

GREENVILLE-SPARTANBURG AIRPORT

COMMISSION MINUTES

JANUARY 15, 2015

The Greenville-Spartanburg Airport Commission met on January 15, 2015 at 9:00 a.m. in the Greenville-Spartanburg Airport District Office Conference Room C located at 2000 GSP Drive, Suite 1, Greer, SC 29651.

MEMBERS PRESENT: Minor Shaw, Leland Burch, Valerie Miller, Doug Smith, and Bill Barnet. Hank Ramella was present via conference call.

STAFF AND LEGAL COUNSEL PRESENT: Dave Edwards-President/CEO, Kevin Howell-Vice President/COO, Jack Murrin-Vice President Administration and Finance/CFO, Rosylin Weston-Vice President Communications, Scott Carr-Director of Properties and Development, Betty O. Temple-WCSR, and Wanda Jones-Executive Assistant.

GUESTS PRESENT: Doug Banez-InterVistas, David Dague-InterVistas, Robert Sullivan-InterVistas, Edward Shelswell-White-LexVolo, Peter Muller-PRT Consulting, and Dean Hatfield-Louis Berger.

CALL TO ORDER: Chair Minor Shaw called the meeting to order at 9:00 a.m.

CONSENT AGENDA:

A motion was made, seconded, and unanimous vote received to approve the regular meeting minutes from the November 24, 2014 Commission Meeting.

PRESENTATIONS:

A. Preliminary Personal Rapid Transit Feasibility Study.

Mr. Peter Muller from PRT Consulting presented the findings of the Preliminary Personal Rapid Transit Feasibility Study. Some of the problems that initiated the study were the lack of an Economy Lot Shuttle Service, the growing parking demand, and the fact that shuttle buses will not work well. Mr. Muller discussed that PRT is a small, driverless vehicle that operates on an exclusive guide way. The system is elevated and provides short wait times with non-stop travel. Mr. Burch asked how the system gets around traffic. Mr. Muller stated the system goes around the edge of the parking lot and is elevated so the automobiles would go underneath the system causing no issue. The stations are also elevated at the terminal so you would have stairs or an elevator. Chair Shaw asked if an off-site garage possibly was researched. Mr. Muller said no, but that it could be. Chair Shaw asked when researching the bus option if Proterra was

considered. Mr. Edwards stated that the Proterra platform does not work for the airport because of the size of the bus.

The 30-year life-cycle cost is \$181 million. The PRT scenario breaks even at \$6.40 daily rate. Mr. Muller stated that some supplemental revenue options include: advertising, passenger facility charges (which could generate \$4 m/year), sponsorships, loans, grants, and future parking rate increases. The initial PRT implementation would consist of the following: .88 track miles with 5 stations, capital cost of \$20.9 million, annual O&M cost \$1.81 million, annual parking revenue \$3.05 million, breaks even at \$6.00 parking, 4% interest, advertising, grants, and PFC can be considered. Mr. Smith asked if the financial numbers are just for the economy lot. Mr. Muller stated yes, we are only picking up the economy lot revenue stream. Mr. Barnett asked what the life expectancy of the system is. Mr. Muller stated it is hard to say but probably about ten (10) to twelve (12) years. Mr. Smith asked if private investments were an option. Mr. Edwards stated yes; however, a private investor would want to charge more but it is worth exploring. Part of the next step is to meet with local companies to see if we can get them on-board.

In summary, Mr. Muller stated that a shuttle is needed to maintain a high level of service. PRT is preferred to bus because of the following reasons: higher level of service, similar life-cycle cost, obviates need for parking structure, higher revenue potential, no disruption of surface traffic, no on-site emissions, economic development opportunities, and the initial implementation breaks even at a \$6 daily rate. Mr. Smith asked if there are any carbon or green credits. Mr. Muller stated yes. Mr. Smith stated he considers the carbon credits to be significant and would like for this to be researched. Mr. Burch asked for the build time. Mr. Muller stated once permits are obtained the build time would be approximately two (2) years.

Chair Shaw stated she would like to see this wrapped up into GSP's overall master plan. The Commission all agreed to proceed to the next level of planning and design for a PRT system to be implemented at GSP.

B. Air Service Development 5-Year Strategic Plan Update.

Mr. Edwards stated one of the components of the five-year Strategic Business Plan is Air Service Development. Mr. Edward Shelswell-White from LexVolo is leading the Marketing/Community Outreach portion with InterVistas leading the data research, market assessment and the leakage study. Mr. Edwards introduced the team.

