



Aviation in Kansas City

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Director of Aviation









Kansas City International Airport

Overhaul Facility

Kansas City

NW 112th St
My Prairie View Rd
Vienna Dr

NW 111th St

N Armitay Ave

12

71

300 yds

 SMITH

 SMITH

ASSEMBLY
STATION
THREE

KCI FACTS AND STATISTICS

- 551 acres of pavement, 15.4 million sq. ft. of runways/taxiways or 2,125 road miles on the airport and another 52 miles of actual roads
- 189 miles of wire for airfield lighting
- 23,000 parking spaces
- 249,000 gallons of deicing fluid used last season by airlines
- Busiest travel year 2000=approx. 12,000,000 passengers
- Busiest travel day of the year=Sunday after Thanksgiving
- Average revenue per seat mile = .16 cents
- KCI pays the City of KC approximately \$9-10 M annually for services
- 1.2 million sq. ft. of terminal space-90 original gates

GREEN EFFORTS:

- New maintenance building uses underground piping with water to heat and cool the facility instead of electricity and Freon.
- CNG Busing. Less than .90 cents per gallon
- Solar rooftop units this summer/fall

U.S. Airport Control

- The Federal Aviation controls, regulates and oversees the airport's operation and all planning aspects.
- The Director is responsible for day to day safety, security and operation of the airport and also answers to the City Manager.
- KCI is within the city limits and follows all City building and zoning codes.
- The City Council approves the award of all contracts and sets policies for city employees.
- The airport is merely a landlord that provides locational services to airlines, rental car companies and cargo operators while following federal guidelines from the FAA, TSA and EPA.

Airport Governance in the United States

City Government: KCI, Denver, Atlanta

County Government: Ft. Lauderdale

Airport Authority (independent appointed board): Dallas, Orlando, Nashville, Pittsburgh, Omaha, Des Moines

State Control: Maryland, Connecticut, Rhode Island

Bi-State: New York/New Jersey Port Authority

Private Operator: Albany, Harrisburg, Stewart (NY), Atlantic City, New Haven, Westchester

Independent/privately funded: Branson

All commercial airports in the US are regulated by the Federal Aviation Administration, Homeland Security (TSA) and various entities such as the Environmental Protection Agency and local/state bodies (MODNR)

Federal Requirements for Airports

Who they are:

FAA-Federal Aviation Administration

TSA-Transportation Security Administration

EPA-Environmental Protection Agency

MODNR-Missouri Department of Natural Resources

Sponsor/Grant Assurances:

Prepare annual 5 year capital improvement program

Audited annual financial report

Annual airport certification inspection

Security audits, tests, drills, scenarios

EPA permits, testing water quality, monitoring wells

Airport master plans, airport layout plans-nothing is constructed without FAA approval/permitting

The airport may not sell, lease or transfer any property without approval by the Secretary of Transportation.

All revenues generated by the airport will be expended by that airport for its operation.

Provide without cost, land for use by the Federal Government.

The Rest of the Story-FAA Airport Required Regulations

General Federal Requirements. It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance and use of Federal funds for this project including but not limited to the following:

Federal Legislation

- a. Title 49, U.S.C., subtitle VII, as amended.
- b. Davis-Bacon Act - 40 U.S.C. 276(a), et seq.1
- c. Federal Fair Labor Standards Act - 29 U.S.C. 201, et seq.
- d. Hatch Act – 5 U.S.C. 1501, et seq.2
- e. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 Title 42 U.S.C. 4601, et seq.2
- f. National Historic Preservation Act of 1966 - Section 106 - 16 U.S.C. 470(f).1
- g. Archeological and Historic Preservation Act of 1974 - 16 U.S.C. 469 through 469c.1
- h. Native Americans Grave Repatriation Act - 25 U.S.C. Section 3001, et seq.
- i. Clean Air Act, P.L. 90-148, as amended.
- j. Coastal Zone Management Act, P.L. 93-205, as amended.
- k. Flood Disaster Protection Act of 1973 - Section 102(a) - 42 U.S.C. 4012a.1
- l. Title 49, U.S.C., Section 303, (formerly known as Section 4(f))
- m. Rehabilitation Act of 1973 - 29 U.S.C. 794.
- n. Civil Rights Act of 1964 - Title VI - 42 U.S.C. 2000d through d-4.
- o. Age Discrimination Act of 1975 - 42 U.S.C. 6101, et seq.
- p. American Indian Religious Freedom Act, P.L. 95-341, as amended.
- q. Architectural Barriers Act of 1968 -42 U.S.C. 4151, et seq.1
- r. Power plant and Industrial Fuel Use Act of 1978 - Section 403- 2 U.S.C. 8373.1
- s. Contract Work Hours and Safety Standards Act - 40 U.S.C. 327, et seq.1
- t. Copeland Anti kickback Act - 18 U.S.C. 874.1
- u. National Environmental Policy Act of 1969 - 42 U.S.C. 4321, et seq.1
- v. Wild and Scenic Rivers Act, P.L. 90-542, as amended.
- w. Single Audit Act of 1984 - 31 U.S.C. 7501, et seq.2
- x. Drug-Free Workplace Act of 1988 - 41 U.S.C. 702 through 706.

