

Item No. 7A_Supp_2
Date of Meeting: August 6, 2013



SEA-TAC International Airport's CBIS Optimization Project

VTC Presentation to
Port of Seattle Commission



From Ideas to Reality



Vic Thompson Company Overview

- **VTC WAS FOUNDED IN 1994 AS A DESIGN/BUILD FIRM TO SUPPORT AIRPORT & AIRLINES SPECIALTY SYSTEMS NEEDS** (i.e., Baggage Handling (BHS) Security Systems, Passenger Screening, Passenger Boarding Bridges, etc.)
- **HEADQUARTERS:** Arlington, Texas
- **VTC HAS THREE BUSINESS UNITS**
 - Design & Construction
 - Research & Development
 - Operations & Maintenance
- **VTC HAS SUPPORTED OVER 200 PROJECTS AT MORE THAN 90 AIRPORTS**
 - Checked Baggage Inspection System (CBIS) Projects – 87 Projects at 60 Airports
 - Recapitalization and/or Optimization CBIS Projects – 15 Projects at 13 Airports
 - Design/Build Projects – 73 Projects at 52 Airports (Noteworthy – VTC Designed and Built TSA's Integration Test Facility)
- **VTC ENGAGED TO PROVIDE INDEPENDENT, THIRD-PARTY REVIEW AND COST ESTIMATE**
 - Added assurance that project cost and approach are reasonable



