


When The Hub Airport Is Unplugged

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The 2015 Airports Conference
Hershey, PA | March 3, 2015
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Objectives

When The Hub Airport Is Unplugged

- ▶ Identify opportunities where the airport can take control
- ▶ Identify airport rebranding opportunities
- ▶ Improve lines of communication with staff and community
- ▶ Better understand airline decision-making logic

“Whenever competition is feasible, it is, for all its imperfections, superior to regulation as a means of serving the public interest.”

▶ Alfred Kahn,
Chairman of the Civil
Aeronautics Board and
Father of Airline Deregulation

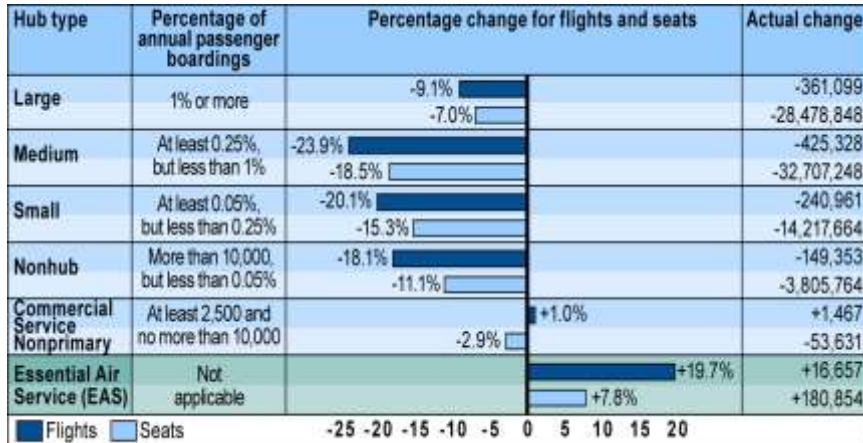
Impacts of Airline Dehubbing

When The Hub Airport Is Unplugged

- ▶ Not just airports formerly known as large hubs
- ▶ Small community access is going away
- ▶ No commercial service airport bankruptcy
- ▶ Funding impacts on grants and passenger facility charge (PFC) levels

Flights and Seat % Change 2007-2013

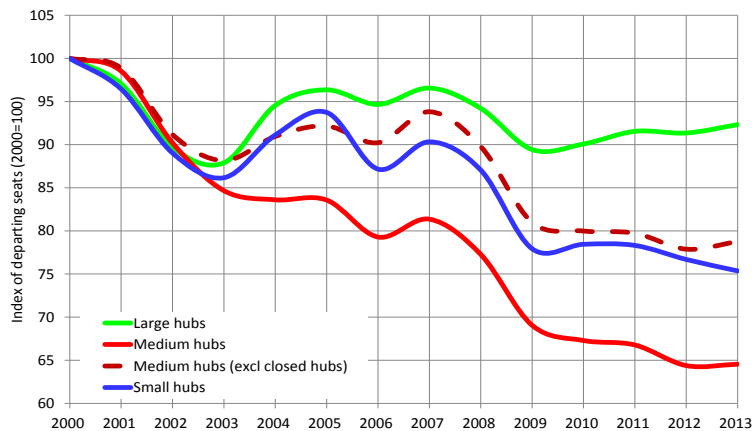
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Sources: Federal Aviation Administration and GAO analysis of DOT data.

Large Hubs Have Generally Escaped the Cuts

Small and mid-sized airports have been disproportionately harmed by capacity reductions

