

airways interview

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INTERVIEW *Chris Sloan*
PHOTOS *Author unless noted*

At this critical time when air travel is largely at a standstill, the aviation director and chief executive officer at Miami International Airport has much to say.

***Airways:* You're not new to Miami International Airport, but you're fairly new to this post. You're sure running the Miami-Dade Aviation Department and MIA in interesting times.**

Lester Sola: At this critical time when air travel is largely at a standstill, the head of air operations at the usually bustling Miami International Airport has much to say. We were doing very well. I've been the director since February of 2018. 2018 was a record year. 2019 was a record year. And, every year, we're doing a million more passengers. Then, all of a sudden, we start hearing about COVID-19 in January, then February and March. At one point, we didn't know whether it was going to be a 10% drop or 50% drop. The last thing we expected was that we were going to be 95% off of passenger volumes.

And it's not just here; it's the entire global network. I don't think anyone would have ever envisioned that this was going to take place.

Can you illustrate in numbers the impact this has had on MIA's traffic and passenger counts?

At the point right before COVID-19, we were almost in a 50/50 split between domestic and international.

On our peak days, right around the Thanksgiving holiday, we were seeing around 125,000 passengers every single day. Our average was around 110,000 to 115,000 passengers per day, depending on the season. At one point during the Super Bowl, we set a record and ended up hitting close to 140,000 passengers in a single day.

So, the worst day during the COVID-19 pandemic crisis, has been so far around 3,500 passengers. The average was around 5,000 passengers every day. During an average year, we have close to almost a thousand operations on a daily basis. Now we're doing about 100 passenger flights a day.

What does the story look like for cargo operations?

With the reduction of passenger flights, our cargo operations for April went up by 5%. So far, in May, our cargo-only flights are basically up 25%. So, rather than cargo going into bellies of passenger aircraft, they're just adding those additional cargo-only flights.

How is MIA benefiting from the CARES Act, and how does that affect keeping employees on the payroll versus furloughing them?

We're scheduled to receive US\$207 million under the CARES Act. It requires us to keep 90% of our workforce. We have no intentions at this time to initiate any furloughs at least through the end of this year. We'll have to see how the industry recovers and what it translates into in relation to the right-sized workforce for a particular volume of air traffic through this airport. We've taken significant steps to reduce costs. We've frozen all the vacant positions and we're taking steps to reduce the cost of operating.

The airport also had basically unencumbered, unrestricted reserves of close to US\$300 million. So the financial position of the airport was one that was very, very healthy. And, even if we didn't have the CARES Act, we still had a plan that we were going to be able to survive through the end of the year at the exact same burn rate we are at now.



The CARES act allows us to leverage those dollars and potentially do capital projects. Now that the volume of traffic is down, we can do things on the airside that may have had a significant impact on operations if we were still operating at about 120,000 passengers a day and almost a thousand flights.

What kind of things is the airport doing to mitigate the damage to its airline partners, vendors, tenants, and concessionaires, such as fee and rent deferrals?

In the first week, when we saw the drop of 10% in passengers,

we knew that we needed to do something and do it quickly. We were very aggressive in offering relief to the airlines.

We're deferring, basically, rent on hangars, terminal spaces, etc., for a three-month timeframe, with an option to extend it to another three months if we mutually agree. The FAA only allows for deferral. Airlines still have to pay landing fees and other fees, however.

Due to the financial health of the airport, we can give them as much flexibility as possible and have a really good repayment program that allows them to pay us back without it being a burden on their operations.

The payback period can be up to, basically, your fiscal year. So, after the fiscal year, then you have to charge some interest rates, but we may give them a payback period of six months up to a year. We're willing to work with the airlines to figure out: what we have to do in order to help them stay afloat and be able to continue to operate at the airport.

For concessionaires, we took a similar three-month program with another option for three months. So it could be up to six months. So, if you're a concessionaire, regardless of what your deal was, you're not paying any rent. You're only paying us whatever the percentage of the profit-sharing was. A lot of the contracts have a 7% or 10% participation. If you have multiple restaurants or stores and



there's no traffic to support that kind of activity, we're allowing you to close them and we're not going to default you. Right now, we have 30 concessions open out of around 200.

