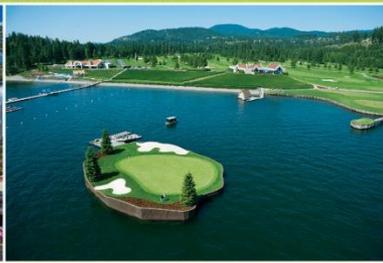
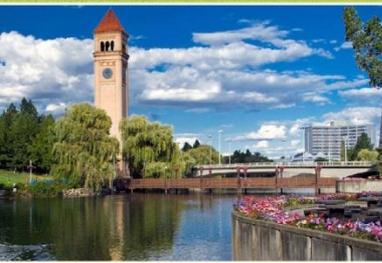




SPOKANE

INTERNATIONAL AIRPORT



Aviation Freight Mobility Planning & Policy Issues Presented to: Joint Transportation Committee Washington State Legislature

Lawrence J. Krauter, A.A.E., AICP
Chief Executive Officer
Spokane International Airport, Felts Field,
& Airport Business Park



Spokane International Airport
GEG – GENERATING ECONOMIC GROWTH

Value of Air Cargo

- Trade Facilitator
- Job Creator
- Transports \$6.4T worth of goods
- 35 percent of world trade by value
- Intricate component of the consumer supply chain
- High-value/time-sensitive products



Exploring Current Issues: Changing Distribution System

- Manufacturing shifting back to North America and Europe
- Rising labor costs in Asia
- Accelerating consumption of a growing middle class
- Higher fuel costs
- Increased expense of security screening
- Increased shipping costs
- Repatriation of previously exported industry to U.S. & Europe
- Manufacturing & Distribution move to decentralized business model to reduce costs of transportation logistics, which favors trucking over air transport
- Traditional 'Gateways' are fragmenting as airlines start new international routes from inland airports
- Airlines making better use of belly capacity

Exploring Current Issues

- Airport marketing becoming more sophisticated
- Emergence of new markets in Eastern Europe, Africa and Middle East
- Carriers have pulled back on direct lease or ownership of airport facilities – gap being filled by third-party developers and cargo handling companies
- Cost of screening favors major gateways due to economies of scale
- The ‘Cargo Village’ or ‘On-Airport Logistics Complex’
- Industry Alliances and Consolidations
- Modal Shifts
- Open Skies Treaties
- Emissions Trading Schemes (EU)
- Growth of ACMI operators (Aircraft, Crew, Maintenance & Insurance)

Snapshot of the Air Cargo Industry

- Air Cargo traffic RTMs declined in the U.S. and Internationally in 2012 (-3.55%) and 2013 (-0.70%). Y-T-D through 1Q2014 to Y-T-D through 1Q2013 shows RTMs up 1.29%
- Total RTEs up 0.22% 2013 compared to 2012 and up 1.69% Y-T-D 1Q2014 to 1Q2013. U.S. domestic RTEs up 2.37% 2013 compared to 2012 and up 1.17% Y-T-D 1Q2014 to 1Q2013
- Forecasts call for gradual improvement (more correct than incorrect)
- Year-Over-Year looks good however volumes not rising month-over-month
- Economic Indicators are mixed
 - Consumer confidence in U.S. and Europe improving
 - More production being on-shored (Wages in Emerging Economies/Chinese Middle Class)
 - Economic growth not generating expansion of international trade
 - World Trade Organization Global Trade Deal (Improve Customs/Reduce Shipping Costs)
- Rising Aircraft Capacity Concerns/New Widebody Aircraft Deliveries
- Impact on Yields
- Expanding Passenger Networks Bypassing International Hubs v. Hub-to-Hub Model

Snapshot of Air Cargo Industry

- Maturation of U.S. Domestic express package market?
- Shift from air to ground and maritime modes of transportation due to fuel cost
- U.S. Postal Service use of all-cargo carriers for mail transport/increased use of electronic substitutes for mail
- Boeing expects air cargo growth to triple over next 20 years
- Asia will continue to be at the forefront of the industry
- Routes associated with Asia will experience the highest growth rates over the next 20 years

