

WASHINGTON STATE AIR CARGO MOVEMENT STUDY



JOINT TRANSPORTATION COMMITTEE
NOVEMBER 13, 2018
TACOMA, WA



Agenda: Review of Draft Final Report

- Study Process
- Air Cargo System Vision, Goals and Objectives
- Key Findings from Study
- Recommendations
- Stakeholder Input
- Committee Discussion

Study Status

- Describe the Air Cargo System in WA State
 - Final
- Air Cargo Congestion
 - Final
- Evaluate How to Use Existing Capacity in Washington
 - Final
- Recommendations and Implementation Strategy
 - Final
- Draft and Final Report
 - October-December

Recap of Study Process

- Staff Work Group and Stakeholder Panel
- Review and Feedback on Study Analysis and Recommendations
 - November/December 2017
 - March/April 2018
 - June 2018
 - August/October 2018

Stakeholder Panel

- Representative Judy Clibborn, House Transportation Committee
- Senator Karen Keiser, Senate Democratic Caucus
- Representative Bruce Chandler, House Republican Caucus
- Representative Tom Dent, House Republican Caucus
- Representative Jake Fey, House Transportation Committee
- Representative Mia Gregerson, House Transportation Committee
- Representative Mark Hargrove, House Transportation Committee
- Representative Ed Orcutt, House Transportation Committee
- Representative Tina Orwall, House Democratic Caucus
- Senator Judy Warnick, Senate Republican Caucus
- Josh Brown, Puget Sound Regional Council
- Sheri Call, WA Trucking Association
- Johan Hellman, BNSF Railway
- David Fleckenstein, WSDOT Aviation
- Stephanie Bowman, Port of Seattle, Sea-Tac
- Rich Mueller, Port of Moses Lake
- James Thompson, WA Ports Association
- Larry Krauter, Spokane International
- Mark Witsoe, Boeing Field
- Michael Colmant, Boeing Field
- Jon Devaney, WA Tree Fruit Association
- Adam Drouhard, Alaska Airlines
- PJ Cranmer, Commodity Forwarders Inc.
- Spencer Hansen, FedEx
- Shawn McWhorter, Nippon Cargo Airlines
- Matt Hodson, SummitNW

Staff Work Group

- Hayley Gamble, Senate Transportation Committee
- David Munnecke, House Transportation Committee
- Hannah McCarty, Senate Democratic Caucus
- Jackson Maynard, Senate Republican Caucus
- Debbie Driver, House Democratic Caucus
- Dana Quam, House Republican Caucus
- Kathy Cody, Office of Financial Management
- Rob Hodgman, WSDOT Aviation
- Jason Thibedeau, Puget Sound Regional Council
- Tom Green, Port of Seattle
- Todd Woodard, Spokane International
- Mark Witsoe, Boeing Field
- Kara Underwood, Paine Field
- Eric ffitch, Port of Seattle, Sea-Tac
- Bruce Beckett, Port of Moses Lake
- Jason Beloso, WSDOT Freight
- Chris Herman, WA Ports Association

Project Purpose and Objectives

Purpose: Evaluate the current and future capacity of the statewide air cargo system

Objectives:

1. Educate policy makers about air cargo movement at Washington airports
2. Explore possibilities for accommodating the growing air cargo market at more airports around the state
3. Identify the State's interest and role in addressing issues arising from air cargo

To meet these objectives, WSP is recommending an Air Cargo and Logistics Business Development Strategic Plan based on research and consultation with stakeholders.