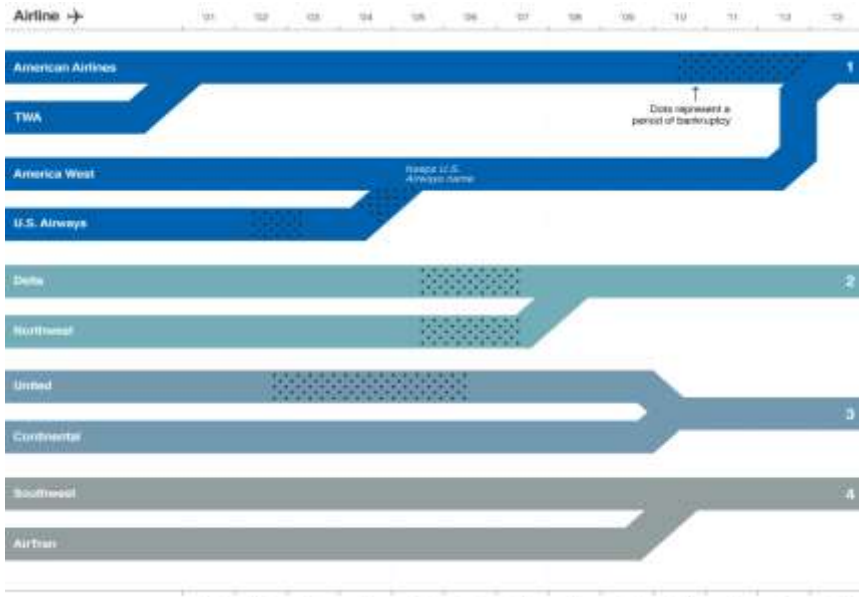


Source: OAG Schedules iNET database, accessed January 2014. Closed hubs include PIT, STL, CVG, and MEM.

The Final Four

When The Hub Airport Is Unplugged

- ▶ Bankruptcies and mergers over the last 12 years have taken 10 major U.S. airlines down to four mega carriers that dominate the market



Don't Forget

When The Hub Airport Is Unplugged

- ▶ Alaska
- ▶ Allegiant
- ▶ JetBlue
- ▶ Spirit
- ▶ Frontier



It's Game Time!

Airport Ground Rules

When The Hub Airport Is Unplugged

- ▶ Long-term residual airline agreement in place
- ▶ Several years before debt is paid off
- ▶ Current hub carrier has several hundred daily departures to over 100 destinations that will drop to under 50 daily departures to 9 destinations
- ▶ Airport is currently served by all domestic legacy carriers, 2 LCCs, and 1 ULCC
- ▶ Remember, FAA grant assurances and incentive rules apply

Airline Management

When The Hub Airport Is Unplugged

- ▶ You have determined that hub operations at **Anytown International Airport** no longer fit your business model due to the industry regulatory and economics environment and the regional population surrounding Anytown, USA.
- ▶ How will you explain this to the impacted community?

Airport Management

When The Hub Airport Is Unplugged

- ▶ **ABC Airways** has determined that its hub operations at **Anytown International Airport** no longer fit its business model due to industry regulatory issues, economics, and the regional population surrounding Anytown, USA.
- ▶ What will you do to regain air service?
- ▶ How are you going to communicate/strategize with community partners, including elected officials, business leaders, and the media?

Elected Officials

When The Hub Airport Is Unplugged

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Corporate Business Leaders

When The Hub Airport Is Unplugged

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Thank You for Flying
the Competitive
(and Profitable) Skies

Airport Cost Containment

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- ▶ Cost of doing business
- ▶ Everything should be on the table
 - Think outside the airport box
 - “No” is not always the best answer
- ▶ Capital and operating budgets
 - CIP needs vs. available funding
- ▶ All parts of the organization must understand reasoning and be active participants

Revenue Adjustments

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- ▶ Drop in PFCs and maybe customer facility charges (CFCs)
- ▶ Reduction in entitlement grants
- ▶ Increase or a decrease in parking?
- ▶ Drop in landing fees
- ▶ Drop in concessions
- ▶ Importance of non-aviation revenue sources

Organizational/Cultural Changes

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- ▶ Safety and security must remain top priority
- ▶ Hub vs. O&D characteristics
- ▶ New staffing and skill requirements
- ▶ Frequent and open communications
- ▶ Continuation of high quality and less quantity of services



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Management Through Dehubbing

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- ▶ Educate political leaders and community partners
- ▶ Parking and security issues
- ▶ Be creative with excess airline space
 - Movies
 - Parking
 - Concession
 - Security screening
 - Demolition
- ▶ Lower average fares, maybe?