Mr. Edward Shelswell-White from LexVolo presented the Air Service Development 5-year Strategic Plan Update. Mr. Shelswell-White stated the objective is to identify a five-year strategy and annual tactical plans to increase passenger and

airline demand for GSP air service. Since July, GSP has completed a leakage study, market assessment, and passenger research. Mr. Shelswell-White stated that GSP is well served for the size of the market especially considering the proximity to Charlotte and Atlanta. The research objectives included passenger attitudes, perception, and preference towards GSP. Some of the key findings included: passengers love GSP and want to use it more. There are some barriers that cause people to choose alternate airports but there are areas in which GSP can act on things that can be controlled to improve airline results leading to a better view of GSP. The main barriers to increased use of GSP versus Atlanta and Charlotte include: fewer nonstop flights/destinations, fears of no control if/when the connecting flights cancel, and the perception that GSP is more expensive.

Mr. Shelswell-White stated that LexVolo hired a company from Los Angeles, BrandIQ, to talk to customers at GSP to find out their existing attitudes and perceptions for GSP versus alternate airports. This will help GSP to understand what can be controlled and what the passengers care about and it also gives us something to measure. The key findings to date include: GSP can increase demand among passengers by: messaging the actual fare competitiveness with Charlotte and Atlanta, capitalizing on its ease-of-use, and adding features that target passenger's values that Charlotte and Atlanta cannot easily offer. Mr. Shelswell-White stated that efforts need to be focused where we have more influence – example: More passenger demand for GSP can lead to more GSP flights. Mr. Shelswell-White discussed the recommended marketing strategies – increase passenger demand for GSP, elevate airlines' expectations of GSP, and improve local Stakeholder satisfaction with GSP.

An example is zip code targeting – focus on underperforming zip codes with high index of target households. Ms. Miller asked if there is a way to tell what percentages of passengers are using corporate travel. Ms. Miller stated corporate travel is very important since the employees cannot control it. Mr. Shelswell-White stated every market would be unique. Mr. Edwards stated he continues to have CEO meetings with companies in the Upstate and that most of the companies are leaving travel decisions up to the traveler. Mr. Smith stated that in the zip code slide there were no North Carolina zip codes. Mr. Shelswell-White stated the zip codes were from the catchment study. Ms. Miller asked why Anderson is 51.5% and Clemson is 60.2%. Mr. Edwards stated the airport has a very strong relationship with Clemson and that we message well to the students at Clemson and not so much to Anderson. Ms. Miller also asked if during the research that parking has been an issue. Mr. Shelswell-White stated from what he remembered most people stated how easy it is to park at GSP versus how hard it is to park at Charlotte. Ms. Miller stated the airport should be mentioning parking when advertising along with lower fares.

Mr. Shelswell-White discussed the marketing strategies, objectives, and goals.

C. Air Service Market Assessment and Leakage Study.

Mr. Richard Sullivan from InterVistas discussed the Market Assessment Study and the Leakage Study. Mr. Sullivan stated from an airline standpoint that the airlines are stable and financially strong. Delta is taking the lead and retiring most of the Regional Jets. Fuel is going in the right direction.

The Market Assessment shows a very well served market at GSP with 18 non-stop destinations, 3 major network carriers (United, Delta, and American), Southwest and Allegiant. The service at GSP is more robust than the average small hub airport. GSP traffic has been up since 2009 and, on average, fare and traffic growth has been out-performing the national average. The demand levels at GSP are high and the revenue levels are very good.

Mr. David Dague from InterVistas discussed the Leakage Study. The first step is to determine the catchment area. The GSP catchment area has a population of 1.4 million which is then drilled down to the zip code of the passenger. The 1.4 million population generated 2.9 million passengers. GSP Airport captures approximately 60% of the catchment area with 1.2 million using alternate airport. Of that 1.2 million, 27% are using Charlotte and 12% are using Atlanta.

New York and Denver is the largest leaked market via Charlotte and Atlanta. New York-LGA departing from Charlotte has 19 flights day, at GSP there are 2. The business traveler is looking for access that certainly may drive them to Charlotte. Markets are served multiple times by multiply airlines a day.

Leakage studies have been done in the past and the positive thing is the capture rate has increased which means there is more awareness of this market which includes: Southwest entry, the average fare increases significantly higher at Atlanta and Charlotte as compared to GSP, reduced non-stop service by Southwest/Air Tran from Atlanta, and high load factors at alternative airports.