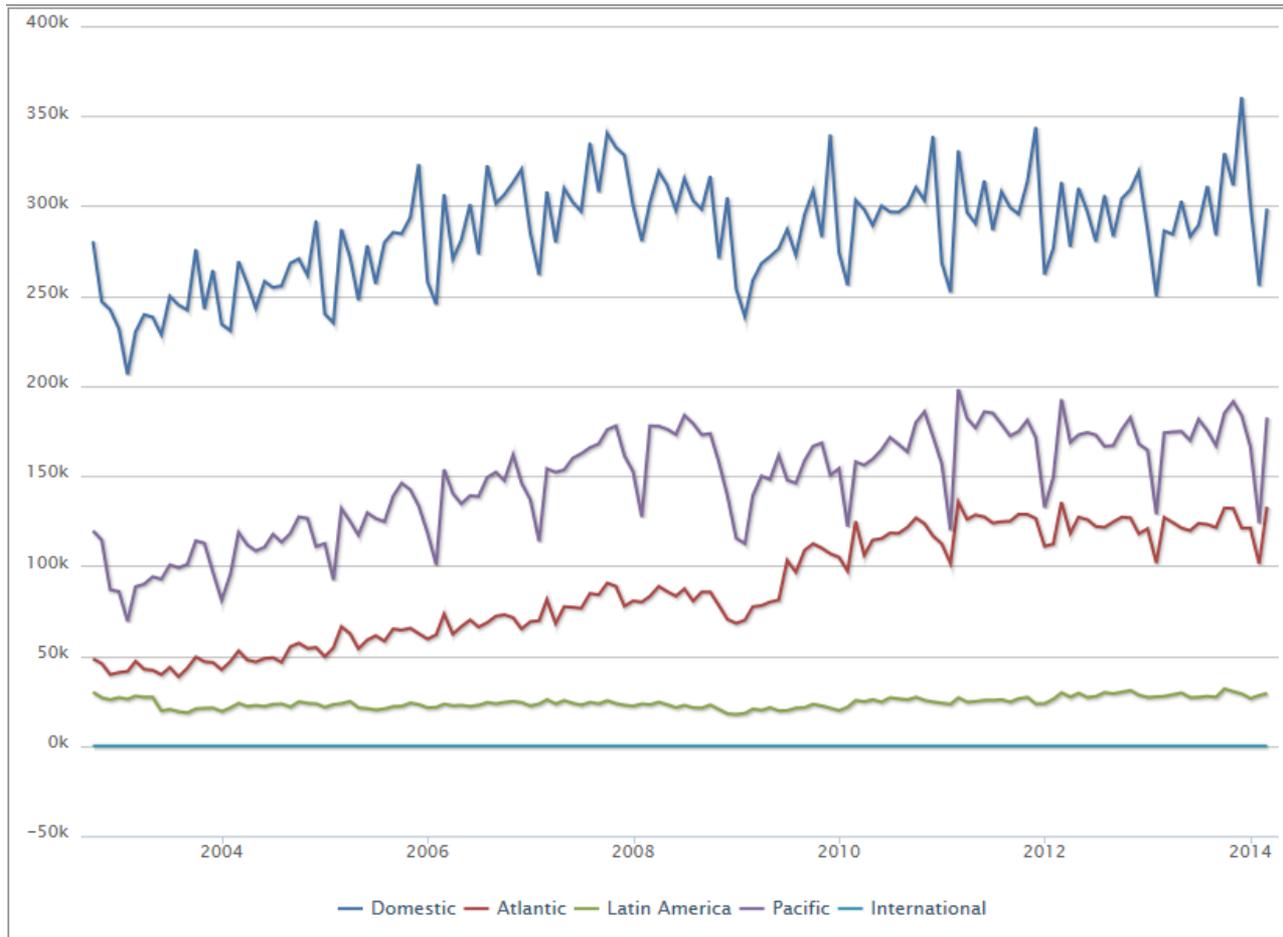
FedEx RTMs Flown 2002 – 1Q2014



* A cargo revenue ton-mile is one ton of revenue cargo (freight or mail) carried for one mile.