Economic Importance of Washington Airports

- WA airports handled \$47.6 billion in freight in 2015, compared to state GDP of \$452 billion
- Air cargo value in the state will more than triple by 2045
- Air cargo is vitally important to a growing share of the State's economy
- High-value supply chains rely on air cargo
- Shippers value travel time by air **18** times more than travel time by truck
- Shippers value reliability **142** times more by air than by truck
- Risks to **reliability** from air cargo congestion impose a substantial economic penalty

Vision for Air Cargo in WA State

Desired outcome for the future of air cargo facilities and services in Washington State:

A statewide system of on- and off-airport air cargo facilities working in concert to accommodate Washington's future air cargo needs with efficient facilities and services, global access and seamless surface distribution capabilities

Guides development of more specific goals and objectives, and of strategies to be employed by the State to achieve this vision

Air Cargo Strategic Goals

Goals are the result or achievement toward which effort is directed. The recommended primary strategic goals for Washington State in regards to air cargo:

Ensure that Washington state maintains air cargo capacity to accommodate future levels of demand

Assist airports throughout the state with optimizing their existing resources in expanding the state's air cargo capacity

Be prepared to adapt in a timely manner to structural changes in supply chain management and distribution as it relates to air cargo

Integrate air cargo into other statewide freight planning and economic development initiatives

Given the GDP attributable to air cargo, make it a core component of Washington state's economic platform

Air Cargo Objectives

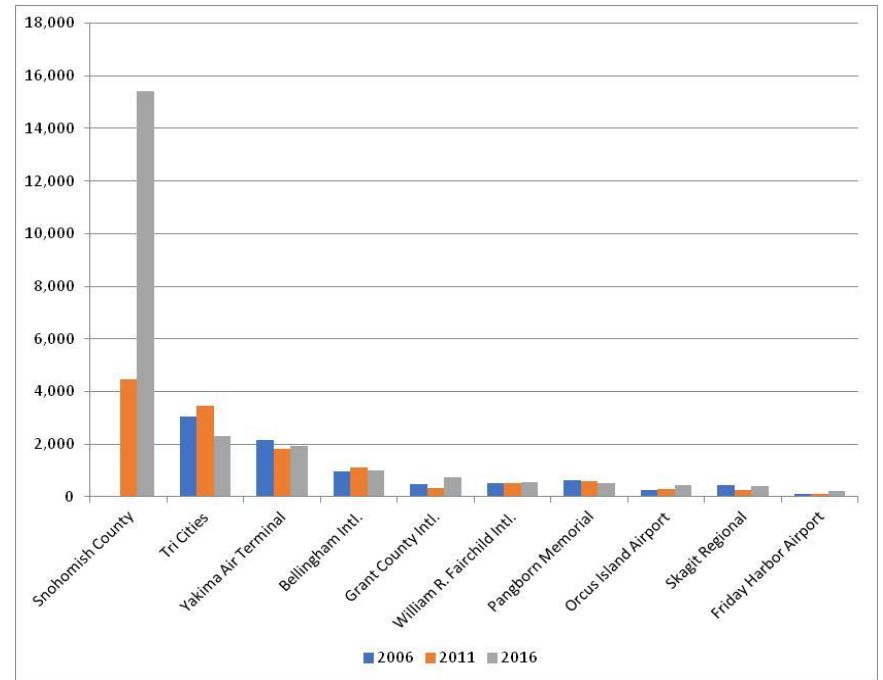
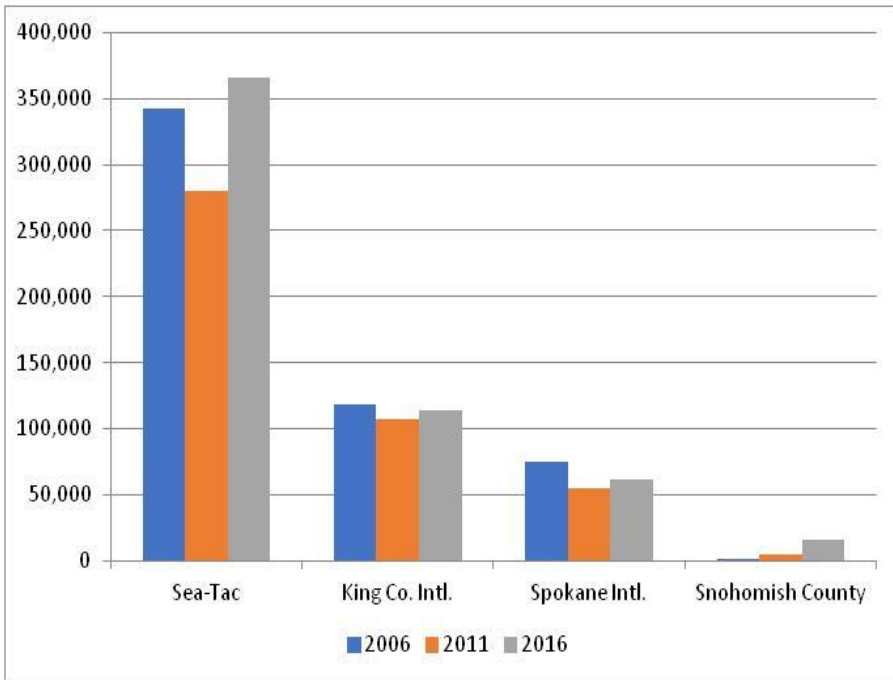
To successfully fulfill the goals with regard to air cargo:

- **Retain the existing air cargo service levels** within Washington State
- **Expand the level of air cargo and value added services** offered by existing airlines and forwarders
- **Attract new airlines, air freight forwarders and logistics service providers** to Washington State
- **Increase the state's air cargo lift capacity during peak cherry season**
- **Support ready-to-build on- and off-airport industrial sites**
- **Implement a statewide air cargo community system** to facilitate information exchange between public and private stakeholders to improve the State's competitiveness in air cargo and air logistics
- **Deepen integration of air cargo in the WSDOT Freight and Goods Transportation System (FGTS) Plan**
- **Assist smaller airports in Washington state in developing and attracting air cargo** and other logistics services opportunities, including e-commerce fulfillment centers

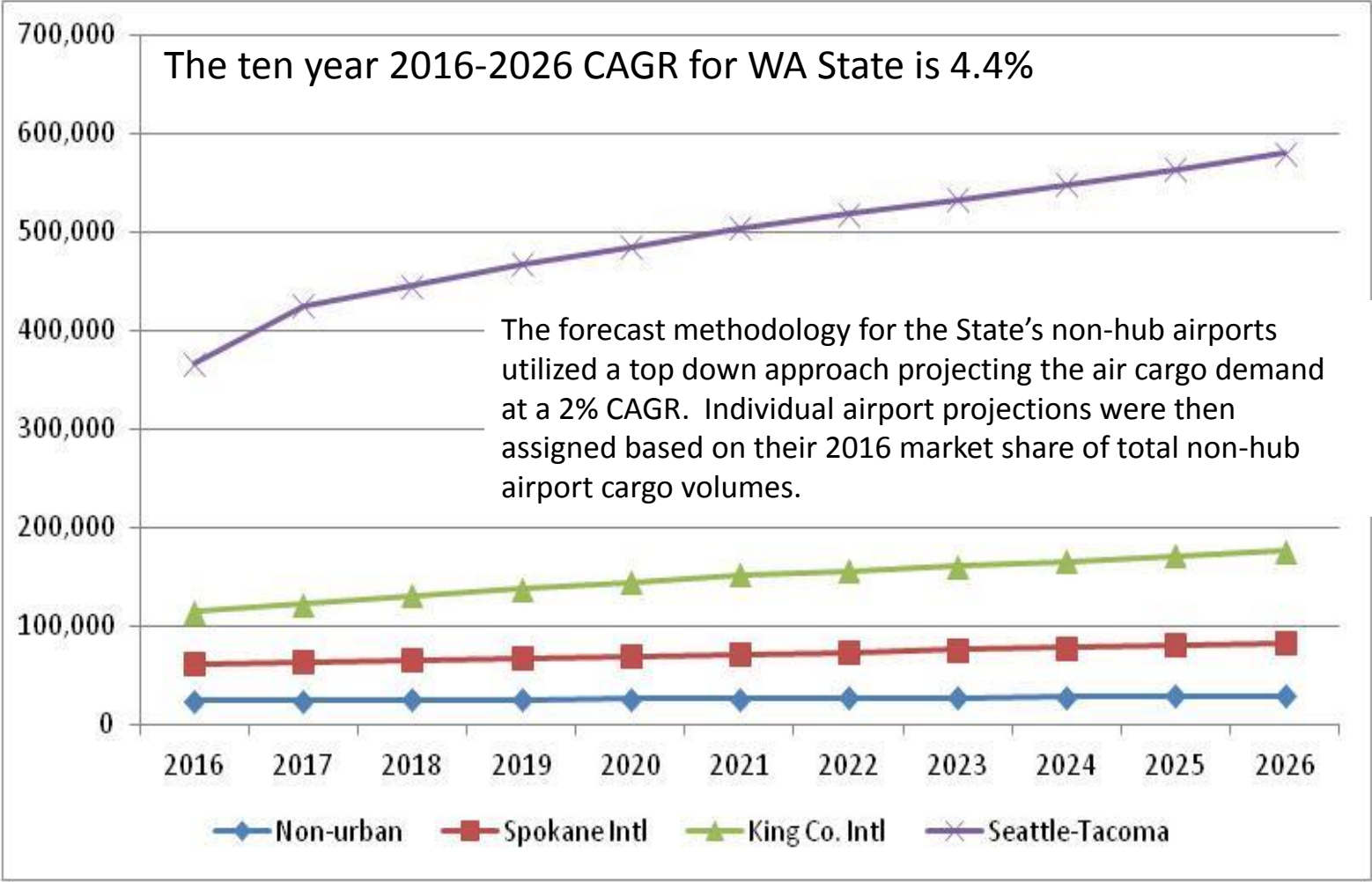
Recap of Key Findings

- Market Analysis
- Air Cargo Forecast
- Capacity/Congestion

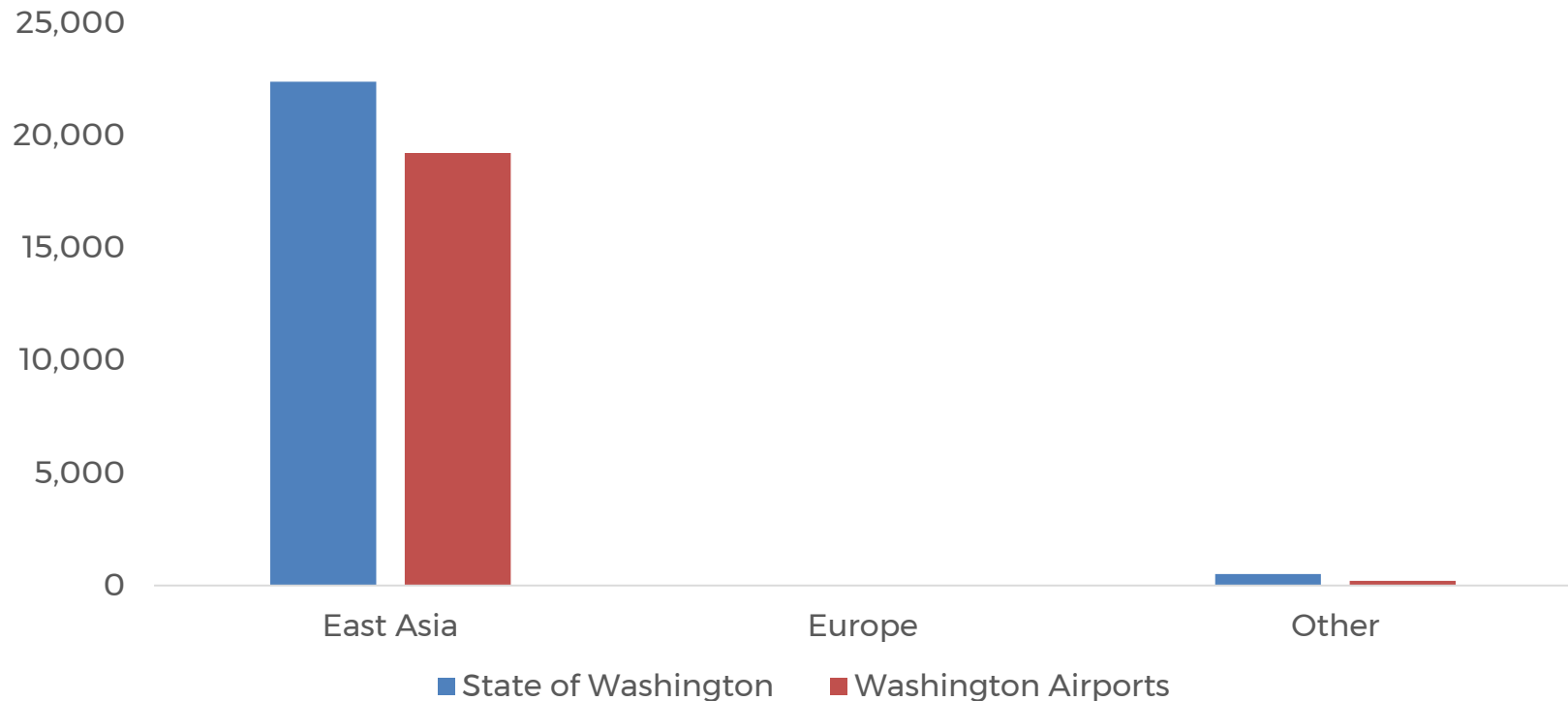
Three airports dominate the WA state air cargo market: Sea-Tac, Boeing Field & Spokane