Kansas City Aviation Department

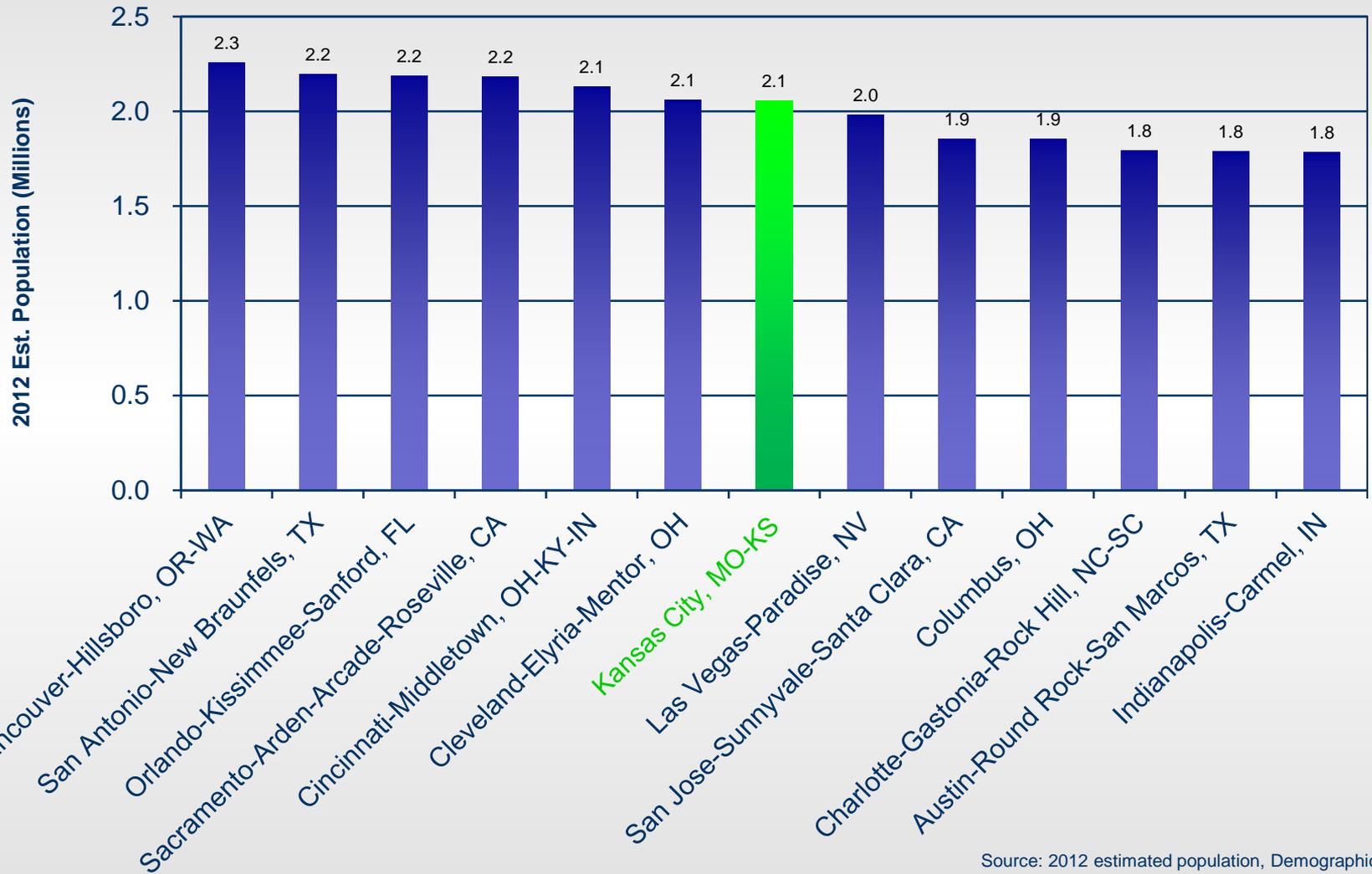
- 525 Employees managing two airports (Police, Fire, Engineering, Maintenance, Finance, Eco-Devo) manage 77 buildings. Must be KCMO residents
- One of two Enterprise Funds for the city. (Water Dept.) No general funds used.
- \$117,000,000 annual budget
- 10 Million annual passengers at KCI
- Top Destinations: Denver, Chicago, Las Vegas, LA, Atlanta
- 47 daily non-stop destinations
- 186 daily departures
- 19,675 daily non-stop seats
- Annual Total Economic Impact of KCI = \$5.5B (2006 study)

What the Aviation Department doesn't do...

- Control aircraft (FAA)
- Passenger screening (TSA), rub-downs, massages-dry or with scented oils, change diapers, deny boarding's, etc.
- Place airlines in terminal space
- Handle bags/cargo (airlines)
- Set ticket prices (airlines)
- Determine airline routes (we do make suggestions!)
- Clean gates/restrooms (airlines)