UPS RTMs Flown 2002 to 1Q2014



* A cargo revenue ton-mile is one ton of revenue cargo (freight or mail) carried for one mile.



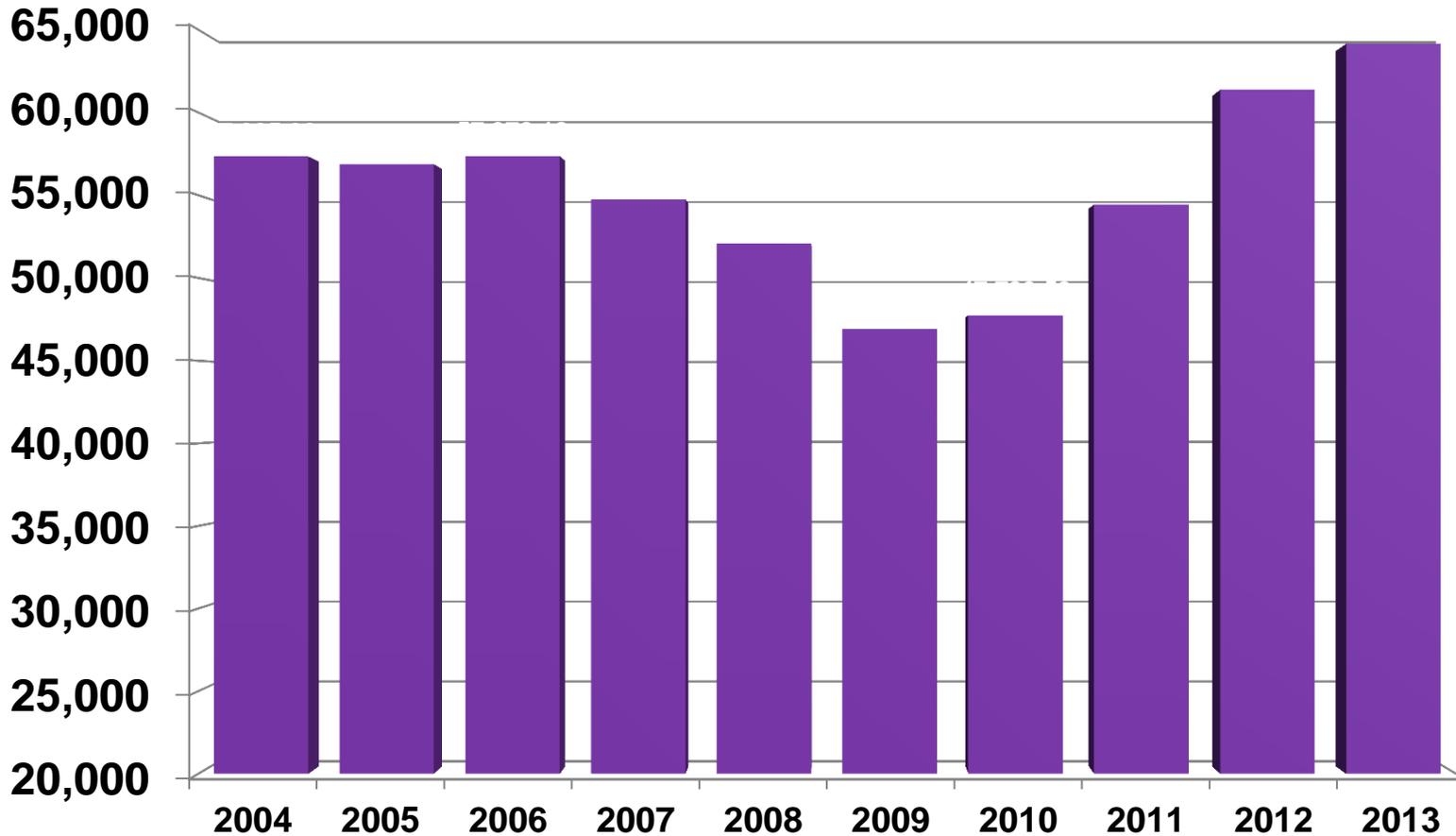