WA State Air Cargo Forecast Summary



Export Expansion Opportunity – Fresh Cherries by Air in 2016 (metric tons)



This doesn't include the approximately 12 thousand tons trucked to Canada, likely for re-export - about half of the total air export.

Is there congestion at WA Airports?

Existing Capacity Summary: Major Cargo Airports

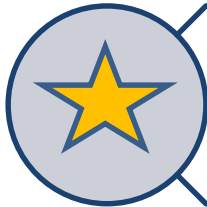
Airport	Airside Capacity			Landside Capacity		Access Capacity	
	Freight Service	Runways and Taxiways	Cargo Aprons	Cargo Buildings	Parking	Roads	Off-site Facilities
Sea-Tac (SEA)				✘	✘	✘	
Boeing Field (BFI)			✘		✘	✘	
Spokane Intl Airport (GEG)				✘			

Capacity is not an issue at remaining airports in the state due to limited or specialized freight demand.

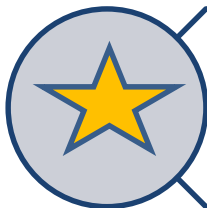
Strategic Recommendations to Maximize Use of WA's Existing Air Cargo Capacity



Maintain current air cargo and expand the existing integrator operations around the state (Amazon, DHL, FedEx, UPS, etc.)



Attract air charter operations for cherry and other perishable agricultural products to Central Washington airports



Develop smaller airports into centers for regional ground based logistical operations

In the longer term, scheduled freighter service becomes a more realistic goal for Spokane, Snohomish, and, possibly, Grant County International. Also, with the emergence of e-commerce, WA should be proactive in courting e-commerce fulfillment & logistics centers highlighting the state's airports, pacific rim location, developable land and gateway hubs for major integrator airlines.