The Region- Population/Passengers

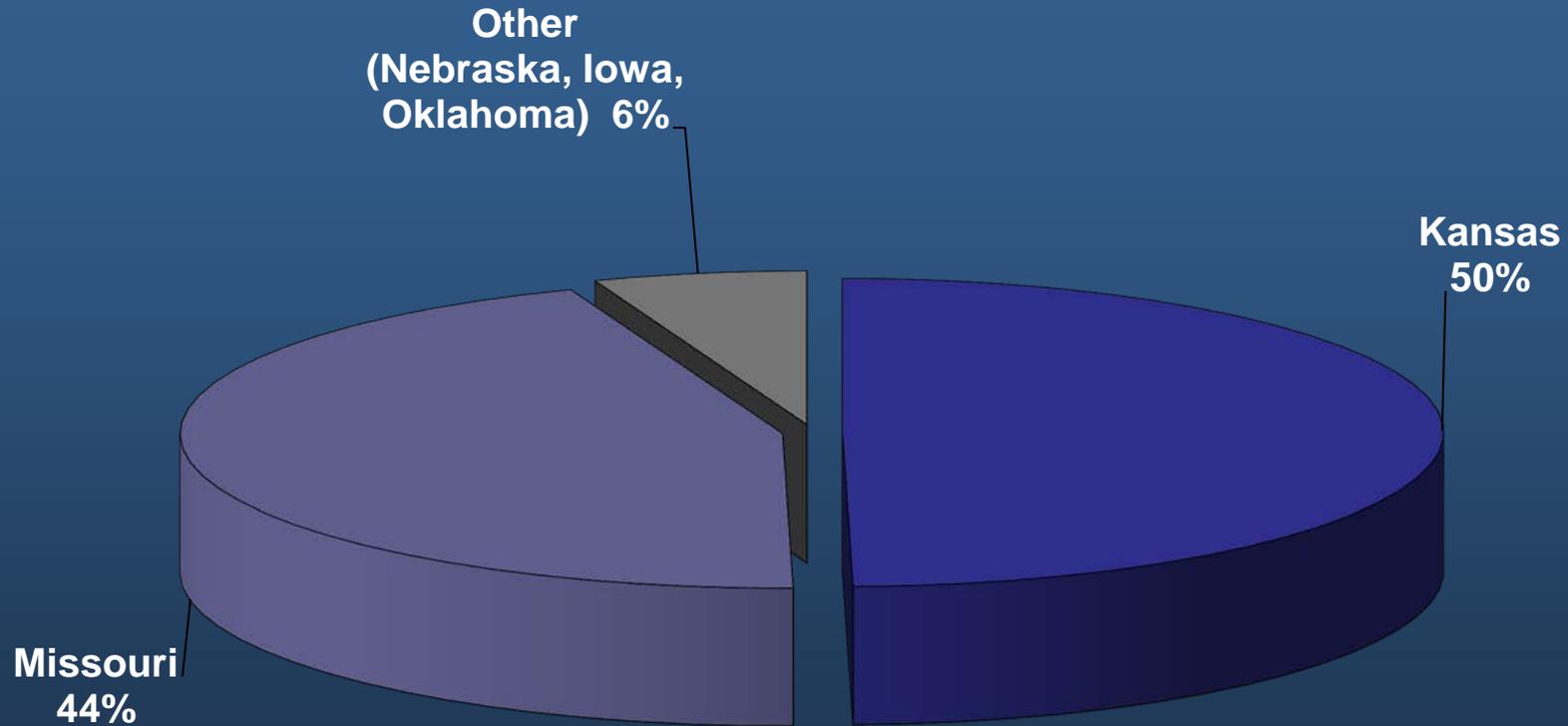
KC's Metro Area Comparison



Source: 2012 estimated population, DemographicsNow.



Who Uses KCI? Parking by State



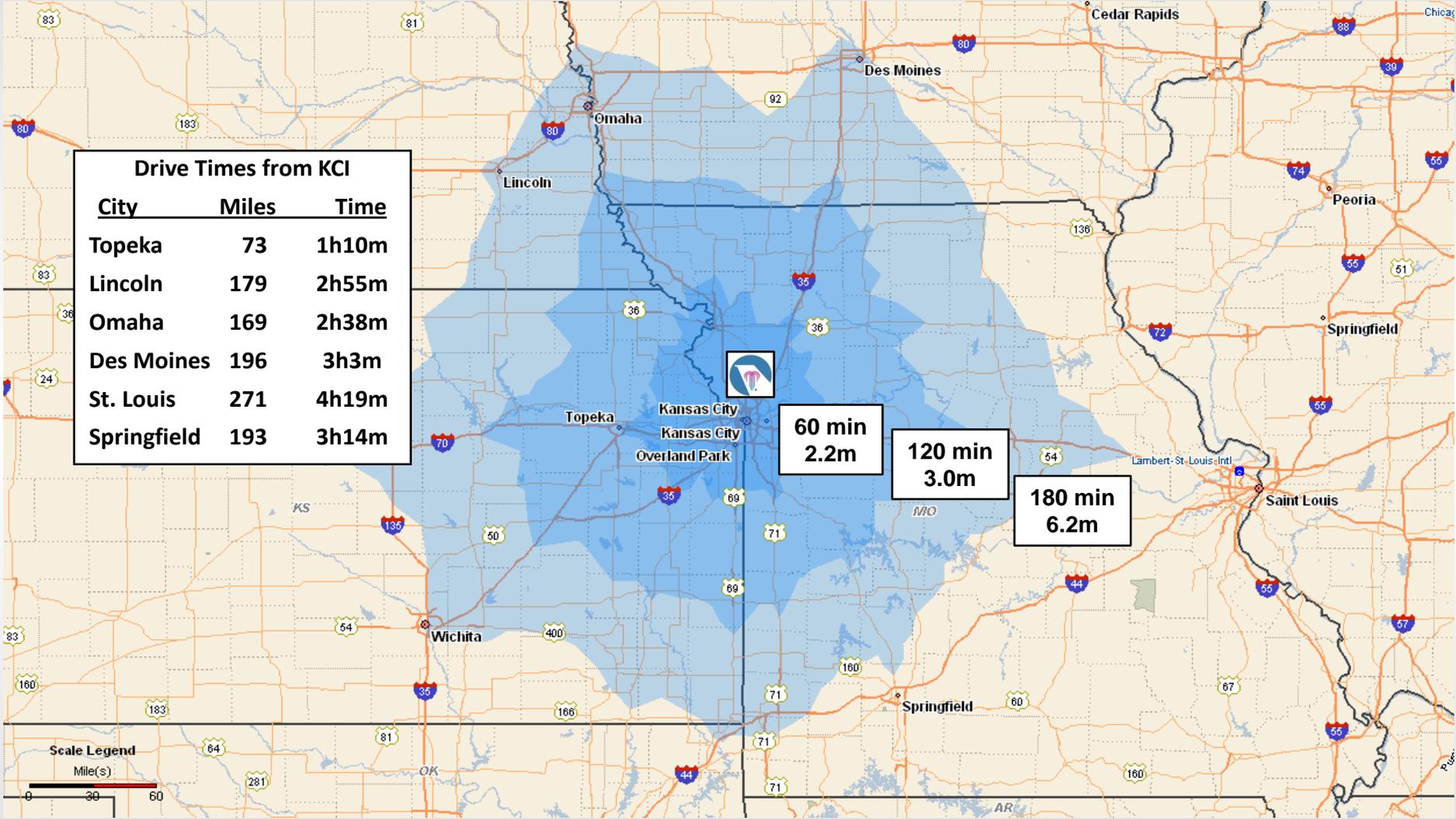
USATODAY POLL: 33% never fly, 31% fly less than once a year, 37% fly more than once a year. (June 10, 2013 issue)