Air Freight At the Local/Regional Level



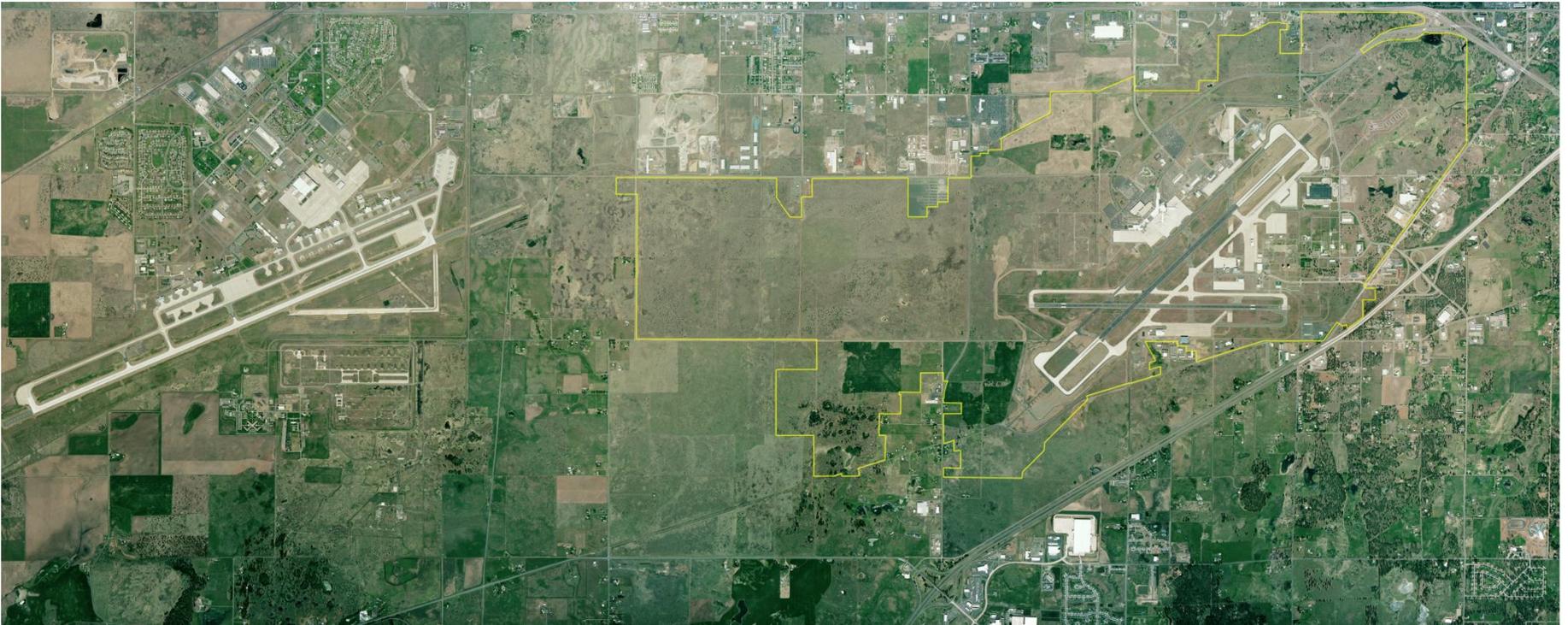
Existing SIA Cargo Complex



Spokane International Airport Total Cargo in Tons



The Raw Material of Economic Opportunity