Air Cargo Development Program

To be responsive to the air cargo goals and objectives, Washington State should implement a strategy comprised of the following three functions:



Each function is closely inter-related and dependent on each other

Air Cargo Resource Assistance Program

To help the state's airports in the timely creation of services, facilities and support for which they have determined there is a perceived market need:

Act as a clearing house and resource center to assist airports to navigate the various existing state and federal grants that can be utilized to improve existing, or create new, air cargo facilities and services at their airport

Identify the need for new sources of funding and support that Washington state airports can utilize to meet air cargo market requirements

Help develop new legislative policy initiatives to promote and encourage air cargo development throughout the state

The Resource Assistance Program would work closely with Office of Economic Development and Competitiveness (OEDC), the Public Works Board and the Community and Economic Revitalization Board (CERB) within the WA Department of Commerce; and the Freight Systems Office and the Office of Aviation within WSDOT

Implement Resource Assistance

Assist airports in identifying and securing:

- Existing grants for cargo facilities, equipment acquisition and improvements both on- and off- site
- Loans for land and building acquisition, expansion and equipment
- Matching grants for development of air cargo market assessment
- Tax credits for companies to locate at an airport
- Sales tax abatement on construction materials
- Advice on creation and operation of FTZs

Air Cargo Marketing Program

Assist airports in gaining exposure to the marketplace

Coordinate individual airport direct sales efforts with general indirect marketing aimed at a broad range of general promotion efforts for Washington state airports

Develop market intelligence and tracking of trends in order to know the needs and price points of their potential customers/tenants

Participate in national and international industry associations and events to advocate for WA State airports and provide input on industry standards and proposed government regulations

Implement General/Indirect Marketing

- Create a marketing campaign to promote the use of Washington state airports
 - One theme would focus on increasing exports of perishable agricultural products from central Washington state airports that can accommodate international charters
- Find/create a funding mechanism to support the costs of attending international air cargo events to promote Washington State air cargo airports
- Design a joint-use exhibition display booth to promote Washington state airports at air cargo forums and exhibitions
- Organize attendance of interested Washington State airports at the International Air Cargo Association (TIACA) Air Cargo Forum 2020

Air Cargo Development Program: Management

Air Cargo Program Manager

- Coordinate the efforts of the Air Cargo Working Group
- Manage State Air Cargo Marketing and Resource Assistance Programs
- Be knowledgeable of the air cargo industry and of air cargo activity in Washington state and the various programs operated by the Washington State government
- Initiate and maintain regular personal contact with WA state air cargo stakeholders and be proactive in identifying competitive opportunities

Air Cargo Development Working Group

- Composed of representatives from various offices within the Departments of Commerce and Transportation, airports, private air cargo industry
- Coordinate state grant programs and economic development incentives to improve facilities and services
- Research trends and market opportunities
- Suggest new program ideas to attract additional air cargo business

Implement Air Cargo Development Program

Engage Multiple Agencies and Divisions

WSDOT: “Mission: provide safe, reliable and cost-effective transportation options to improve communities and economic vitality for people and businesses.”

