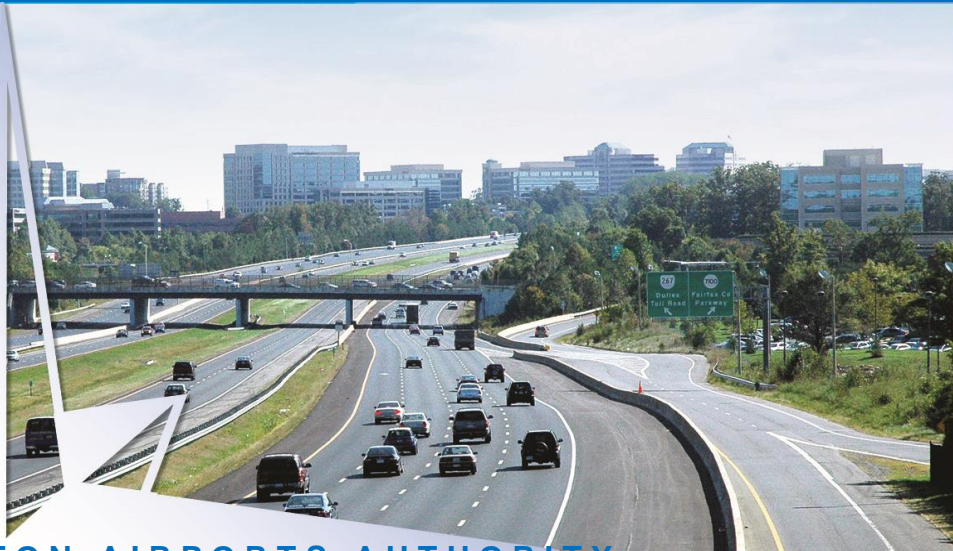


Dulles and Reagan Aviation Update for Loudoun County Chamber Business Leaders



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY



June 17, 2014

2012 Economic Impact Study

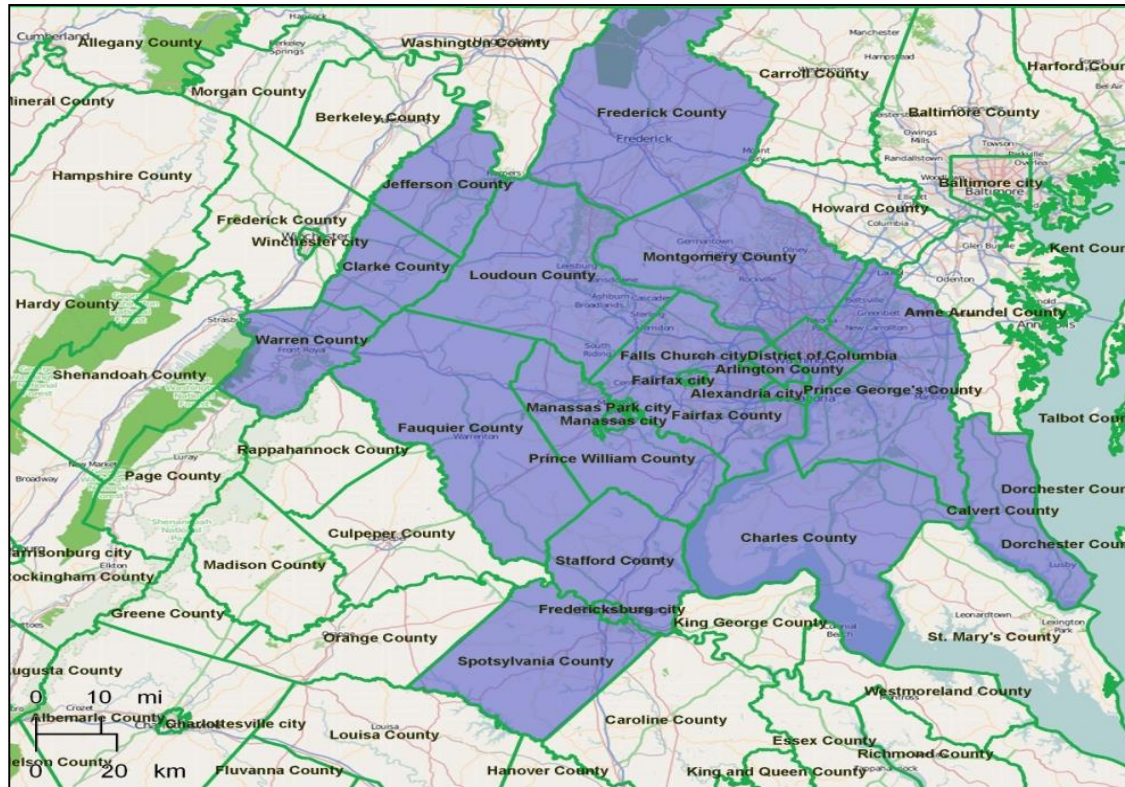
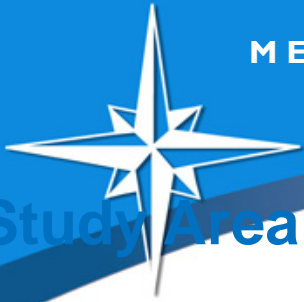
U.S. airports are key economic drivers, supporting

