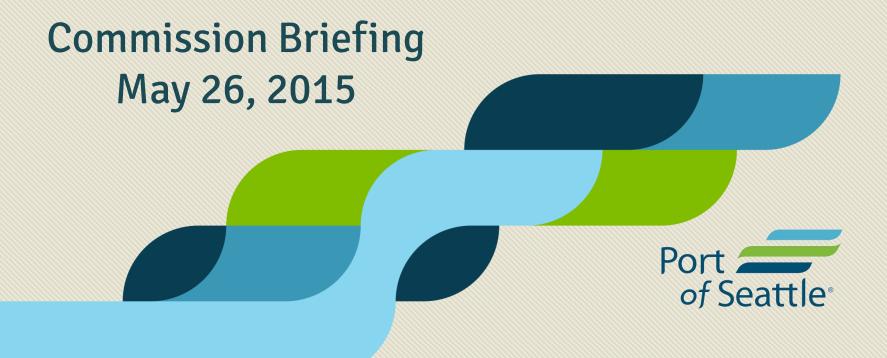
Item No.: Meeting Date:

7b Supp May 26, 2015

# Aviation Division 2016 – 2020 Business Plan Overview



## **Industry/Business Context**

- Airline industry continues to be profitable
  - U.S. airline industry profitable each year, 2010 2014 due to consolidation, capacity management, recovering economy
  - Low fuel costs driving record profits in 2015
- Strong demand for air service driven by:
  - Expanding economy
  - Employment growth
  - Rising personal income
  - Higher consumer sentiment
- Capacity (available seats) growing in 2015:
  - Domestic will be at highest level in last seven years
  - International at all time high

Strong demand, airline profits, more seat capacity

## **Industry/Business Context**

- Sea-Tac Airport passenger growth
  - + 7.7% in 2014
  - +13.1 through April, 2015
  - Current 2015 projection: +10% (vs. budget of 4%)
  - Master plan projects growth of 38% from 2014 –
     2024, or CAGR of 3.3% from 2014 2024
  - International growing faster than domestic

# Drivers/Challenges - 2015-2020

- Dramatic growth in passengers and airfield operations
- Accelerating pace of passenger and airline reliance on, and expectations for, mobile technology
- Significant new facility requirements in the near-, medium-, and long-term – to respond to current airline activity and the long-lead-time facilities identified by the Sustainable Airport Master Plan; and
- Changes in federal <u>security requirements</u> will require increased attention to employee screening and could lead to 100% employee screening.

#### **Accelerated Needs**

- Detailed planning and definition of the near-term projects identified in the Master Plan.
- Design and construction of the "immediate," interim remote aircraft loading/unloading facilities; procurement of additional buses and associated aircraft loading equipment.
- Refurbishment or reconstruction of critical customer service facilities to adequately meet the increased passenger throughput in the terminal (e.g., restrooms).
- Additional staffing to support increased passenger loads (e.g., janitorial)
- Required employee screening infrastructure and staffing.
- Increased non-airline revenues to help fund capital program.

Capital and operating costs will increase; but so will non-aero revenues

## Major/New Initiatives

- Complete 16C/34C Phase 2 by Q3, 2016
- Complete Sustainable Airport Master Plan environmental review by Q4, 2016
- Begin remote handstand aircraft loading/unloading by Q2, 2016
- Complete construction of NorthSTAR program and International Arrivals Facility
- Renegotiate and gain approval of a revised Port of Seattle / City of SeaTac Interlocal Agreement (ILA) prior to expiration of current ILA

## Major/New Initiatives

- Implement Quality Jobs Initiative policies/programs
- Implement Airport Dining and Retail (ADR) Master Plan, including infrastructure upgrade, competitive solicitations and resulting leases.
- Adjust security operations and invest in new facilities to remain in compliance with evolving TSA requirements related to employee screening
- Prepare in 2016 and develop in 2017 the successor lease or resolution to the current Signature Lease and Operating Agreement

Implementing ADR program will increase jobs and non-aero revenues

## **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.

**Airport Strategies Have Not Changed** 

## **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.

**Airport Strategies Have Not Changed**