WSDOT

Office of Aviation

Freight Systems Office

Freight Mobility Strategic Investment Board

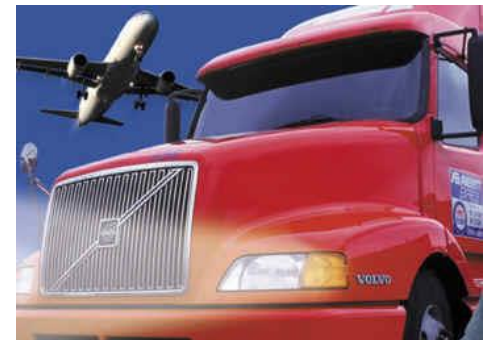
Commerce

Office of Economic Development & Competitiveness

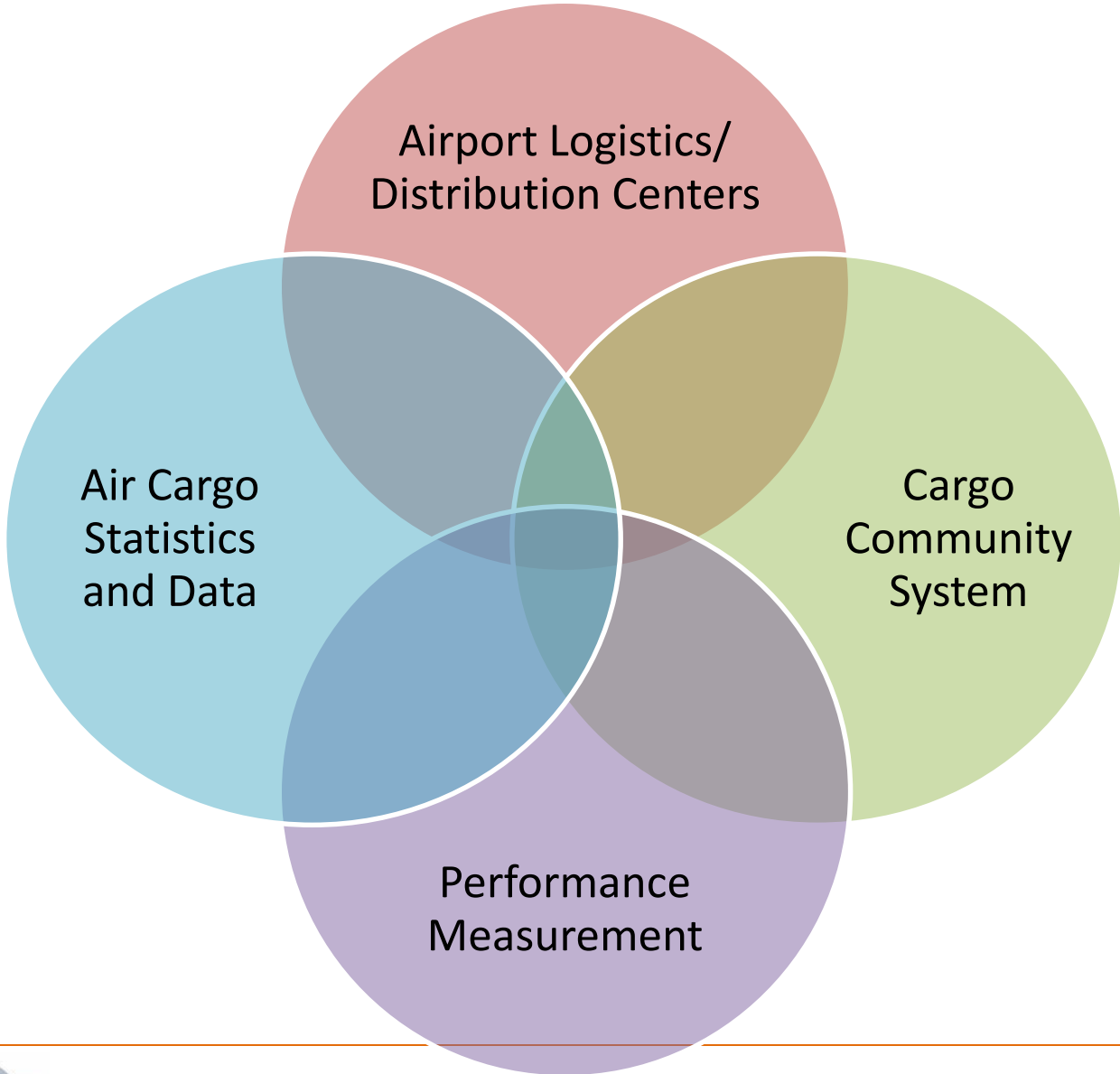
Community & Economic Revitalization Board

Public Works Board

Commerce: “the one agency in state government that touches every aspect of community and economic development: planning, infrastructure, energy, public facilities, housing, public safety and crime victims, international trade, business services and more.”