- 11 million jobs
- \$365 billion payroll
- \$1.2 trillion economic output

Study of 2012 impact finds that MWAA supports

- 4.5 percent of regional GDP
- 387,000 jobs
- \$15 billion labor income
- \$3 billion taxes
- \$21 billion business revenue

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY



- ➔ The Airports Authority is a major regional employer, drawing workers from Virginia, the District of Columbia, and Maryland.
- ➔ The average annual wage paid to direct on-airport employees in 2012 was nearly \$70,000.

2012 Economic Impact: JOBS – Direct, Indirect and Induced

	Dulles International	Reagan National	Dulles Toll Road	Dulles Corridor Metrorail Project	Total Impact ¹
VIRGINIA	146,122	48,916	557	6,802	202,397
DISTRICT OF COLUMBIA	68,345	54,076	400	1,040	123,862
MARYLAND	33,239	20,738	78	6,755	60,808
TOTAL IMPACT – JOBS	247,706	123,730	1,035	14,597	387,068

¹ Job creation estimates calculated by IMPLAN include full-time, part-time, and seasonal workers.

(Of Virginia's 202,397 jobs, there were a total of 22,455 direct, indirect and induced jobs generated in Loudoun County by activity at Dulles International, Reagan National, the Dulles Toll Road and the Dulles Corridor Metrorail Project.)

Labor Income – Direct, Indirect and Induced (\$ Millions)

	Dulles International	Reagan National	Dulles Toll Road	Dulles Corridor Metrorail Project	Total Impact ¹
VIRGINIA	\$5,944.9	\$1,944.8	\$25.7	\$313.4	\$8,228.8
DISTRICT OF COLUMBIA	\$2,505.2	\$1,987.5	\$18.3	\$57.6	\$4,568.9
MARYLAND	\$1,500.0	\$750.8	\$4.1	\$310.0	\$2,564.9
TOTAL IMPACT – LABOR INCOME	\$9,950.0	\$4,683.1	\$48.2	\$681.3	\$15,362.6

¹Total impact includes direct, indirect and induced labor income (wages) – Loudoun County saw \$960.8-m total impact in 2012.

Source: Airports Authority; WBA Research; Destination DC; Metropolitan Washington Council of Governments; IMPLAN Group, Inc., Willdan, 2013.

2012 Economic Impact: State & Local Taxes (\$ Millions)

	Dulles International	Reagan National	Dulles Toll Road	Dulles Corridor Metrorail Project	Total Impact ¹
VIRGINIA	\$612.9	\$205.2	\$2.3	\$28.5	\$848.9
DISTRICT OF COLUMBIA	\$378.0	\$299.1	\$2.2	\$5.8	\$685.1
MARYLAND	\$208.5	\$130.1	\$0.5	\$42.4	\$381.4
TOTAL IMPACT	\$1,199.4	\$634.4	\$5.0	\$76.7	\$1,915.5

¹Total impact includes personal income, sales, property and cooperate taxes as estimated by the IMPLAN economic impact model. (Loudoun = \$94.1-m in 2012.)
Source: Airports Authority; WBA Research; Destination DC; Metropolitan Washington Council of Governments; IMPLAN Group, Inc., Willdan, 2013.

Obligations within the Airports Authority Lease

LEASE
of the
METROPOLITAN WASHINGTON AIRPORTS
between
THE UNITED STATES OF AMERICA
acting by and through
THE SECRETARY OF TRANSPORTATION
and
THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
ENTERED INTO AT WASHINGTON, DISTRICT OF COLUMBIA
THIS SECOND DAY OF MARCH,
1987

Metropolitan Washington Airports Lease
12
Secretary, such Leased Premises shall be in good condition as operating airports, depreciation, obsolescence, and ordinary wear and tear excepted, all of which shall be free and clear of any and all liens, debts or encumbrances which would necessitate payment by the Secretary.
Article 11. Continuing Obligations.
11.A. Airports Authority's Legal Status.
The Airports Authority is a public body corporate and politic that meets the requirements of section 6007 of the Act. The Airports Authority agrees to refrain from action that would alter such status and to use its best efforts to maintain this status.
11.B. Operation of Airports.
The Airports Authority shall operate, maintain, protect,

11.B. Operation of Airports.
The Airports Authority shall operate, maintain, protect, promote, and develop the Metropolitan Washington Airports as a unit and as primary airports serving the Metropolitan Washington area.