Do you see any advantages and opportunities for MIA on the other side of the COVID-19 recovery, particularly if airlines retrench to their hubs and non-stop city-pairs decline, such as flights to South America that bypass MIA?

The issue for us is, how do we maintain that resiliency and have a place where people want to fly to? A lot of South Americans see their culture and their language here, so it's easy for them to travel to. And Miami has name-recognition

We'll see how the airline industry evolves and how airlines and airports are able to structure their networks to generate as much revenue as possible.

1 American Airlines is MIA's dominant carrier and sole occupant of its North Concourse Terminal D. With American's complete pull-down of its Latin American and European franchise, the concourse was nearly empty when it was photographed on Monday June 1, 2020.

With traffic down so significantly, have you closed down any concourses and terminals completely?

Central Terminal operations are mostly shut down. The only things that are really operating, for the most part, are the North Terminal for American Airlines (Concourse D), with the rest of the airlines in the South Terminal (Concourses H and J). We're operating limited security checkpoints.

Concourse E and some hardstands have close to 50 planes parked on them. While operators are cycling them to keep them going, the hope is to still have a significant amount of their fleets here. So, as demand increases, they can go ahead and start flying directly from here.

What steps is the airport taking with respect to hygiene, cleanliness, and mitigating the effect of the virus?

So, if you were flying in from Asia or from Europe, there was

a certain amount of protocol that was already established by the CDC and screening. [Florida Governor Ron DeSantis] also established a protocol for people coming from the Tri-State area in the Northeast, [New York, New Jersey, and Connecticut]—basically, giving them information at the gate and asking them to self-quarantine.

When we first saw what the concern was, we actually tasked our janitorial crews and added significant support and more manpower into cleaning and also disinfecting touch points throughout the airport. Whether it be elevators, handrails, door handles, you name it. And then we went on to disinfecting areas overnight. All the TSA checkpoints are getting disinfected.

You have to be able to show the flying public that you are taking steps to maintain a clean terminal, because everything is going to be based on confidence.



How are you addressing social distancing?

We and our partner airlines are installing plexiglas dividers on the ticket counters, information booths, and at gate areas.

We're basically laying out the floor plan so that people have guidance points and signage for social distancing measures. You'll see markings to make sure that you keep your social distance. So that's going to reduce our capacity, at least in the short term, as to how many people can flow through the airport. But, again, it provides people visual information, guidance for how you want them to operate and move throughout your airport.

How do you see the airport experience and operations changing in the long-term, while we learn to live with COVID-19, vaccine or not?

Now that the flying public is aware that they can be infected, whether it be a flu or

anything else—were they close to the transmission or in close proximity to people—I think that we, as an industry, whether it be the airport or the airlines, are going to have to adapt to how we're going to fly people, how we are going to manage the flow of individuals.

So, 9/11 brought in significant security protocols, taking it to a new, different level. And then we immediately saw the long lines. People were complaining, and the industry, airports, and the federal government all had to adapt to figure out how we were going to create an experience. So we started adding more checkpoints. Ultimately, the federal government came up with TSA Pre and Global Entry. So there were things that were done to vet some individuals and allow for improvement of the flow of our passengers.

With this situation, we're going to learn that, in addition

to security, the well-being of the flying public is going to be just as important for the industry to recover.

So, for us, it's how we reengineer the flow of our passengers through the airport, such as the queuing areas of our holding rooms. All of that is probably going to have to be reevaluated to determine how we ensure social distance in the near term as well as in the long term, which may reduce the capacity of the airport.

We are going to have to ramp up on the CIP [Capital Improvement Plan] to create more capacity. Not necessarily because the volume of passengers is going up, but because the space, the square footage per passenger, needs to be increased in order to be able to provide that initial capacity.

I don't think our guards are going to be let down anytime soon.

2 American Airlines has installed plexiglass partitions at its ticket counters and boarding gates to mitigate the possible spread of COVID-19.

3 As of June 1, 2020, only four TSA checkpoints were open in the entire Miami International Airport Terminal with the Central Terminal's gates and departures hall operations nearly shuttered. The TSA checkpoints are frequently cleaned.

How do you see serology, temperature checks, and so-called immunity passports figure into the screening process?