Setting the Vision



Aerospace Initiative for Recruitment (AIR) Spokane

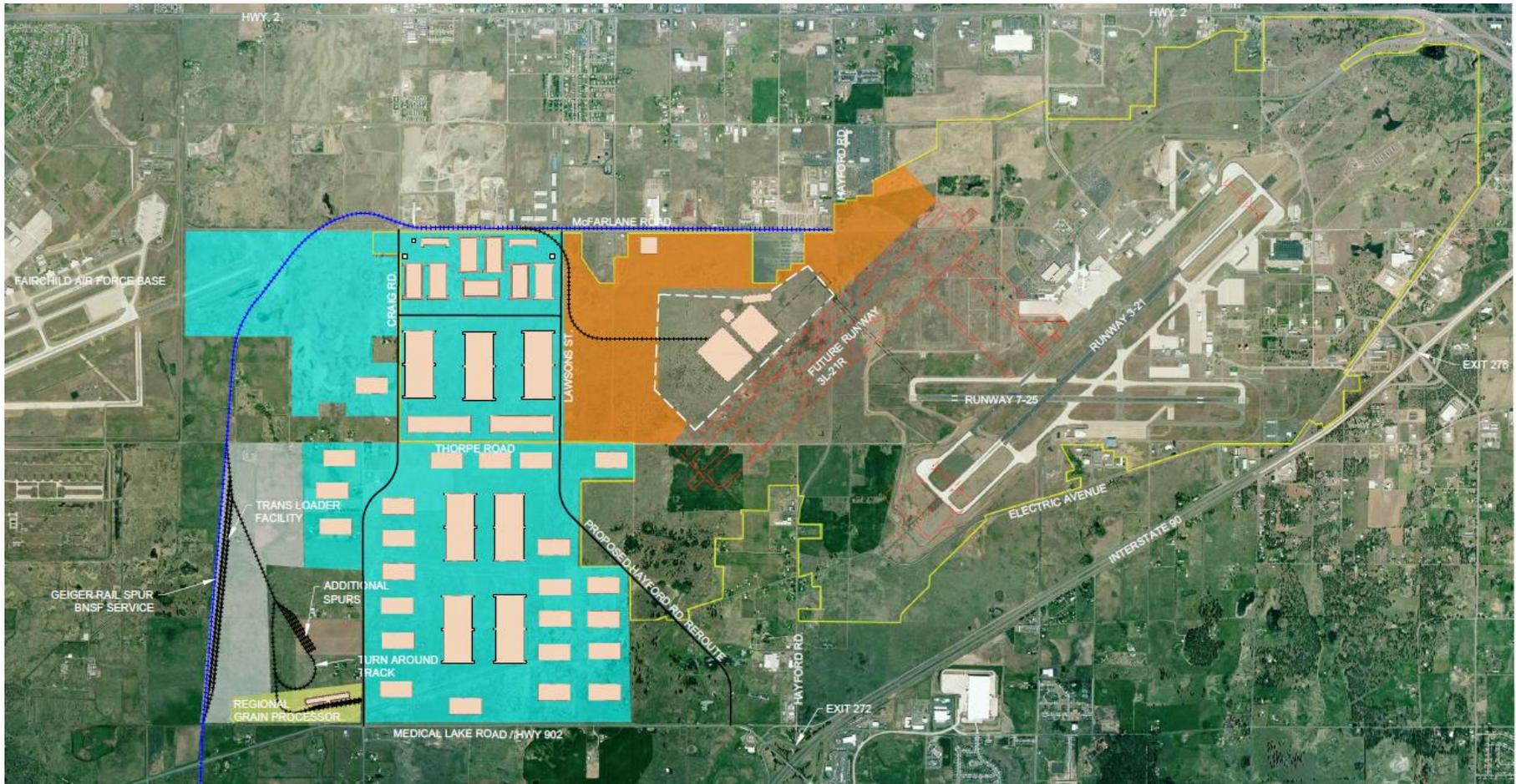


Regional Leadership, Collaboration