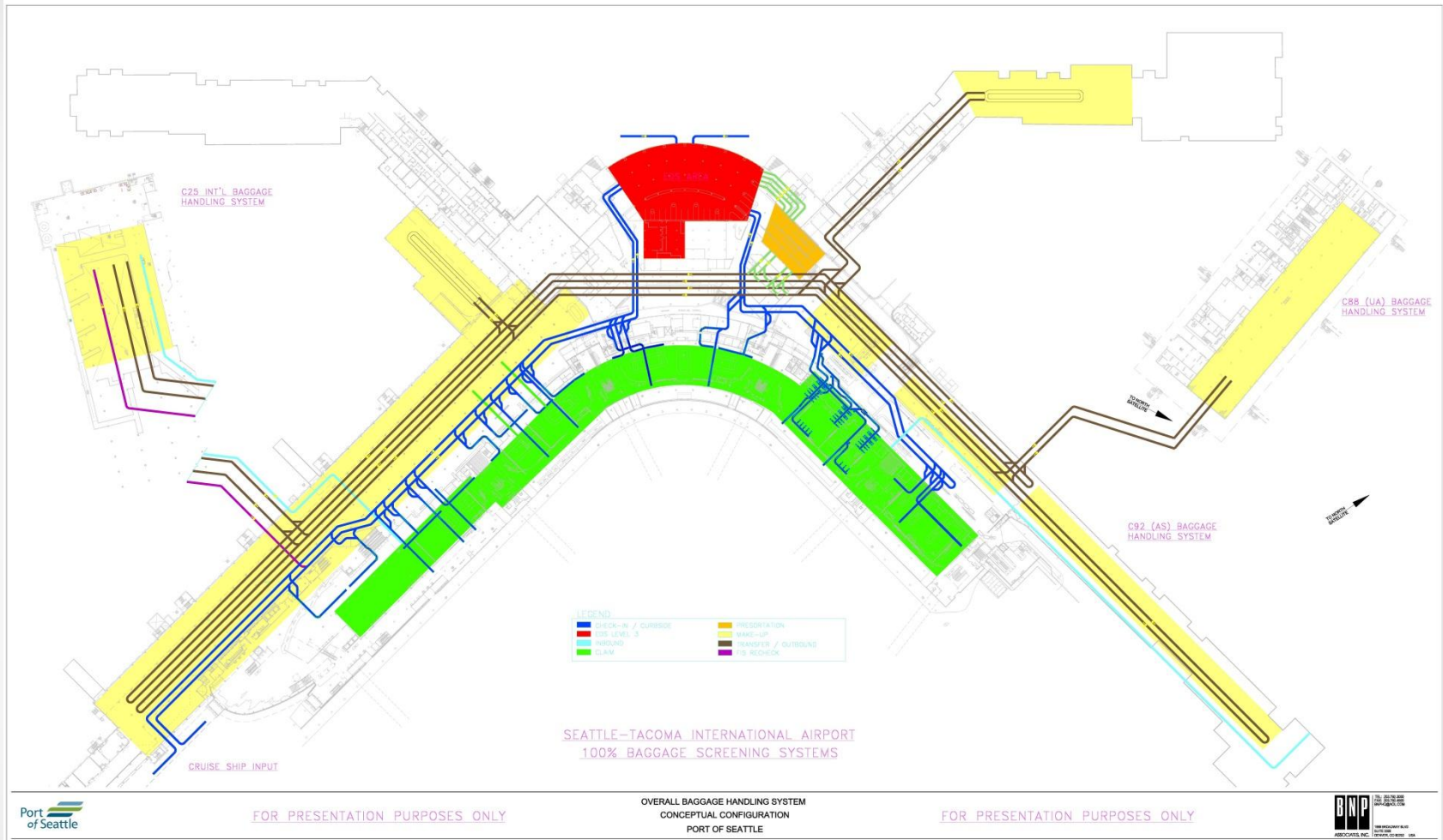
From Ideas to Reality



Comparative Airports

- **MIAMI INTERNATIONAL AIRPORT (MIA) - RECAP/OPTIMIZATION**
 - 39.5 MAP (~15% Domestic & 85% International)
 - 29 EDS machines reduced to 12 machines in 2 CBIS matrices (6,000 bph @ DBU +5)
 - Preliminary cost estimate ± \$150 million
- **DENVER INTERNATIONAL AIRPORT (DEN) - RECAP/OPTIMIZATION**
 - 53.2 MAP (~97% Domestic & 3% International)
 - Relocate 2 of 6 CBIS matrices, consolidate 9 CBRAs into 2, & new ICS
- **THESE AIRPORTS ARE TAKING A HOLISTIC VIEW, AS IS SEA-TAC, TOWARDS ECONOMICALLY MEETING THEIR MID- AND LONG-TERM OPERATIONAL NEEDS**
- **ALL PROJECTS ARE UNDER FUNDING DISCUSSION WITH TSA**

SEA-TAC CBIS Optimization Plan



CBIS Recapitalization vs. Optimization

RECAPITALIZATION - REPLACE EXISTING ISDs WITH NEW ISD MACHINES

- **PROS:**

- **For TSA:**

- Lower capital funding

- **For SEA-TAC:**

- Recapitalization costs funded 100% by TSA

- **CONS:**

- **For TSA:**

- High operational cost for ISD Machines & Staffing

- New ISDs unlikely to realize full processing capability

- **For SEA-TAC:**

- Inefficiency and higher cost to maintain 6 separate CBIS

- Higher operational cost as the BHS continues to age

- Re-controlling CBIS to support New ISDs can be problematic

- Limited growth potential & flexibility

CBIS Recapitalization vs. Optimization

OPTIMIZATION - CENTRALIZED CBIS OPERATIONS

- **PROS:**

- **For TSA:**

- Reduced number of ISD machines to operate and maintain (from 28 to 12)

- Efficient utilization of TSO staff

- Streamlined Security Operations

- **For SEA-TAC:**

- TSA funds 90% of allowable and allocable cost

- More robust screening system that will support forecasted growth – even beyond DBU+5

- More efficient operations & maintenance

- **CONS:**

- **For TSA:**

- High capital expenditure

- **For SEA-TAC:**

- Capital cost sharing

***AIRLINE SUPPORT ***

SEA-TAC Optimization

- **TSA OBJECTIVES** - Efficient Operational Security Done Economically
- **CBIS ECONOMICAL & OPERATIONAL EFFICIENT USEFUL LIFE** - The average ISD Machine ~ 10 years and the average BHS ~ 15 to 20 Years (operational environment impacts useful life)
- **WHY OPTIMIZATION NOW** -
 - Simply, Recap alone will not meet SEA-TAC's forecasted screening demand. *Centralization of the CBIS and new/modified BHS infrastructure ensures SEA-TAC's ability to meet 20 year forecasted screening demand.*
 - Modifications of **EXISTING** BHS infrastructure to support higher capacity ISD machines is not practical or cost effective.
 - Recapitalization will prevent growth and limit airport and air carrier flexibility.
 - Lessons learned – Decentralized CBIS vs. Centralization -- Latter is more operationally & economically efficient for all stakeholders at SEA-TAC.
 - Maintaining a Competitive Market Position for existing airlines & attracting new airlines to SEA-TAC, CBIS Optimization is a win-win for TSA, SEA-TAC, & Airlines.
- **TSA FUNDING** - Congressional Appropriations for future CBIS projects are shrinking **(The window of opportunity for SEA-TAC to receive the highest level of TSA funding is short)**

In Closing

SEA-TAC IS IN A UNIQUE POSITION TO:

- Provide its Airline customers with a world class and efficient CBIS with the latest in baggage screening technology and financial support from the TSA – TSA & SEA-TAC's visions are aligned.
- Minimize impacts to airline operations when integrating future screening technologies.
- Capitalize on today's economical environment for implementing the work.