Local Trip Origin by City

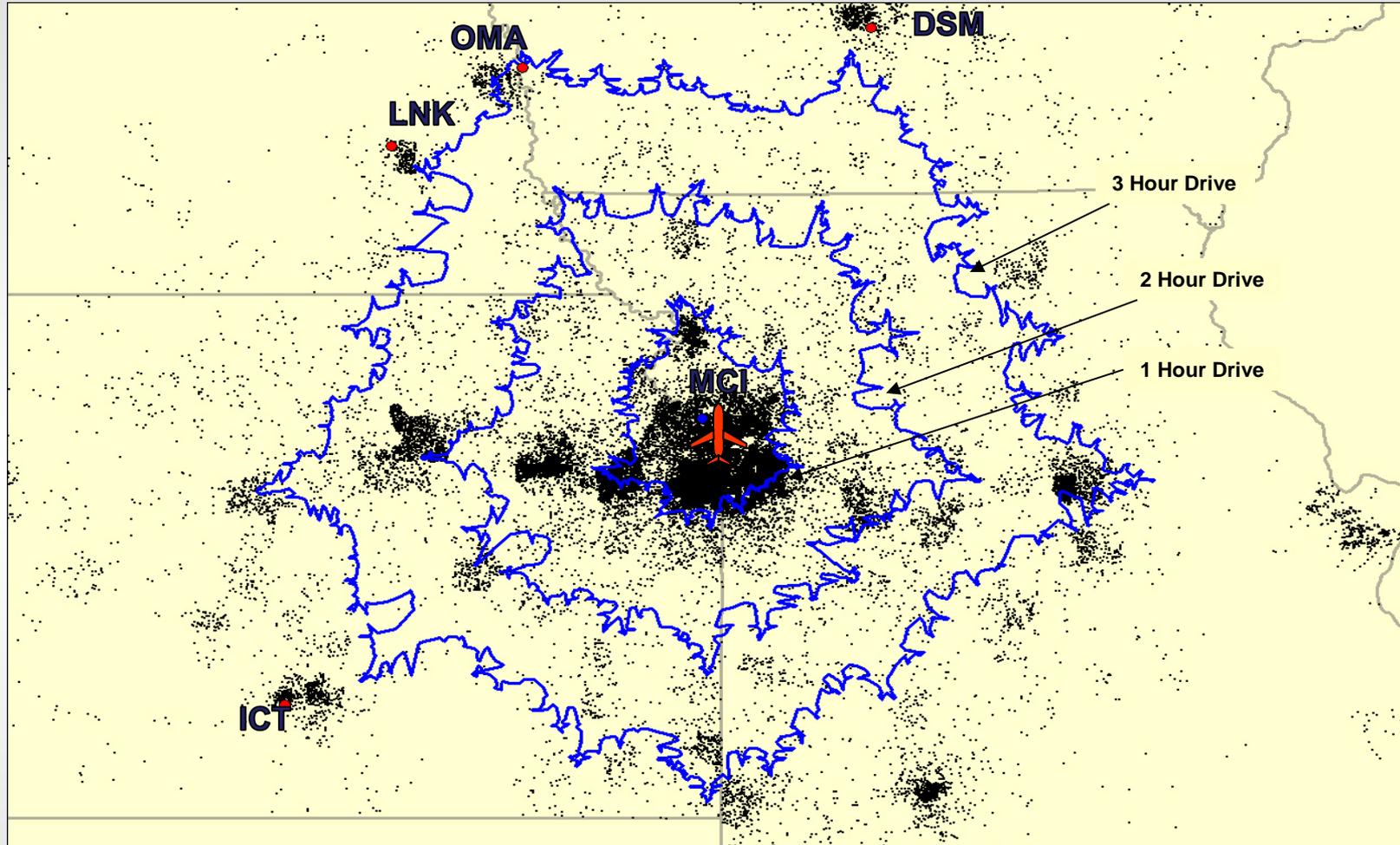
- Kansas City and Overland Park were the main local cities passengers traveled from prior to arriving at KCI
- The top 15 local trip origin cities account for 72% of all passengers at KCI

| Trip Origin | | |
|---------------------|-----------------|------------|
| 1 | Kansas City | 27% |
| 2 | Overland Park | 14% |
| 3 | Olathe | 5% |
| 4 | Lawrence | 3% |
| 5 | Lees Summit | 3% |
| 6 | Lenexa | 3% |
| 7 | Topeka | 3% |
| 8 | Leawood | 2% |
| 9 | Shawnee | 2% |
| 10 | Prairie Village | 2% |
| 11 | Independence | 2% |
| 12 | Mission | 1% |
| 13 | Liberty | 1% |
| 14 | Saint Joseph | 1% |
| 15 | Blue Springs | 1% |
| Total Top 15 | | 72% |
| All Other Zip Codes | | 28% |

