

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA – STAFF BRIEFING

Item No. 7a
Date of Meeting August 11, 2009

DATE: July 27, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director Airport Operations

SUBJECT: Briefing Regarding Common Use Expansion at Seattle-Tacoma International Airport

CURRENT STATE

Typical airline operations and use of airport facilities had changed little between 1970 and the late 1990's. During that period, the customers for a particular airline were served within certain sub-areas of the airport that were exclusively leased to a particular airline. As a result, travelers received tickets at an exclusive ticket counter for that particular airline; they waited to board the aircraft in an exclusively leased hold room near the gate or in an exclusive club; they walked to the aircraft through bridges that were owned by the airline; and they boarded an aircraft whose seats were sold only by the airline that owned the aircraft.

During the late 1990's, leasing arrangements within airports began to change dramatically. These changes were driven by several factors. The largest factor at Seattle-Tacoma International Airport (Airport) was a renegotiation of the 30-year master lease between the Airport and airlines that did away with exclusive leases and gave the Airport the ability to allow airlines to share gates that had low use (fewer than average uses by aircraft per day).

Greater computer capacity began to alter the ticketing process to allow buying tickets and printing boarding passes over the web. Increased competition among airlines enhanced seat capacity, which resulted in lower ticket prices and therefore lower profit margins per passenger. The lower profit margins caused the airlines to seek ways to save operating costs. In many cases, airlines began to shed costs such as turning over the maintenance of jet bridges to airports, or seeking to lease smaller footprints within airports. This pressure on costs also led to the formation of alliances of airlines where joint operating agreements allow multiple airlines to sell tickets on each others' flights.

FUTURE STATE

In the last nine years, the airline industry has been extremely cost conscious as a result of the economic downturns associated with the events of 9-11, the SARS illnesses in Asia, spikes in

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world fuel prices, the Swine Flu virus, and, of course, the current economic recession. As a result, both the airlines and airport management are seeking ways to maximize the existing facilities at airports in order to avoid building additional costly square footage of new facilities. At the Airport, we are striving to truly live within our existing footprint to save new capital costs, to save growth in square footage that ultimately leads to growth in long-term maintenance costs. To accomplish this we are seeking ways to gain the full use of the facilities that we have. For example, we are finding ways for a single ticket counter, gate hold room, jet bridge, and aircraft parking spots to be used by as many airlines as possible throughout each day. By doing so we can allow continued growth by the airlines as the economy rebounds without substantially adding terminal square footage. This direction will not only slow the growth of our environmental footprint, but will also slow the growth of our Airport costs, which will be beneficial for the airlines that operate at the Airport. This is our challenge for 2010 and beyond.

In order to be successful, it is necessary to leverage information technology and to partner with the airlines in using technology to, over time, make the entire airport facility available for “common use” by every airline. To date, the Airport has been successful in buying jet bridges from the airlines and altering leases annually, enabling certain airport-controlled aircraft gates to be used by multiple airlines throughout the day. The Airport has also been successful in deploying Common Use Computer Terminal Equipment (CUTE) at many ticket counters and gates which allows various airlines to use the same counters and gate areas throughout the day. While this system performed admirably for many years, it has, like any computer system, required upgrading as time passed. Staff began planning for this upgrade in 2008, and, following discussions with the airlines, the first phase of the initiative was completed in June this year.

Today’s staff briefing will explain the common use philosophy, the background of the common use development at the Airport, the upgrade initiative, and how upcoming projects that will be presented for Commission authorization will benefit Delta Air Lines following its merger with Northwest Airlines, benefit other international carriers using the South Satellite, and benefit other airlines that will ultimately occupy aircraft gates on concourses A and D that are now vacant.