

COLUMBUS BUSINESS FIRST

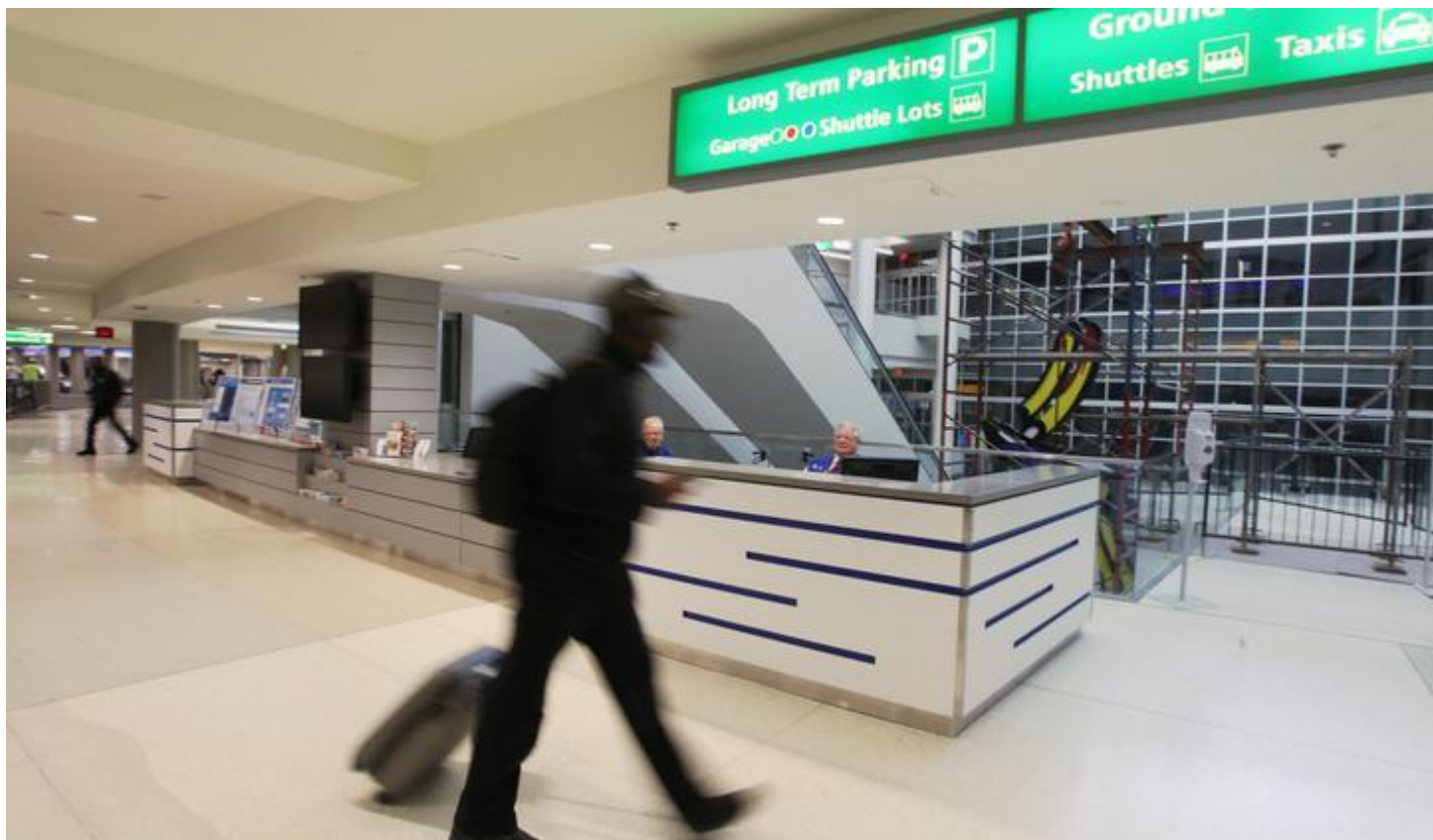
Columbus airport heading for new \$1B terminal by 2035 – here's why

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The terminal and short-term garage, along with the McDonald's on International Gateway, would be demolished in the latest plan released by airport officials. The new rental car facility will be completed by 2020 and the new terminal by 2035 at the latest.



The Group Welcome Center at John Glenn International.

It's been little more than a year since an \$80 million renovation of [John Glenn Columbus International Airport](#) was completed, and already airport officials are steeped in planning for a brand new terminal complex - likely to cost \$1 billion or more.

The need for another project right on the heels of the recent upgrades begs the question: Just how efficiently is John Glenn International being run?

Even with large back-to-back projects - spending is underway for the new terminal, which is seen opening in 13 to 18 years - industry watchers say Columbus' airport is in a strong financial position and that such improvements are needed to accommodate a growing throng of travelers.

