

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 6g

**Date of Meeting** August 25, 2009

**DATE:** August 7, 2009

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Michael Ehl, Director Airport Operations  
Peter Garlock, Chief Information Officer  
Robert F. Riley, Director, Aviation Capital Improvement Program

**SUBJECT:** Common Use Expansion at Seattle-Tacoma International Airport.

**ACTION REQUESTED**

Request Port Commission authorization for the Chief Executive Officer to execute a design consultant contract, complete design, and purchase and install computer hardware and software for the Common Use Expansion project at Seattle-Tacoma International Airport (Airport), for \$506,000 out of a total projected program cost of \$3,018,000.

**SYNOPSIS**

As a productivity and cost-savings program, the Airport has installed "Common Use" equipment, such as common gate areas and ticket counters, at several locations in the terminal that can be used interchangeably by participating airlines. By creating a flexible, common-use environment, more airlines are able to use the existing facilities without major capital investment, which helps hold down their costs. The Airport is further able to handle more passengers and support future growth within the current terminal footprint. This project brings the latest Common Use equipment and technology to the remaining gates at the South Satellite, and at various gates on Concourse A.

This project will install a common-use environment at the combined Delta/Northwest Airlines (DL/NW) eight South Satellite (SSAT) preferential gates, one Port common gate, Horizon Air's gate S16c/d, and at three Concourse A gates (A12, 13 & 14). The project relocates gate podiums locations closer to the passenger loading bridge doors at the SSAT. The scope also includes conversion of up to fourteen ticket counter positions to common use at the former Delta ticket counter. This authorization will provide for design by outside professional services and replacement of selected hardware and software by Port staff. A future request will seek authorization of construction funds and approval to advertise for a major construction contract. The airlines that operate at the Airport have formally approved this project.

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### **BACKGROUND**

The combined DL/NW airline has consolidated its departure gate operations at the SSAT for operational and marketing purposes. This will create efficiencies as its international operations increase, since the Federal Inspection Service (FIS) area is located at the SSAT. The existing NW VIP club is also currently located near their operations at gates S-8 and S-9. The Port has agreed to their request to consolidate at the SSAT with the stipulation that all their gates be converted to common use. This stipulation is necessary because international operations by other carriers are also predicted to increase over time. There will be a need to use the DL/NW mid and wide-body gates to handle expected overflows in international operations. Overflows commonly occur during irregular operations caused by bad weather or other operational anomalies, by the introduction of new services, or by scheduling changes from existing carriers that would exceed the capacity of Port gates.

In an ongoing effort to reduce their operating costs, the carriers are interested in creating additional efficiencies at the gates. To support this effort, the Port intends to relocate certain podiums and backscreens to positions closer to the passenger loading bridge doors so the carriers can effectively manage the boarding of a flight with fewer gate agents. Since some of the podiums will be relocated; additional lighted gate signs will be required for passenger wayfinding.

Additionally, Icelandair started operations at the Airport in July. As an interim step they are temporarily performing ticket counter operations at agent positions that are not up to current Port standards. These temporary common use operations will be "riding" on existing DL cabling through a tenant leased communications closet and will be upgraded to permanent Port infrastructure as part of this project.

### **PROJECT DESCRIPTION/SCOPE OF WORK**

#### ***Project Statement:***

The purpose of this project is to facilitate an expansion of Sea-Tac's common use environment through a program of Port sponsored projects that will support operations, bring gate podiums and ticket counters to Port standards and provide common use infrastructure. The work will be accomplished between now and the end of 2011 for an estimated cost of \$3,018,000.

#### ***Project Objectives:***

Increase utilization of existing SSAT gates while avoiding a major capital investment.

- Support future international carrier growth.
- Allow irregular operations to be handled without delays to arrivals and departures.

Update gate podium and ticket counter facilities to meet current Port standards.

- Increase efficiencies at gates by relocating podiums closer to the boarding doors.

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- Reduce airline agent training costs at ticket and gate counters due to increased common use and facilities standardization.

Expand a passenger processing system that meets operational needs and reduces airline costs.

- Reduce airline expenses through more efficient use of resources necessary to manage boarding and check in processes.

Maximize flexibility for air carriers at the South Satellite, ticket counters and Concourse A gates through common use infrastructure.

- Convert remaining gates to common use at South Satellite.
- Convert abandoned Delta gates at Concourse A to common use.
- Convert former Delta Airlines ticket counters to common use.

### ***Scope of Work:***

At the completion of this project gates and ticket counters will be newly equipped with the following:

Gates S-1, S-6, S-7, S-8, S-9, and S-16

- Port standard gate podium casework and backscreen monitors relocated closer to boarding gate doors
- Common use equipment and infrastructure
- Updated task lighting and signs

Gates S-2, S-3, S-4 and S-5

- Existing Port standard casework relocated closer to boarding gate doors
- Updated task lighting and signs

Gates A-12, A-13, A-14

- POS standard gate podium inserts
- Common use equipment and infrastructure

Former Delta Ticket Counter

- Port standard ticket counter casework
- Common use equipment and infrastructure
- Authorization for construction of this ticket counter will be requested as the need arises and may be phased separately from the rest of the scope.

