

## Beyond rocking chairs: Airports race to upgrade

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The Charlotte Airport, already in the midst of building a new parking deck and entrance road, plans to embark on a major terminal renovation this year that could include nicer finishes, replacements for aging equipment and a new food court.

Construction projects planned or underway at Charlotte Douglas total nearly \$1 billion. The renovations outside and inside highlight a push at the nation's biggest hub airports to add capacity and amenities.

Call it airport peer pressure: Across the nation, airports are pouring billions of dollars into upgrades. They're motivated by aging buildings, a desire to keep airlines happy with their hubs in an age of consolidation, and a push to lure travelers into spending more inside the terminal.

San Francisco and Chicago O'Hare boast yoga studios. So does Dallas/Fort Worth, which also features a pet kennel and nap-by-the-hour suites as part of its multibillion-dollar terminal renovation. And new, higher-end restaurants are spreading across the nation's airports, upgrading travelers' options from fast food to fine dining.

Brent Cagle, Charlotte's interim aviation director, told the Observer that the airport's newest proposed renovation plans are a necessity.

We know that our building by and large is 30 years old, Cagle said. It's run its useful life. We have been discussing with US Airways and the other signatory carriers launching into a full terminal upfit project.

Cagle said he expects to finalize plans for the renovations in six to eight months. The plans would cover concourses A, B, C and D, and could mean more food choices.

"We're talking to the airlines about advancing a new food court right at the D and E connector point," he said. "That would be a great amenity to the customers and really provide additional options."

Charlotte Douglas is building high-end new features into some of the expansions already underway, such as pedestrian tunnels to connect the terminal with new hourly parking decks and rental car facilities. The airport also is adding automated passport kiosks, which Cagle said could cut wait times for arriving international travelers by half.

Travel experts say people don't generally choose where they fly from or connect based on amenities. But they say an airport can boost its reputation by spiffing up. And more high-end concessions and amenities mean more chances for travelers to spend money.

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US Airways, which merged with American Airlines in December, is by far the Charlotte airport's biggest tenant. The combined carrier now the world's largest airline accounts for about 90 percent of the airport's daily flights. Charlotte Douglas is the second-busiest hub in American's network.

We understand that the world's largest airline has an expectation of what their primary hubs look like, and the kinds of amenities that need to be offered at their hubs," Cagle said.

### Need to modernize

One reason for the nationwide upgrade push: Most of the nation's big airports were built decades ago. Denver International was the last new major airport built in the U.S., and it opened in 1994.

Many airport facilities have just gotten old, said Deborah McElroy, interim president of Airports Council International-North America. There's a need to modernize them.

Airports recognize they're competing with each other for passengers, and with the airlines to maintain and grow service. There's real pressure.

Major renovations are underway at some of American's largest hubs potential competitors for international flights and domestic connections that could come through Charlotte Douglas.

- Dallas/Fort Worth International, American's biggest hub, is in the midst of a \$2.3 billion terminal renovation, adding improved baggage systems, more concessions and an in-house kennel called Paradise 4 Pets. Minute Suites — miniature hotel suites that rent by the hour for naps — opened recently at Dallas/Fort Worth. Minute Suites are also available in Atlanta and Philadelphia.
- Los Angeles International Airport's multibillion-dollar modernization plan includes a \$1.9 billion new international terminal, a \$229 million renovation of its Terminal 5 and a \$270 million upgrade of escalators, elevators and moving walkways.
- At New York's JFK International Airport, Delta Air Lines is building a new, \$1.4 billion terminal to replace outdated facilities. The first phase, which opened last year, features more food and retail concessions, a consolidated security checkpoint and a club with an outdoor terrace for elite fliers. The airport has also upgraded its terminals for American and other carriers.

In 2012, Hartsfield-Jackson Atlanta International Airport the world's busiest airport and a Delta hub — opened a new, \$1.4 billion international terminal.

But airline executives caution such projects are not always effective, and can hurt airports by driving up their costs. Megaprojects also run the risks of raising costs for the airlines to fly from an airport, since they're funded by bonds that are ultimately repaid in part by airline usage fees.

The terminals do not generate or impact demand, Ron Ricks, Southwest Airlines executive vice president, told the Kansas City International Airport's advisory board last week. He was cautioning them against building a proposed \$1.2 billion new terminal.

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## Getting you to spend more

Concession revenue from sales inside terminals also helps airports keep costs down for the airlines. Charlotte Douglas splits its parking and concession money with the airlines.

Having all these great things in an airport encourages people to spend more money, said Brett Snyder, a former airline executive who runs the website The Cranky Flier and operates a travel-booking service. When they spend more money, it means the airport can charge airlines less to operate there. That's another reason why airlines love Charlotte.

Joe Brancatelli, a consultant and travel writer, puts it bluntly. "Virtually everything here is about getting you to spend more money, Brancatelli said of airport amenities.

In fiscal 2013, Charlotte Douglas made almost \$90 million from concessions and parking more than four times what it made from airfield usage fees. The airport paid the airlines, primarily US Airways, \$16 million to help offset their costs for flying from Charlotte Douglas.

Charlotte Douglas has already been adding to its traditional amenities of rocking chairs and a piano in the atrium. Airport food vendor HMS Host has added a slew of both upscale and local restaurants, such as the Beaudevin wine bar and Bad Daddy's Burger Bar.

There were some complaints about (food and beverage options) at Charlotte Douglas before those changes, said Brancatelli, who travels to Charlotte regularly on business. "That's the first thing people look at: Do you have good food? HMS has done a really good job."

Snyder said amenities and flashy buildings don't matter to travelers as much as the airport's reputation for on-time flights and ease of connection.

I don't think people choose where to connect based on things like restaurants and amenities offered, he said. I do think all these amenities help people to enjoy their trip more, and that does have a halo effect on how they remember the experience."

But he said an airport's reputation can affect whether people want to connect there. For example, he has clients who don't want to connect through Chicago in the winter. He has a US Airways elite flier from Charleston who insists on flying internationally from Charlotte instead of Philadelphia because it's easier to connect in Charlotte.

## Huge pressure

Charlotte Douglas is in a unique position among major hub airports: More than three-quarters of its 41 million annual passengers are connecting, passing through the airport on their way to somewhere else rather than starting or ending their journey in Charlotte. That's the highest percentage at a major hub, and means Charlotte is especially dependent on keeping its connecting passengers.

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The airport also has the lowest cost for the airlines of any major hub airport, making it an attractive place to operate flights.

Charlotte Douglas is an independently financed department of the city. Upgrades are paid mostly with bonds, which are funded from user fees.

McElroy said that while airports are usually enthusiastic about big construction projects, airlines are often more hesitant. In Philadelphia, for example, US Airways has strongly opposed a proposed runway that would cost at least \$1.8 billion.

Airlines are generally very cautious about construction projects, because they are worried about how those will impact rates and charges long-term, said McElroy.

What airport managers fear most of all is losing air service, which is often hard to replace.

Pittsburgh International Airport is still the name that springs most quickly to mind among aviation industry insiders when they mention the dangers of lost flights. The airport has closed parts of some concourses after losing hundreds of daily flights over the past decade. US Airways decided to eliminate its Pittsburgh hub in 2004 after the airport's cost rose and the beleaguered carrier went into bankruptcy after the Sept. 11 terrorist attacks.

Look what happened to Pittsburgh, said McElroy. There's a huge amount of pressure on airports to be cost-competitive. There's also pressure to be an attractive airport.☐

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