

Aviation Division 2016 – 2020 Business Plan Overview

Commission Briefing
May 26, 2015

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

Passenger growth at Sea-Tac far faster than expected

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 security requirements will require increased attention to employee screening and could lead to 100% employee screening.

Accommodating growth will be challenging

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

Handstand operations required by Q2 2016

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