GSP is located between the 1st (Atlanta) and the 8th (Charlotte) ranked U.S. Airports in terms of seat capacity. Not many airports in the U.S. have that unique situation and with GSP capturing 60% of the market it is admirable and compares favorably to similar airport across the county.

There are many challenges facing U.S. small hub markets, including GSP such as: capacity discipline limiting domestic expansion, airline consolidation reducing number of potential airline customers, evolving business models of low cost and ultra-low cost carriers favors the bigger market but is a disadvantage to small and medium hub markets. The competitive landscape in GSP service area remains robust and air service growth at Charlotte continues to offer multiple service options for the local business and leisure travelers.

Mr. Dague stated that GSP has a very good story to tell and opportunities must focus on incumbent air carriers first, growing the customer base of airlines at GSP is a priority. Chair Shaw stated it would be good to say what GSP's leakage was before Southwest and what it is now. Mr. Edwards stated before Southwest it was 66% and now it is 40%. Mr. Barnet stated the things that he hears about are TSA lines and baggage issues and we need to identify the things that can be controlled that do not necessarily fall into this Strategic Business Plan. We have great pride in our airport and have to be sure we are tending to the needs of the users. The best speakers are those who use the airport.

Mr. Ramella asked if we were going into Executive Session and if he needed to remain on the line. Chair Shaw stated no to both questions.

D. Update on the Airport Environs Area Activity for 2014.

Mr. Carr presented the update on the Airport Environs Area. He gave a brief background that the Airport Environs Area was enacted in 1996, the Airport Environs Planning Commission was created and there are nine (9) voting members appointed by various political subdivisions. The purpose of the Airport Environs Area Zoning Ordinance is to assure that land uses surrounding the airport are compatible with airport operations. The Airport Environs Area has a Board of Zoning Appeals which consists of five (5) voting members appointed by Airport Environs Planning Commission.

Mr. Carr showed the zoning boundaries on a map and discussed the application process. In 2014, the following applications were submitted:

- 50 approved
 - 41% new construction vs 59% existing building change of use
 - 39% Spartanburg County vs 61% Greenville County
- 4 Denied
 - 2 residential and 2 churches
- 4 new cell phone tower applications submitted
 - All approved / 1 Greenville County and 3 Spartanburg County

Mr. Carr stated every year approximately 800 letters are sent out to remind property owners that they are in the Airport Environs Area. Upcoming will be an online submittal of Development Applications, Automated Notifications of Application Receipt, and communication with applicants via email vs. US Mail for a more timely correspondence and faster processing of applications. Mr. Smith asked if the Environs Ordinance was included in real property deeds. Mr. Smith stated in order to cut down on confusion and due diligence, it should be. Mr. Edwards stated that was a great idea.

NEW BUSINESS:

A. Approval of Project Funding for Apron Rehabilitation Project – Phase 2.

Mr. Howell stated that in 2012, the GSP Airport District completed the Airfield Pavement Evaluation and Analysis Project. Staff has been notified by the Federal Aviation Administration that the District is scheduled to receive \$4,500,000 in FY2016 for 90% of the construction costs for Phase 2.

Mr. Howell respectfully requested that the Airport Commission resolve to approve project funding not to exceed \$175,000 for design related expenses for the Apron Rehabilitation Project – Phase 2. A motion was made, seconded, and unanimous vote received to approve the \$175,000 for design related to expenses for the Apron Rehabilitation Project – Phase 2.

PRESIDENT/CEO REPORT:

Mr. Edwards stated that things are going well with the Art Task Force with Request for Proposals going out this week. The Art Task Force will meet on March 19th and 20th to go over the applications. Over a hundred (100) are expected. If there is someone that you would like to receive the request, please get that name to Ms. Weston.

Mr. Howell is finalizing the Landscape Master Plan. Chair Shaw, Mr. Smith, and Mr. Burch will be on the Landscape Master Plan Task Force. A kick-off meeting will be held at the end of January or the first of February. This will be approximately a six (6) month project.

Mr. Edwards stated that the Airport District has accomplished sixteen (16) years with no negative findings for the FAA Part 139 Certification Inspection. The Commission applauded the staff for this major accomplishment.

Mr. Edwards passed out the five (5) year Strategic Business Plan to the Commissioners and stated staff will be using this for various speaking engagements and putting them in packages from an airline and development standpoint. The Strategic Business Plan is on the website.

ADJOURNMENT:

There being no further business, a motion was made, seconded, and approved to adjourn at 11:40 a.m.