The problem with temperature checks is that it's really a false sense of security. The person may be asymptomatic, right? There are too many opportunities for getting it wrong, just based on the temperature. So we'll see how it evolves.

But I think that, if it continues at this pace, you're probably going to have to have some type of a true test that will tell you whether you have the virus.

What are you doing to protect your employees, and mitigate their chances of infection?

Out of our 1,200 county airport employees, we have a third of them working from home. For those that have to be at the airport, due to the fact that there's not that much demand, we're doing rotational schedules. So our people are coming to work maybe twice a week. We're trying to give people more time and flexibility. For myself, I'll be at the airport twice a week and, the rest of the time, I work from home, although I do come in when the situation demands it.

In regard to the target-area ages that we have concerns with, we've sent those people home and, if they can't work from home, we'll actually just have them wait from home until we figure out how we're going to handle that. So we don't want to expose anyone needlessly.

We've also given masks to our employees. We're basically purchasing and issuing as many of these PPEs as quickly as we can.

How does COVID-19 affect MIA's growth, particularly the announced Capital Improvement Plan?

One of the things that we had rolled out, just in June of last year, was a new US\$5-billion CIP that was approved by the Board of County Commissioners and the airlines to, basically, improve infrastructure



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and grow the capacity of the terminal even further to take us above 55 million passengers a year.

Last year, we did 46 million passengers. The year before that, we did 45 million. So we were growing on a million passengers a year. We thought, "Oh, we're going to eventually run out of capacity. Let's start building now doing this CIP".

It expanded capacity and updated the Central Terminal—which is the most dated portion of the airport—and the airside operations to handle 70-80 million passengers in the terminal. Next was building a new hotel, replacing the original, which had been built in 1959, and adding other amenities as well.

With this COVID-19, we have to see how many years of capacity that buys us, depending on how quickly the airlines are able to get up and running again.



where we will allow developers to build out the project and we'll give them a payback period of an X-number of years for them to basically pay back.

What do you think are the prospects for demand recovery and for the airport experience going forward?

There's always going to be demand for the aviation industry. The issue really for us is, how do we manage, as an industry, the time period of going through a terminal? Oftentimes, we tell people to be at the airport two hours before, if they're going international, or 90 minutes if it's domestic. And ultimately, whether it's a two-hour flight or wherever you're going, it's a limited amount of time compared to your journey. I am very confident that, as an industry, whether it be the airport or the airlines, we can mitigate some those concerns and raise awareness of what we are all doing to keep people safe when they're choosing to fly.

This airport has been very resilient and we are not just in a geographic location that makes us a stronghold. At the community level and culturally, I think that we're very open, and people feel comfortable here, especially those from South America and the Caribbean. They feel comfortable choosing MIA. So I think that those routes will come back and they'll be a significant component of an airline's profitability structure.

The PortMiami is the busiest cruise ship port in the world. Passengers heading off on a cruise are such a major part of MIA's traffic. What happens if that doesn't come back?

Our sister port, The PortMiami, has 60% to 70% of its revenues generated by the cruise business. The other is cargo. So, if it's that much revenue to our partner port, it is of significant concern for us if that industry does not come back. It's a significant portion of our revenue, not just to the airport but also to the airline industry, that we fly a lot of people into MIA to jump on cruises. 🌊

So, we don't have to move on some of these capital projects until we really need to. When you start seeing your volumes increase again, then, if you can forecast quickly enough, you can jumpstart the CIP again. We can't build when the demand isn't there, because then you increase the debt service and the cost of operations, so it's a delicate balance. We bring in our airline partners into these decisions.

We are moving on projects that are capable of improving efficiencies immediately for the airlines that are here. So, on the airside, we're moving on those projects at the same pace that we were originally; as far as the terminal is concerned, we're probably going to wait. We are going to move on the hotel because, in all likelihood, it will be a development deal. And cargo operations, those will move as well, because they are, for the most part, development deals

④ With air travel down by 90%, only 30 out of approximately 200 concessions were open at MIA. Of those, food service was limited to "grab and go".

⑤ The sparse Flight Information Display Screens (FIDS) photographed in May 2020, starkly illustrate the sharply reduced passenger flight operations at MIA in the COVID-19 era.