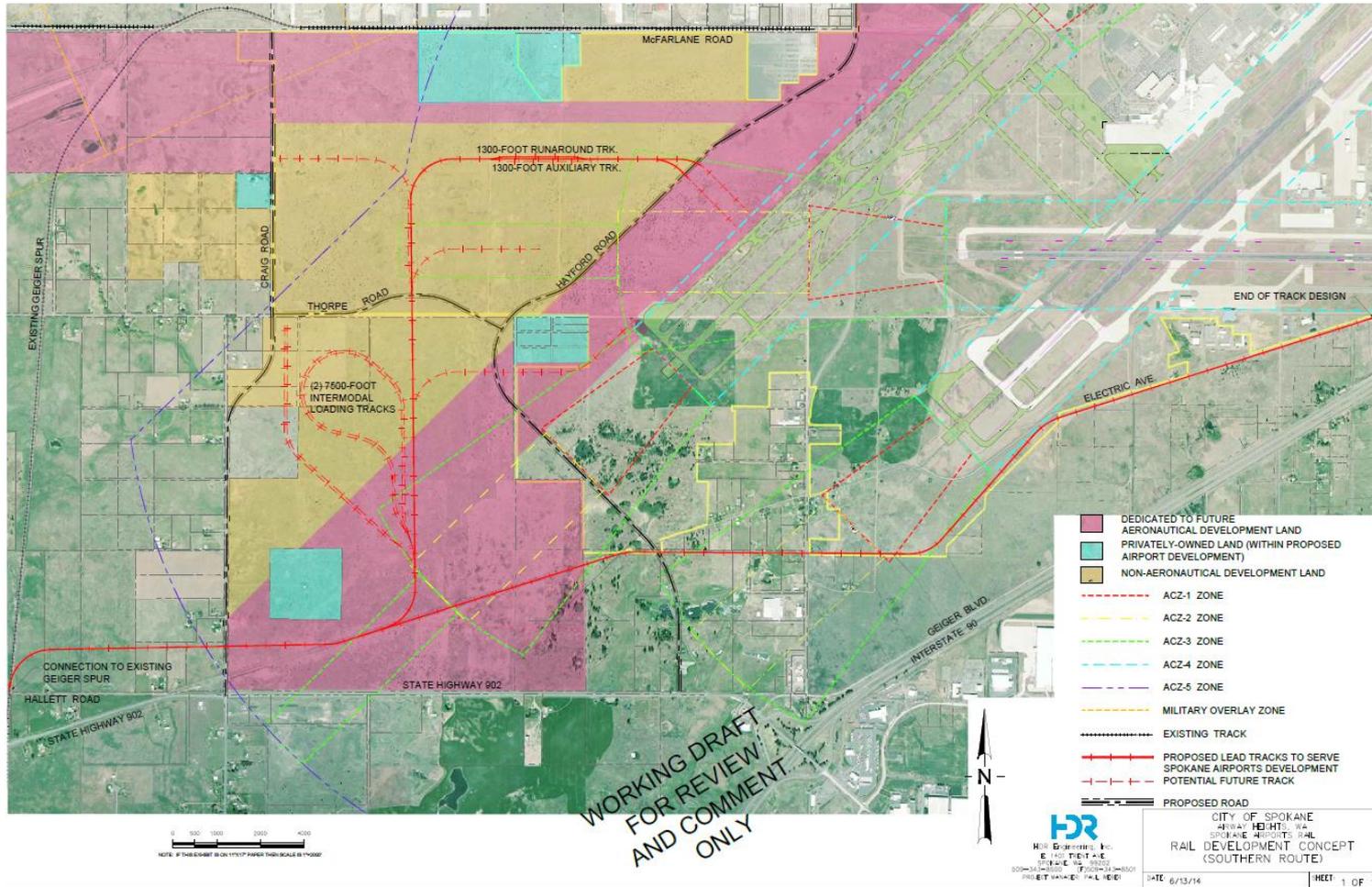
- Spokane County
- City of Spokane
- Community Colleges of Spokane
- Avista Corp.
- Greater Spokane Incorporated
- Spokane International Airport



