

2015 – 2019 Aviation Division Business Plan

July 29, 2014

Industry / Business Context

- Airline industry is profitable
 - U.S. airline industry profitable each year, 2010- 2013
 - Consolidation, reduced capacity, higher load factors, strengthening economy
 - Alaska and Delta have highest operating profit margins
- Alaska and Delta -- growing competition at Sea-Tac
 - Alaska: > 50% of passengers at Sea-Tac for 2012 and 2013
 - Delta: 10 daily intercontinental flights, increasing domestic service; 95 departures by year-end 2014, up from 43 in 2013

Industry / Business Context

- Implications for Sea-Tac
 - Likely will see above average growth in operations and passengers in near term (~5 years)
 - Increase in connecting passengers
 - Pressure on terminal facilities
- Is growth sustainable?
 - Intercontinental seats per GDP at Sea-Tac far less than peers (YVR, SFO, LAX)
 - Air service consultants' and staff's assessment is that both airlines can be successful at Sea-Tac

Summary of Airport Strategies

- Operate a world-class international airport by:
 - Ensuring safe and secure operations
 - Anticipating and meeting the needs of tenants, passengers and the region's economy
 - Managing Airport assets to minimize long-term total cost of ownership.
- Become one of the top customer service airports in North America.
- Lead the U.S. airport industry in environmental innovation and minimize the airport's environmental impacts.

Summary of Airport Strategies

- Keep airline costs as low as possible without compromising operational and capital needs.
- Maximize non-aeronautical net operating income consistent with current contracts, appropriate use of Airport properties and market demand.
- Continually invest in a culture of employee development, organizational improvement and business agility.
- Maintain valued community partnerships based on mutual understanding and socially responsible practices.

Major and New Initiatives

- Reconstruct Runway 16C/34C in 2015
- Complete Sustainable Airport Master Plan in 2015
- Make staffing and process changes for successful capital program
- Put in place emergency-back-up power facility
- Lease off-airport properties for air cargo and/or aeronautical purposes
- Design and construct International Arrivals Facility
- Complete NorthSTAR project
- Create Master Record As-built Drawing System
- Update South Satellite concourse interior

Major and New Initiatives

- Articulate new long-term environmental goals within the Sustainable Sea-Tac Strategy Plan (S³)
- Implement Airport Dining and Retail Master Plan
- Implement improvements to the parking revenue control system
- Complete RFP for taxi and limousine contracts.
- Grow Continuous Process Improvement at Sea-Tac and Port
- Implement new programs under the updated Part 150 noise mitigation plan.
- Renegotiate the Port of Seattle / City of SeaTac Interlocal Agreement
- Increase value of Airport contracts with small businesses