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## **STRATEGIC OBJECTIVES**

The Common Use Expansion project supports two of the Port's Strategies and Objectives, notably:

This project promotes the Port's strategic goals to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions" by providing the airlines with the tools and equipment to increase on-time performance. Flexible gate and ticket counters will improve the Airport's asset base since more airlines will be able to use existing facilities for their operations. Since deregulation, air carriers are continually vying for increased market share, which drives constant change in their facilities requirements. By creating a flexible, common-use environment, carriers and the Airport will need to spend fewer capital dollars recreating facilities as market conditions change. More carriers are able to share the same ticket counter and gate facilities, including communications hardware, without constant redesign and construction dollars spent to customize the operating environment to their specific proprietary needs. This also helps increase total Airport through-put rates, in a finite sized terminal, as passenger volumes increase.

## **FINANCIAL IMPLICATIONS**

### **Budget/Authorization Summary**

Original Budget	\$3,018,000
Budget Increase	\$0
Revised Budget	\$3,018,000
Previous Authorizations	N/A
Current request for authorization	\$506,000
Total Authorizations, including this request	\$506,000
Remaining budget to be authorized	\$2,512,000

### **Project Cost Breakdown**

### **This Request**

### **Total Project**

	<b><u>This Request</u></b>	<b><u>Total Project</u></b>
Construction Costs		\$1,574,000
Port furnished equipment and installation	\$135,000	\$563,000
Sales tax	\$13,000	\$210,000
Outside professional services	\$177,000	\$221,000
Aviation PMG and other soft costs	\$181,000	\$450,000
Total	\$506,000	\$3,018,000

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### **Source of Funds**

This project is included in the 2009-2013 capital budget and plan of finance as a business plan prospective project, CIP #C800276. The funding source will be the Airport Development Fund.

### **Financial Analysis**

<b><i>CIP Category</i></b>	New/Enhancement
<b>Project Type</b>	Renewal & Replacement
<b>Risk adjusted Discount rate</b>	N/A
<b>Key risk factors</b>	N/A
<b>Project cost for analysis</b>	\$3,018,000
<b>Business Unit (BU)</b>	Terminal
<b>Effect on business performance</b>	NOI after depreciation will increase
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	CPE will increase by \$.02 by 2012. However, no change to business plan forecast as this project was included. The asbestos abatement costs, depending on the timing will cause a short term increase in CPE by \$.01-\$.03 in 2010 and 2011.

### **OPERATION & MAINTENANCE IMPLICATIONS**

Operation and Maintenance expenses by Aviation Maintenance to increase by \$30,000 annually.

It is anticipated that the implementation of this project will involve asbestos abatement. The current estimate is \$500,000. The asbestos abatement costs will be charged to expense (as an environmental reserve project) in the year the triggering event occurs.

### **ALTERNATIVES CONSIDERED/RECOMMENDED ACTION**

1. The **recommended action** is for the Port to provide a common-use environment at the South Satellite, Concourse A and at additional ticket counter facilities, utilizing the latest technology, to optimize flexibility to accommodate growth and irregular operations by all carriers that use these facilities.
2. Icelandair could operate from the existing International ticket counters at the south end of the terminal. This would eliminate the immediate need for ticket counter improvements, but would cause severe overcrowding and impact the efficiency of all the carriers' check-in processes at this location.
3. Delta Airlines could retain proprietary communications technology at the SSAT gates, resulting in a less flexible gating environment. This will not allow other carriers to

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benefit from the flexibility of the common use environment for growth and irregular operations.

4. Expansion of the SSAT building to provide additional gates could be implemented immediately, at high capital cost, to create adequate facilities to handle the irregular operations and future growth of DL/NW and other international carriers. It is expected that this option would have little carrier support at this time.
5. Delta and Northwest Airlines combined operations could relocate to another concourse, but that would drive a costly domino effect of relocations for both other airline gates and ticket counters.

## **ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS**

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources. This reduces the potential environmental impact of new construction. The traveling community will benefit from fewer delayed departures and an increased processing rate.

Installation of common-use equipment aligns with the opportunity for Delta to grow their international flights at the South Satellite. Delta and predecessor Northwest Airlines has indicated their long-term strategy is to expand their international route structure in Seattle. This common-use equipment will facilitate greater utilization of international gates, which if future international flights materialize, will create significant economic benefits in Seattle and the greater Puget Sound area.

## **TRIPLE BOTTOM LINE SUMMARY**

This project standardizes gate and ticket counter amenities and gives the airlines opportunities to operate their boarding and check-in operations more efficiently.

## **PROJECT SCHEDULE:**

Begin Design	3rd Qtr 2009
Begin Construction	4th Qtr 2010
Project Completion	4 <sup>th</sup> Qtr 2011

## **PREVIOUS COMMISSION ACTION**

None.