MCI Serves a Large Population



MCI Draws Traffic From a Wide Area



4.9 Million O&D Passengers Originate From MCI

• = 100 Bookings



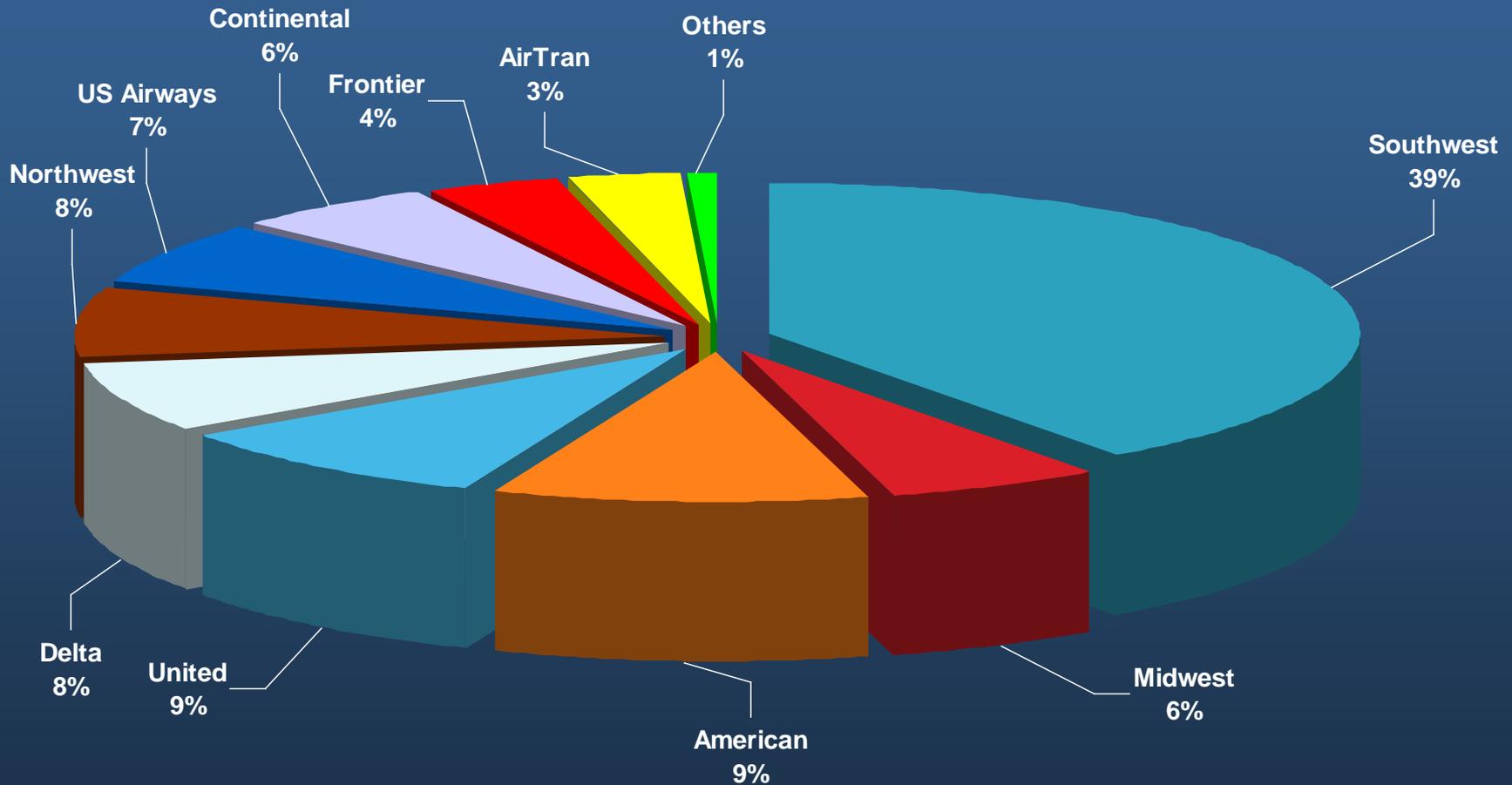
The Airline Business

A History of “ups and downs”

- Baggage Fees, drink fees, seat fees= \$27 billion dollars worldwide last year.
- Reduce capacity, control costs=smaller aircraft
- Revenue guarantees from small airports (Wichita, Columbia, Branson)
- Point to point service, i.e., The Mega Hub is dead!
- Mergers and bankruptcies