Airport officials, however, acknowledge they can't rely on an unprecedented streak of passenger growth - seen at most U.S. airports - and must keep costs in check as much as possible to be able to set aside critical funds for the next big project.

Keeping costs low

Airport officials are carefully monitoring the portion of operating costs passed along to airlines.

"You just always are trying to keep the cost as low as possible - it's a partnership," said [Michael Zonsius](#), an independent aviation finance consultant who previously served as CFO of Chicago's O'Hare and Midway airports. "It's a constant daily exercise trying to lower costs at an airport."

The industry employs a measure called cost per enplaned passenger - essentially, how much in overhead costs there are for each traveler.

"Rating agencies, airlines, everybody's tracking that number," said [Randy Bush](#), the CFO of the [Columbus Regional Airport Authority](#), which oversees operations at John Glenn International.

Columbus' airport authority spends \$7.21 for every passenger boarding a plane at John Glenn International, Bush said.

"That's a great number for (them)," Zonsius said.

It's lower than the national median of \$8.20, according to Moody's Investors Service. The rating agency found hub airports are more costly, at \$10.30, than origination-and-destination airports, which spend an average \$8.10 per passenger.

"We're probably not the cheapest, some airports are in the \$3-\$4 range," Bush said, noting Columbus has snow removal costs that aren't shared by peers in warmer climates.

“Our entire executive team has said we do not want our CPE above \$10, so we work very diligently to keep that down,” he said.

Recent efforts include installing more efficient lighting, implementing a Six Sigma training program for airport employees and purchasing better snow-removal equipment.

To be sure, the airport authority’s terminal modernization program added costs, but ones the airlines are willing to accept.

“A lot of that \$80 million was tied to mechanical systems,” Bush said. “The airlines, to them, that \$20 million (share), they’re OK paying that because when you think about a new terminal building that’s going to be \$800 million, maybe \$1 billion - that’s going to be a lot more expensive for the carriers.

“So the carriers are going to want to operate in the market as long as they can in the existing facilities to keep their costs as low as possible,” Bush said.

Indeed, Pete Houghton, director of properties for Southwest Airlines Co., last year told *Columbus Business First* the new ticket counter, back office and checkpoint are “great improvements for us.”

Ticket sales spiking

Of course, another way to improve the closely watched cost-per-enplanement measure is to increase the number of travelers.

John Glenn International last year saw its second-highest total ever for passenger traffic, riding the national economic expansion and enjoying new routes to the San Francisco Bay area among other destinations.

The 7.3 million people getting on and off planes was up nearly 8 percent from 2015 and the largest total since 7.7 million did so in 2007, according to airport authority data.

The airport’s five-year growth, averaging 7 percent, ranks 39th nationally over the period, show data collected on 89 airports by *Business First* parent American City Business Journals.

Enticing travelers to spend

At the same time airport officials are trying to drive down costs for airlines, they are aiming to grow revenue from parking, rental car fees and food and beverage operations.

“The higher the non-aeronautical revenue, that takes the pressure off of having to charge the airlines so much to operate,” said Angie Tabor, spokeswoman for the airport authority. “It also helps to protect us should there be a bit of a downturn in the market.”

The recent updates brought new restaurants and shops to the airport, along with large video screens to pull in advertising dollars.

And the airport authority plans to open its second hotel next to the John Glenn International terminal, a \$22.5 million Residence Inn by Marriott, creating a new source of long-term revenue.

The airport ranked 23rd in the ACBJ study with non-aeronautical revenue growth of 34 percent over the past five years, pulling in \$55.2 million in 2015, the latest data available.

Columbus, to be sure, doesn't have the luxury of being a hub for an airline, meaning little connecting traffic flows through the city.

By comparison, Los Angeles International Airport generated the most non-aeronautical revenue with nearly \$447 million in 2015.

On the runway

If passenger growth continues at anywhere near the current pace, airport officials expect Columbus will need a new terminal by 2030.

It's unclear how exactly that will impact some of the financial and efficiency measures moving forward, but those calculations are being made by airport officials. A first phase of enabling projects, alone, is expected to total \$195.6 million.

Bush says he's been spending the majority of his time lately on planning for the facility.

He expects the authority to be able to set aside about \$10 million a year from the non-aeronautical revenue bucket, with more exact figures being calculated toward the end of the year.

"Our goal, one of the things we've said is a priority for our organization, is to build a nest egg for that future terminal building," he said. "What we do not want to do is just walk into the construction effort for that building and start borrowing all the money that we need."

The authority borrowed about half the \$80 million needed for the terminal modernization, and Bush expects some of the bill for the new terminal will be paid using borrowed funds .

"We have very low debt here as an airport," he said. "We're sitting at around \$90 million."

Moody's last July awarded the airport authority an A1 rating for its "strong financial position," expecting the key cost-per-enplanement measure will remain below the \$10 target, even amid increased debt service moving forward.