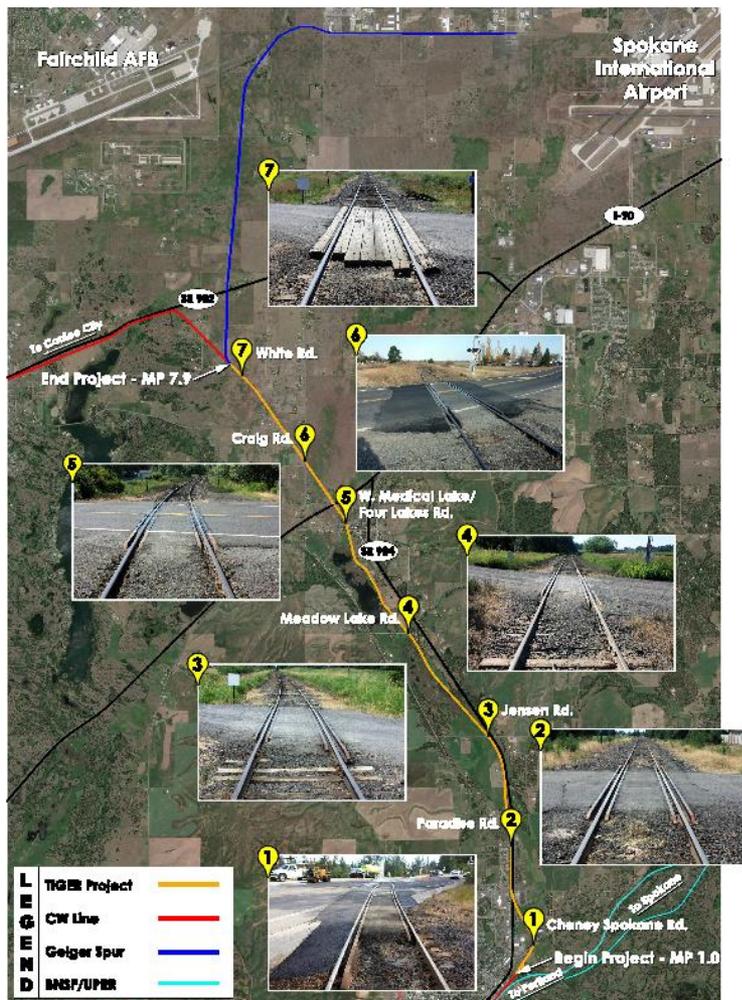
Conceptual Build-out



Alternate Rail and Aero/Non-aero Land Development



TIGER Grant Application



Connecting the Inland Pacific Hub Multimodal Centers to the Global Marketplace

Scope:

Replace worn rail, rebuild right-of-way and 7 at-grade highway/rail grade crossings along 6.9 miles of the CW Branch of the PCC Rail

Funding:

TIGER Request \$6,541,700

Total Project Cost: \$7,041,700

Schedule

Submitted April 28, 2014

If Successful:

- Design & NEPA Completed Nov. 30, 2015
- Construction Awarded April 2016
- Project Completed Sep. 2016

Freight Advisory Committee



Policies Adversely Affecting Air Cargo Movement

- Federal Level
 - No comprehensive National Aviation Policy
 - Intermodalism and freight mobility not adequately connected to decision-making
 - Funding Program Uncertainty
 - Increased local share of AIP projects (10% v. 5%)
 - FAA Reauthorization process
 - Deficit Reduction Measures
 - Dedicated Revenue Streams for Air Cargo Infrastructure
 - Regulations imposed by FAA and TSA
 - Pilot Crew Rest Periods
 - Cargo Screening Rules
 - Use of infrastructure grants is very limited regarding cargo facilities
 - Growing inflexibility due to increasing internal audits