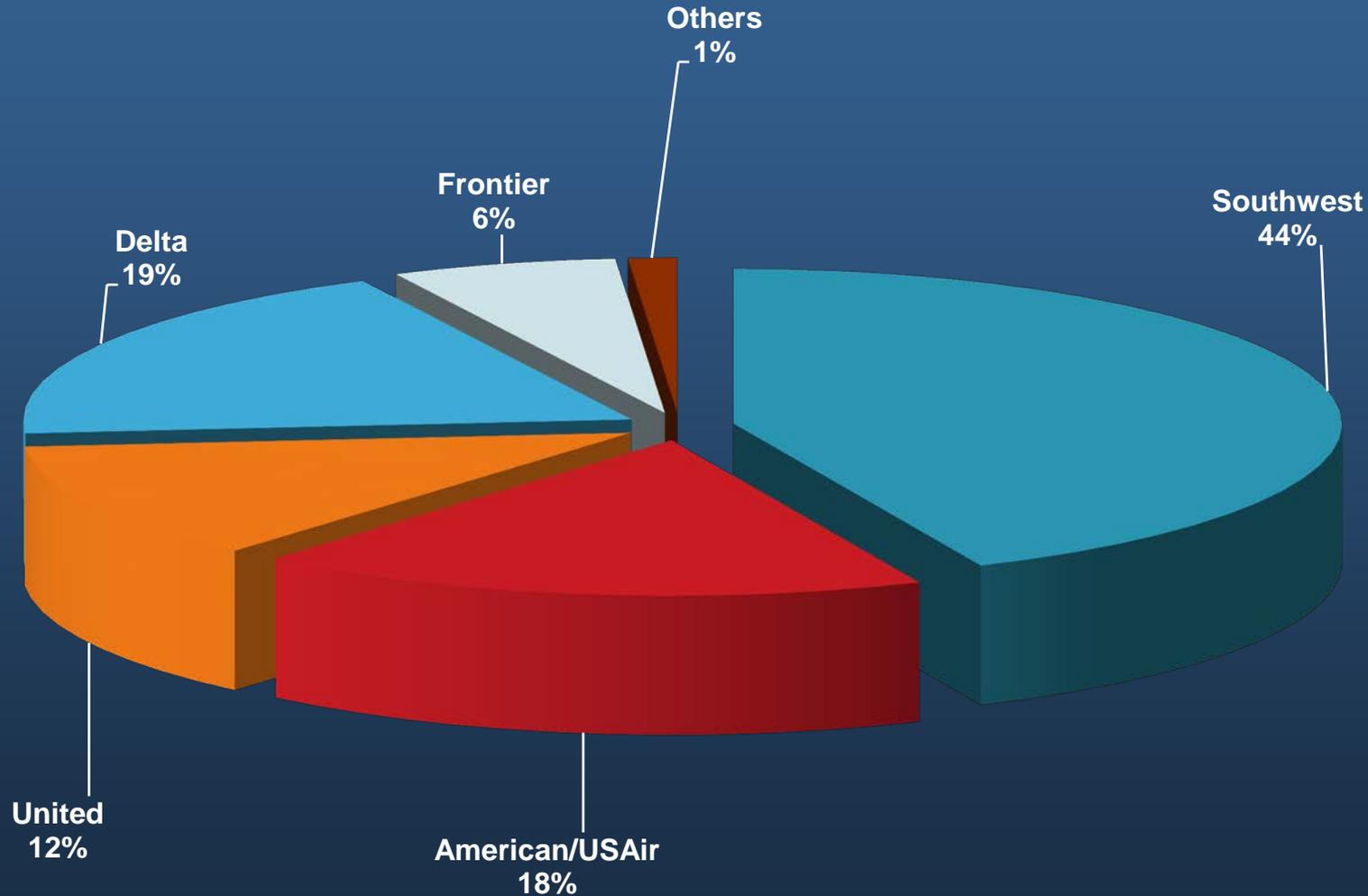


Previous Carrier Market Share



Passengers by Marketing Carrier for 2Q09

Current Carrier Market Share



Kansas City Hub Attempts

TWA- the “world hub” concept (3 terminals)

Braniff- no longer flying

Eastern- no longer flying

USAir- several mergers later ...

Braniff II- no longer flying

Vanguard- 9/11-no longer flying

Midwest (purchased by Republic/Frontier)

Frontier Airlines-currently for sale

Air Service Marketing Efforts or Why Should an Airline Fly to Kansas City?

- Population, discretionary income, business demands, conventions
- Where do our residents want to go?
- How are they getting there currently? (drive market?)
- What Airlines should be targeted?
- Should we incentivize?
- What do we know?

MCI's Largest Markets Without Nonstop Service

| Rank | Top MCI O&D Markets Without Nonstop Service | Miles | CY 2012 O&D Passengers | PDEW | Average Fare | Peak Period | |
|------|---|-------|------------------------|------|--------------|-------------|------------|
| | | | | | | PDEW | Year-Ended |
| 1 | Austin (AUS)* | 649 | 93,866 | 129 | \$130 | 156 | Q2' 08 |
| 2 | San Antonio (SAT) | 706 | 92,386 | 127 | \$134 | 167 | Q2 '08 |
| 3 | Orange County (SNA) | 1,341 | 84,214 | 115 | \$151 | 131 | Q3 '04 |
| 4 | Sacramento (SMF) | 1,441 | 75,114 | 103 | \$161 | 121 | Q2 '06 |
| 5 | Raleigh/Durham (RDU) | 905 | 71,072 | 97 | \$171 | 155 | Q2 '08 |
| 6 | Ft. Myers (RSW)* | 1,156 | 70,052 | 96 | \$146 | 102 | Q4 '07 |
| 7 | Pittsburgh (PIT) | 774 | 58,072 | 80 | \$149 | 104 | CY '01 |
| 8 | Columbus (CMH) | 633 | 55,340 | 76 | \$165 | 119 | Q2 '08 |
| 9 | Oklahoma City (OMA)* | 312 | 46,092 | 63 | \$112 | 184 | Q4 '00 |
| 10 | Jacksonville (JAX) | 956 | 42,762 | 59 | \$175 | 104 | Q2 '08 |
| | Miami (MIA) | 1,252 | 40,774 | 56 | \$179 | 117 | Q2 '04 |

*Nonstop service was flown during calendar year 2012.

Source: Innovata schedule data for March 2013 and U.S. DOT, O&D Survey.



