor 103 times due to a lack of adequate capacity at gates or in the primary inspection

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facilities. In the summer of 2013, increased activity during the mid-day peak may require busing passengers to the South Satellite from remote hardstands due to a lack of available widebody gates.

With anticipated growth, the existing FIS facility is too small and will exceed capacity within the next 5 years in several areas (gates, primary (immigration) inspection, baggage claim, the security checkpoint, and STS train). This would result in a longer minimum connection time between international and domestic flights, exceeding the published minimum connection time of 90 minutes and risking potential loss of market share for Sea-Tac Airport. As an example at a competitor airport, Vancouver is implementing a strategic initiative to both simplify the connection process for international to domestic transfers of passengers and baggage, as well as to reduce minimum connection time through a series of capital improvements.

Operational Measures - Port staff have worked with airlines and U.S. Customs & Border Protection (CBP) on a wide number of operational measures to optimize capacity. These measures include:

- CBP's increasing document check staffing during peak periods by utilizing agents from back offices and other areas of the airport.
- Improved queue management throughout each step of the clearance process.
- Expanding the use of the Global Entry program for automated passport inspection.
- More timely delivery of bags to the FIS bag claim devices.
- Relocation of Delta Air Lines' domestic flights off South Satellite during peak period to increase widebody gate capacity.
- Contingency plans for a busing operation from aircraft parking hardstands in Summer 2013.
- Development of plans to reposition aircraft parking around the South Satellite to yield one additional widebody gate.

Confusing and Difficult Wayfinding - Sea-Tac Airport is one of a very small number of airports in the U.S. with an FIS facility that is not directly adjacent to the landside of the terminal. The underground airside location of the existing FIS facility at the South Satellite makes wayfinding difficult and confusing for passengers. The winding process depends on signage (to English and non-English speaking passengers), requires multiple level changes, requires bags to be claimed twice, and routes people via a train to a location in the main terminal that is 500 feet away from the claim device.

Aging FIS Facility - The aging 40 year old FIS facility has surpassed its design life and needs to be renewed and rebranded to meet ambitious Century Agenda goals and remain competitive with other West Coast airports. For example, San Francisco, Vancouver, and Los Angeles – our primary competitors for flights to Asia - either have, or will have, new FIS facilities by the end of this year.

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Coordination with Airlines - Port staff have coordinated with the airlines to address FIS facility issues and maximize the utility of the existing facility since 2010. Potential alternatives to meet long term needs are described later in this memo. There is general agreement that an improvement to the existing FIS facility is needed; however, the exact scope and timing of a larger improvement has not been fully defined.

Development Timeframe - Upon a decision by the Port Commission to proceed with development of a new International Arrivals Facility, staff estimates that it would take as long as five years to design and construct the facility.

ALTERNATIVES ANALYSIS:

In 2010, Airport staff embarked upon a multi-step work plan to address capacity and operational challenges exacerbated by accelerated growth in international traffic. The work plan included the following sequential elements: respond to immediate challenges, establish objectives for mid- and long-term improvements, collaborate with our airline partners and Customs and Border Protection (CBP) stakeholders, and develop alternatives by which to provide a sustainable solution. We initially pursued simpler and faster solutions and moved on to more expensive and substantial solutions when the easier options proved impossible. We evaluated:

- 1) The potential for de-peaking flight activity via slot control;
- 2) Improvements within the existing building footprint;
- 3) Expanding and renovating within footprint of existing site;
- 4) Constructing a new facility on a new site.

With the addition of two widebody arrivals at peak in 2012, Airport staff and our airline partners have acknowledged that improvements to the existing facility without major expansion will not provide adequate capacity for even the mid-term if growth continues at current rates. Slot control was also rejected by the airlines. More recent study has focused on options involving significant capital investment in expanded and/or refurbished facilities to accommodate future growth. Each of the remaining options is detailed in the attached PowerPoint presentation.

Staff has concluded that a variation of alternative 4 above is needed, and will continue to evaluate the best option. Staff will continue to engage the airport's airline partners to recommend a preferred alternative.

STRATEGIC OBJECTIVES:

The Port of Seattle Commission's Century Agenda Strategic Objectives related to this briefing include:

- Advance this region as a leading tourism destination and business gateway

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- Make Seattle-Tacoma international Airport the West Coast “Gateway of Choice” for international travel
- Double the number of international flights and destinations
- Meet the region’s air transportation needs at Seattle-Tacoma international Airport for the next 25 years and encourage the cost-effective expansion of domestic and international passenger and cargo service

The Port of Seattle Aviation Division’s Strategic Objectives related to this briefing include:

- Operate a world-class international airport by:
 - Ensuring safe and secure operations
 - Anticipating and meeting needs of tenants, passengers, and region’s economy
- Become one of the top 10 customer service airports in the world by 2015
- Reduce airline costs (CPE) as far as possible without compromising operational and capital needs

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

- PowerPoint Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- **June 26, 2012** – Airport Terminal Development Challenges at Seattle-Tacoma International Airport
- **June 14, 2011** – International Air Service Growth and Future Facility Requirements
- **February 2, 2010** – Briefing on South Satellite Passenger Growth and Facility Considerations, Delta’s Proposed Airline Lounge and Other Possible Future Aviation Projects