

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA – STAFF BRIEFING

Item No. 7b

Date of Meeting February 22, 2011

DATE: February 4, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director Airport Operations
Tom Green, Senior Manager Air Cargo Operations and Development

SUBJECT: Air Cargo Operations and Development Briefing

BACKGROUND:

The air cargo business at Seattle-Tacoma International Airport (Airport) supports the mission of the Port of Seattle to create regional economic vitality. The Port owns and operates the Airport, a major geographic gateway connecting passengers and cargo to the world by air.

The goal of the Aviation Division's air cargo business unit is to pursue strategic growth while ensuring sufficient facility infrastructure required to efficiently accommodate air trade volumes. The Airport is the 19th largest cargo airport in the U.S. by tonnage, the 5th largest on the West Coast, and is the premier international cargo gateway airport in the Pacific Northwest.

Air cargo at the Airport supports the Port of Seattle's regional economic development initiatives by providing the businesses of Seattle, King County and Washington State with cost-effective air access to the global supply/distribution system; and to generate airside and landside revenue through the development of logistics-related services. The air cargo logistics industry, together with the export-oriented regional manufactures and producers it supports, is an important job-creating economic force.

Air cargo is an increasingly important component of the U.S. economy. In 2008, air freight accounted for 24 percent of the total U.S. merchandise trade of \$3.4 trillion. Nationally, air cargo exports represented 48 percent of total air trade; in comparison, U.S. maritime exports represented only 29 percent of the total ocean-borne trade. Clearly, air cargo is an important component of achieving the U.S. Commerce Secretary's goal of doubling exports over the next five years. As an important component of both the national and regional economy, air cargo is a core activity associated with the Airport.

Attracting and growing air cargo is an important strategy for the Airport in supporting international air passenger service, through increasing aircraft yields and attracting international airlines that want to co-locate U.S. passenger and freighter operations. Increased air freighter activity also generates an increase in airport landed weight and lowers airline cost per enplanement (CPE), an important metric to attract and retain air passenger service.

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The Airport's vision for an air cargo business model is to develop into a multifunctional air logistics hub gateway incorporating both on-airport and off-airport resources.

STRATEGIC OBJECTIVES:

The overall strategy calls for a proactive approach to growing on-airport air cargo activity and strengthening the linkage between on-airport cargo activity and off-airport third-party air cargo logistics services.

A primary goal of the air cargo program is to position the Airport as a consolidation/distribution point for air freight moving to and from Asia, North America and Europe by taking advantage of Seattle's strategic geographic U.S. West Coast location, its growing manufacturing and economic base, and network of logistics services.

A related goal is to create an actively-managed off-airport logistics industry development program that will generate long-term regional economic benefit.

An important element of the Airport air cargo logistics services business model should be a strengthening of the physical and institutional linkages between on-airport cargo operations and off-airport facilities and services provided by third-party logistics companies. This strategy will allow the Airport to move beyond simple freight handling and transition into a value-added logistics and light assembly center and ultimately into a supply chain hub for multinational companies that provides a foundation for high-tech industry clustering.

A cornerstone of this transitional business model can be the development of the Sea-Tac International Gateway Logistics Park. A logistics park is the physical clustering of logistics-oriented activities to optimize the integration of logistics functions and provide a link between air and highway transportation.

Today's staff briefing will provide a background discussion of the facilities, operations, customers and regional value of the Port's air cargo services. The briefing will also describe the strategic growth strategy that drives our current activities and planning, both on and off the airfield.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

PowerPoint presentation.

PREVIOUS COMMISSION ACTION:

The Commission was last briefed on air cargo operations and development in September, 2007.