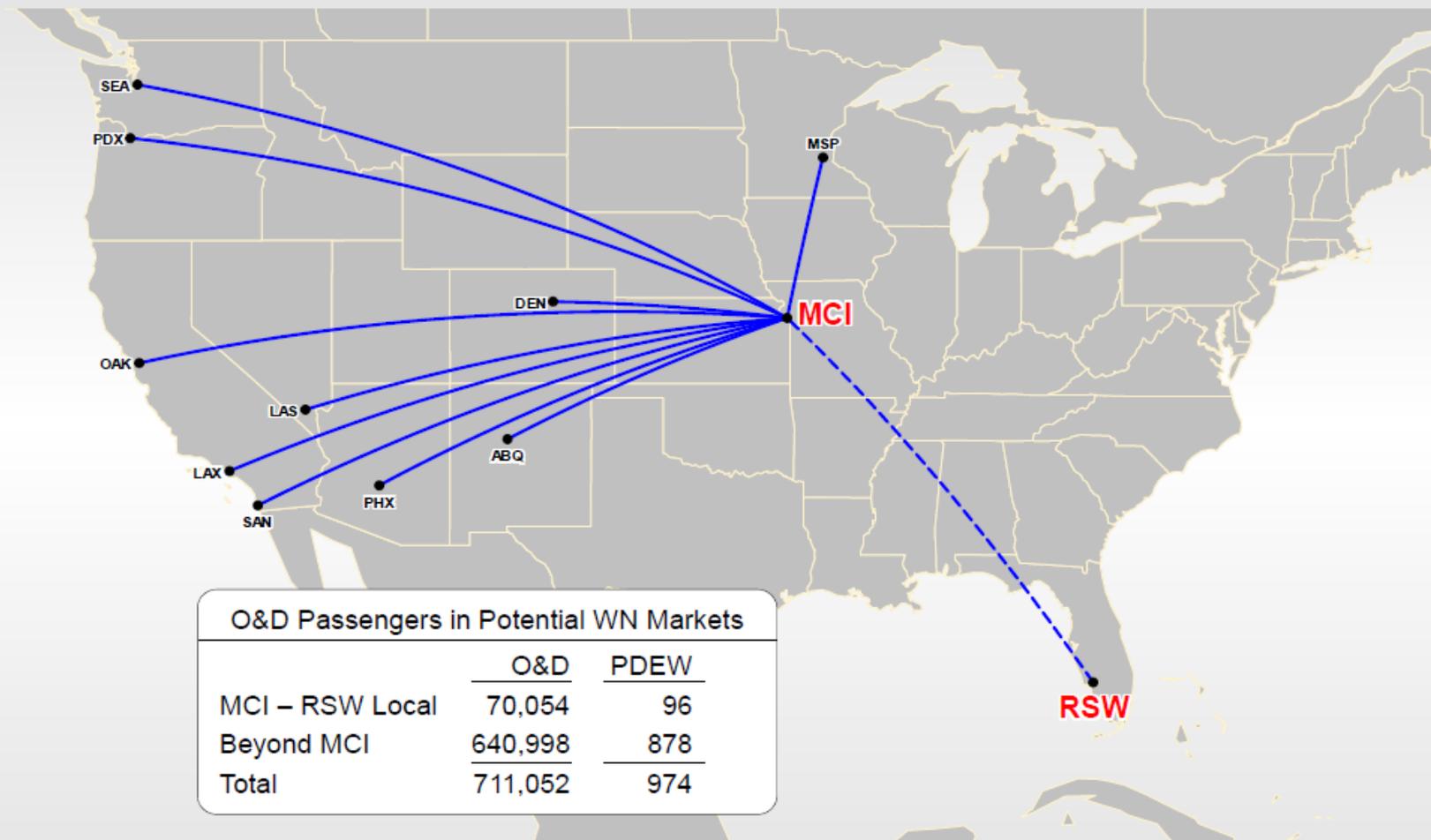
MCI is RSW's Second Largest Market Without Nonstop Service During the Peak Season

| <u>Rank</u> | <u>Top RSW O&D Markets Without Nonstop Service</u> | <u>Miles</u> | <u>Q1 and Q2 2012 O&D Passengers</u> | <u>Annualized PDEW</u> | <u>Average Fare</u> |
|-------------|--|--------------|--|------------------------|---------------------|
| 1 | Providence (PVD) | 1,201 | 57,541 | 158 | \$150 |
| 2 | Kansas City (MCI) | 1,156 | 40,807 | 112 | \$151 |
| 3 | Nashville (BNA) | 722 | 30,107 | 82 | \$157 |
| 4 | Grand Rapids (GRR) | 1,147 | 29,911 | 82 | \$176 |
| 5 | Los Angeles (LAX) | 2,238 | 29,083 | 80 | \$229 |
| 6 | Flint (FNT) | 1,138 | 28,864 | 79 | \$159 |
| 7 | Las Vegas (LAS) | 2,070 | 25,303 | 69 | \$219 |
| 8 | Phoenix (PHX) | 1,868 | 24,598 | 67 | \$193 |
| 9 | San Francisco (SFO) | 2,481 | 24,493 | 67 | \$242 |
| 10 | Rochester (ROC) | 1,166 | 24,175 | 66 | \$167 |

Source: Innovata schedule data for March 2013 and U.S. DOT, O&D Survey.