Policies Affecting Air Cargo Movement

- NEPA Process needs streamlined for optimization of performance based navigation
- State Level
 - Policies on freight mobility in System Plan are vague and have not been implemented due to lack of financial resources
 - No emphasis on aviation economic development
 - Intermodalism focused on physical v. economic connectivity
 - Competitiveness Challenges/Impact of state taxes and regulations on an industry that is very mobile with its assets and has very low margins

December 2013 Survey of Airports

- Bellingham
- Moses Lake
- Renton
- Spokane
- Tri-Cities
- Walla Walla
- Wenatchee
- Yakima



Survey Summary

- Most airports served by FedEx mainline or feeder service
- Some airports also served by UPS mainline or feeder service
- Four Areas of Freight Mobility-Related Infrastructure Needs
 - Airside (Runway/Aircraft Parking Apron)
 - Landside (Buildings/Roads)
 - Surface (Rail)
 - Surface (Highway/Interchange)
- Specifically:
 - Runway Extension (Wenatchee)
 - Landside Buildings/Roads (Moses Lake, Spokane, Wenatchee)
 - Rail Extensions (Moses Lake, Spokane)
 - Highway/Interchange (Renton, Spokane, Yakima)

Observations and Policy Considerations

- Private companies have made investments in infrastructure that may be contributing to increased costs (i.e. trucking relatively short distances from airports to other facilities)
- Extreme example is UPS in Tri-Cities, delivering to air carrier airport and trucking to facility at Vista Field.
- Achieving economies of scale for cargo operators at the airports should be a strategy that we think about pursuing.
- Development of low-cost cargo facilities at airports with both air and city-station characteristics to provide efficiency gains.
- Fold in capability for package freight/forwarders/non-exclusive areas for use by multiple trucking companies.
- Public funding of construction to help lower lease costs and elimination of sales tax on construction of facilities by public entities

Observations and Policy Considerations

- Intermodalism and freight mobility not ‘connected’ to modal planning at national, state or local levels.
- Greater flexibility is needed for airports to use federal grant funds for cargo projects, particularly freight processing buildings, not just aircraft parking aprons.
- FAA Reauthorization in 2015 should contain new air freight mobility planning requirements and mandates for integrated planning with MPOs.
- Most MPOs/RTPOs in WA should be working more closely with airports. Ports have helped bridge the gap but MTPs need to have a much more integrated freight mobility/air freight interface. The state could help with leadership here to ensure more integrated planning for air freight mobility at the local level.
- State funds should be made available to airports for freight mobility projects on a wide-scale (rail, road and warehouse)

Observations and Policy Considerations

- The state can play a significant role in helping airports directly address air freight mobility needs and many other airport infrastructure needs. There is opportunity here!
- Tax and fee revenue should be fully dedicated to a restricted account for funding projects.
- Legislators should work with the Administration to determine best agency and program venue for aviation economic development initiatives. Commerce, WSDOT and FMSIB all have some potential to be involved. Lack of resources and fractured programs present challenges.
- WSDOT Aviation has limitations and needs 12X more annual funding and increased staff resources just to address basic system safety and maintenance requirements.
- Should FMSIB or another entity play a more significant role in coordinating aviation economic investment for air freight?

Merging Air Freight Mobility and Economic Growth

- How can we impact a changing distribution system?
 - Reduced costs
 - Increased efficiencies
 - Logistics expertise and planning/strategy
 - What can we become really good at from standpoint of creating air freight market opportunities on platforms of:
 - International (Sea-Tac, Spokane, Moses Lake)
 - Interstate (Bellingham, Boeing Field, Moses Lake, Spokane and Tri-Cities)
 - Intrastate (Boeing Field, Moses Lake, Tri-Cities, Spokane, Walla Walla, Wenatchee, Yakima)
- An air cargo mobility system plan with an economic strategy focused on Asia logistics?
- SWOT from logistics and supply chain experts



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Thank you!

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