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Management Through Dehubbing (cont'd)

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- ▶ Expanded responsibilities with reduced staffing and reduced budgets
- ▶ Terms and conditions of airline use and lease agreement
- ▶ Financial stability, maybe even an improved rating
- ▶ Cost containment
- ▶ Reevaluate rates and charges
- ▶ Cultural changes

Management Through Dehubbing (cont'd)

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- ▶ Technology's effect: less space needed by airlines
 - Common use systems and facilities
 - Baggage self check-in
 - Smartphones
 - Trusted travelers
 - More space available for reuse

New Airport Responsibilities

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- ▶ Service, systems, staffing
- ▶ Less operating and capital budgets
- ▶ Examples
 - Ground handling
 - Baggage system O & M
 - Passenger loading bridges
 - FIDS
 - Advertising
 - Self-serve kiosk equipment
 - Deicing
 - Fueling

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Rebranding the Airport

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- ▶ Tourism community
- ▶ Regional branding coordination
- ▶ Higher level of customer service
- ▶ Maximize social media
- ▶ Be aware of the competition
 - Other airports
 - Other modes of transportation
 - Technology
- ▶ Non-airline revenue critical
- ▶ P-3 investment opportunities

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Community Partners and Passenger Adjustments

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- ▶ Deregulation is a wonderful thing...
- ▶ Learn to understand airline economics
 - The “use it or lose it” rule applies
- ▶ Hub to O&D environment
 - Fewer nonstop destinations
- ▶ Parking and security line issues
- ▶ Customer service and loyalty programs
- ▶ International aviation law is extremely complex
 - Open skies issue

Community Partners and Passenger Adjustments (cont'd)

When The Hub Airport Is Unplugged



- ▶ Local, state, and federal elected officials
- ▶ Community corporate and chamber partners
- ▶ Identify and educate about airline and air service trends, economics, and aviation laws (both domestic and international)

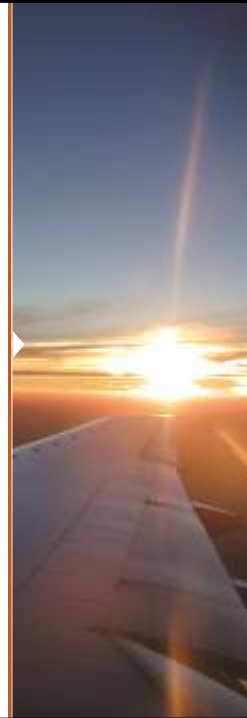
Airline Economics and Air Service

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- ▶ Airlines have realized they are for profit, publicly traded corporations
 - Fuel price impact
- ▶ Instead of market dominance, focus is on capacity discipline
- ▶ Alliance impacts, domestic and international
- ▶ Profitable flights survive, others have fleet rerouted
- ▶ Aircraft by design are mobile

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Airline Economics and Air Service (cont'd)

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- ▶ Aircraft fleet size and public expectations
- ▶ Regulatory issues
 - Crew retirement rules
 - Crew training requirements
 - Crew rest time requirements
- ▶ Ancillary fees vs. PFCs
- ▶ More hubs to fall?

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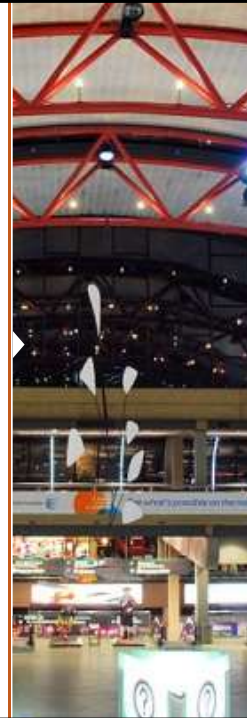
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Case Studies

When The Hub Airport Is Unplugged

- ▶ Pittsburgh International (PIT)
 - Close, upgrade, demo, repurpose, improve security flow and concessions
- ▶ Lambert-St. Louis International (STL)
 - Close, upgrade, repurpose
- ▶ Memphis International (MEM)
 - Close, upgrade, demo, improve aircraft flow



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Case Studies (cont'd)

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- ▶ Cincinnati/Northern Kentucky International (CVG)
 - Close, upgrade, possible demo
- ▶ Cleveland Hopkins International (CLE)
 - Close, upgrade
- ▶ General Mitchell International (MKE)
 - TBD, upgrade

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Questions

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