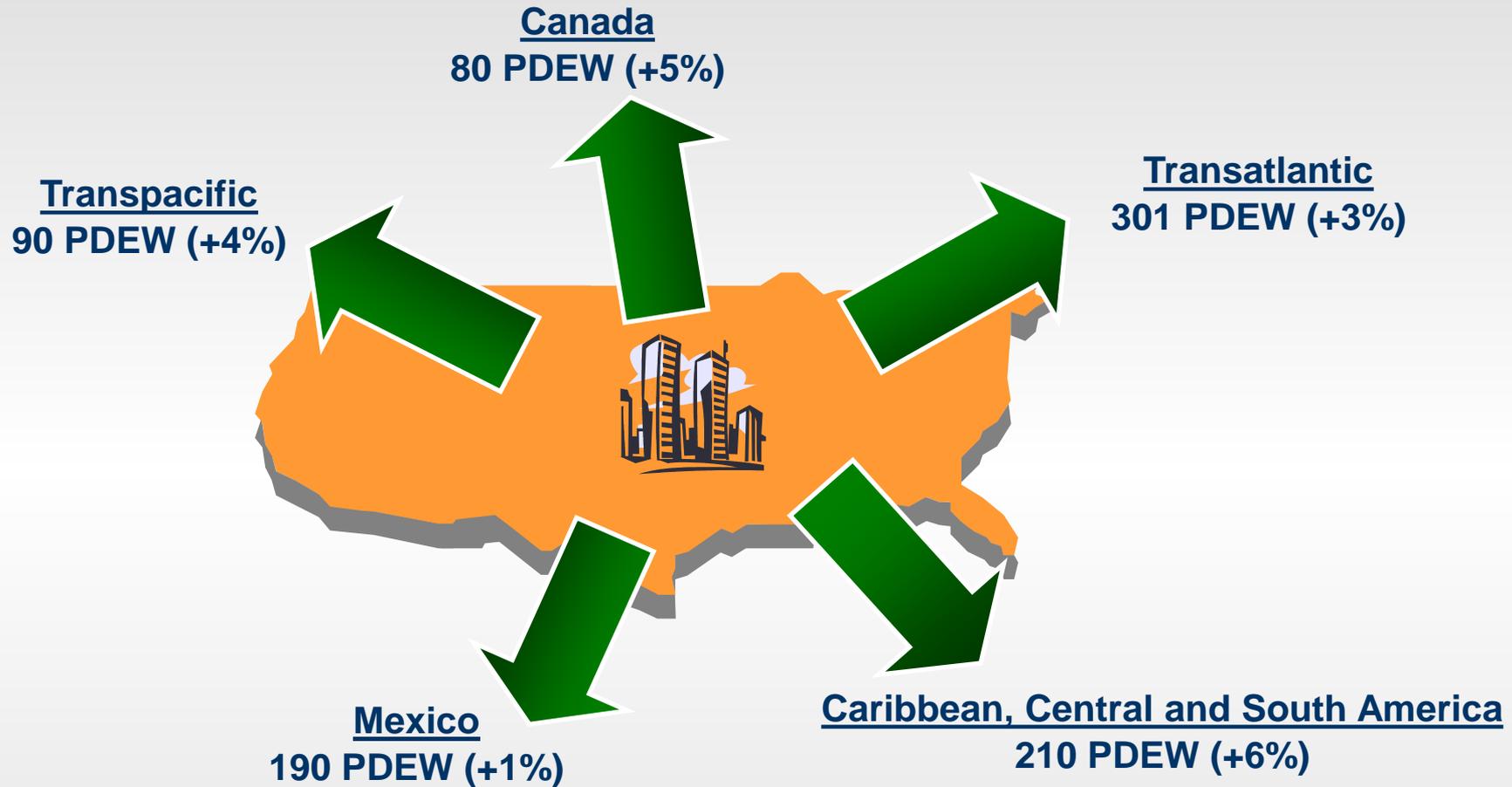
Southwest's MCI – RSW Potential Passenger Pool is Over 700,000 Passengers



Source: U.S. DOT, O&D Survey, calendar year 2012; and Innovata schedule data for July 2013.



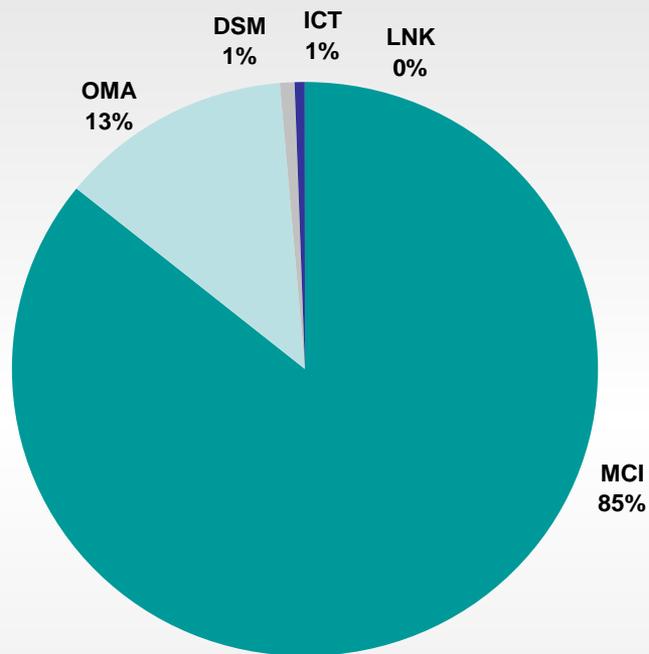
International Traffic Growth



International Passengers per day each way YE Q3 2012 vs. YE Q3 2011, Passenger Origin and Destination (O&D) Survey



Originating Airport for MCI Service Area to Mexico



YE Q3 2012 Originating Passengers

Source: Adjusted ARC.



MCI's Top 10 Mexico Markets

| <u>Rank</u> | <u>Mexico Market</u> | <u>YE Q3 2012 O&D Passengers</u> | <u>Service Area Passengers Using DSM, ICT, LNK or OMA</u> | <u>YE Q3 2012 Total</u> |
|-------------|-------------------------|--|---|-----------------------------|
| 1 | Cancun (CUN) | 68,195 | 9,361 | 77,555 |
| 2 | San Jose del Cabo (SJD) | 21,685 | 1,407 | 23,092 |
| 3 | Puerto Vallarta (PVR) | 17,587 | 1,286 | 18,872 |
| 4 | Mexico City (MEX) | 9,786 | 1,609 | 11,394 |
| 5 | Cozumel (CZM) | 5,972 | 1,021 | 6,994 |
| 6 | Guadalajara (GDL) | 3,843 | 1,658 | 5,501 |
| 7 | Monterrey (MTY) | 3,203 | 129 | 3,332 |
| 8 | Mazatlan (MZT) | 1,327 | 335 | 1,661 |
| 9 | Leon/Guanajuato (BJX) | 872 | 615 | 1,487 |
| 10 | Queretaro (QRO) | 665 | 161 | 827 |
| | Other | 5,413 | 864 | 6,276 |
| | Total | 138,547 | 18,445 | 156,992 |

Source: Adjusted ARC and U.S. DOT, O&D Survey



When MCI Has the Only Nonstop Service, MCI Captures 90% of Service Area Passengers

MCI Does Not Have Nonstop Service



MCI Has the Only Nonstop Service in Region



Latest data indicate 33% of DSM, ICT, LNK and OMA service area passengers can be expected to shift to MCI when MCI obtains nonstop service



Thank you, Questions?