Other Recommendations



Airport Logistics/Distribution Centers

Multimodal distribution concept bringing together third-party logistics providers that manage some or all of various company logistics functions, both on- and off-airport

A way for airports to generate revenue and build up facilities to attract air cargo

- Sometimes referred to as an inland port strategy
- Rickenbacker, Huntsville and Alliance are successful examples

Opportunity to take pressure off Sea-Tac and retain/attract more air cargo market share in WA

- If developed at smaller, strategically located airports, could strengthen system and generate local economic development

Support Development of Airport Logistics/Distribution Centers

- Develop guide for establishment of airport logistic parks and creation and operation of FTZs
- Adapt/create grant program to assist airports to perform air cargo market analysis and feasibility studies

Cargo Community System

A neutral and open electronic platform enabling intelligent and secure information exchange between public and private stakeholders in order to improve the competitive position of airport communities

Short-term:

- Create web portal to link air cargo users (forwarders, carriers, etc.) and airports, and promote WA state air cargo resources
- Create or promote an industry association to advocate for air cargo users and airports in the state

Long-term:

- Help shape an open electronic platform enabling secure information exchange that will allow the tracking of air cargo between cargo warehouses, airlines and forwarders in WA

Collect Data and Measure Performance

- Collect and report statistics and data
- With Working Group, develop a standardized, electronic statewide air cargo data reporting form
 - Units of enplaned air cargo and deplaned air cargo, categorized as international or domestic by air carrier
 - Include landings of all-cargo aircraft by aircraft type and air carrier
- Measure Performance
 - Establish Key Performance Indicators (KPIs) such as number of wide-body freight landings, number of narrow-body freight landings, tons of air cargo by type and origin, etc.
 - Method of tracking long-term trends in state

Stakeholder Perceptions

- Review Input from Stakeholder Interviews in 2017
- Airforwarders Association Response to Findings and Recommendations, August-October 2018
- Private Sector Industry Panel, October 2018
- Stakeholder Panel Comments, October 2018

Industry Perceptions from 2017 Interviews and Air Freight Forwarders Forum

- Sea-Tac is a good place to do business and most find the facilities and services to be more than adequate.
- Growth of air cargo, limited ground-handling space and constrained layout lead to congestion and delays during peak periods.
- Several stakeholders noted that similar constraints exist at other airports around the world and more efficient layout and additional off-airport facilities could resolve many of these problems.
- There was a lack of consensus about utilizing facilities at other airports.
- These perceptions, along with air cargo trends, forecast and facility information were used in identification of opportunities and constraints.

Airforwarders Association Comments on Study Deliverables, August 2018

Bruce Wilson, Transgroup Worldwide Logistics, Seattle

- It's comprehensive and detailed
- Addressed the problem that affects us all - congestion - quite effectively
- An in-depth look at Washington State
- I favor limited governmental involvement but:
 - they need to play a major role, given the amount of \$ it would take to do virtually anything (marketing, expansion, etc.)
 - the idea of the Air Cargo Development Working Group, with all stakeholders, should be actively promoted
- Suggestions regarding the marketing of smaller airports in Washington
 - clearly everything is pointed to Seattle/King County
- Both Sea-Tac and King County are limited by the same geography that limits the rest of the transportation in this area:
 - effectively squeezed between residential areas, Puget Sound and the Cascades

Private Sector Panel October 2018

- Shippers would prefer to use SeaTac, but the operations aren't sufficient at peak.
- Need to develop air cargo alternatives - consider other airports such as Moses Lake and Paine Field.
- Airports must create an entire system to attract air cargo.
- Dedicated state staff is good first step.
- State should facilitate more capacity.
- Focus efforts - don't try to do everything all at once.
- Share risk (public-private) of investments.

Stakeholder Panel October 2018

- General support for major components of recommendation – air cargo management, resource assistance and marketing programs.
- Establishing the coordinator role is important to implementing the other recommendations.
- Further details could be refined with Air Cargo Working Group.
- Washington Airport Management Association could play a role or serve as model for Working Group.
- Airport infrastructure bill could be modified to include some air cargo development resource assistance – although funding is uncertain.

Questions and Comments?