Article 11.B “The Airports Authority shall operate, maintain, protect, promote and **develop the Metropolitan Washington Airports as a unit** and as primary airports serving the Metropolitan Washington Area.”

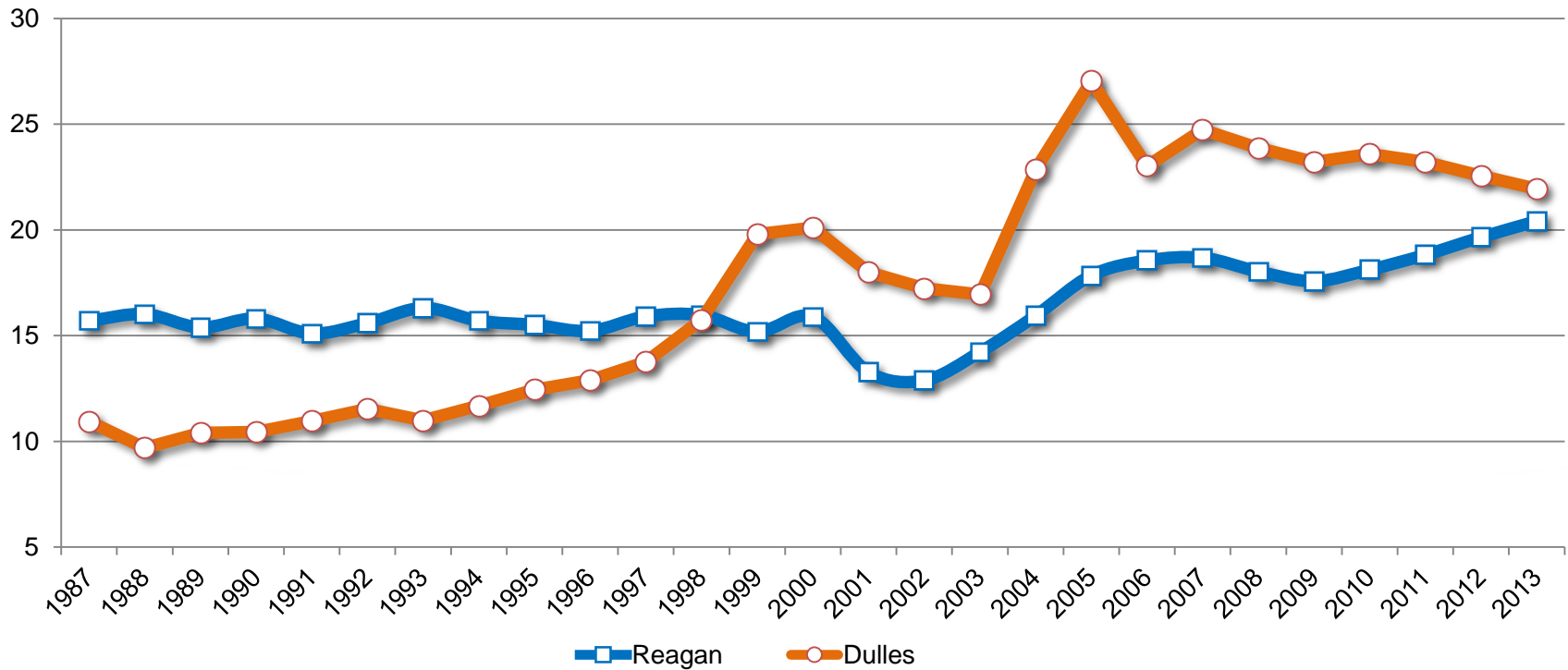
Managing the Federal Government's Assets

- Reagan and Dulles Airports – federal airports turned over in 1987 “Transfer Act” to MWA to manage as “a unit”. Rationale:
 - Capital investments in the two airports needed
 - Access to the bond markets critical
- Congress directed:
 - Reagan - short-haul, origin/destination airport
 - Dulles - long-haul, growth airport
- In the past 25 years, character of the two airports changed due to commercial transactions and regulatory changes. Passenger activity at Reagan National was steady from 1987 until 2000 – when Congress began adding slots and beyond perimeter flights.



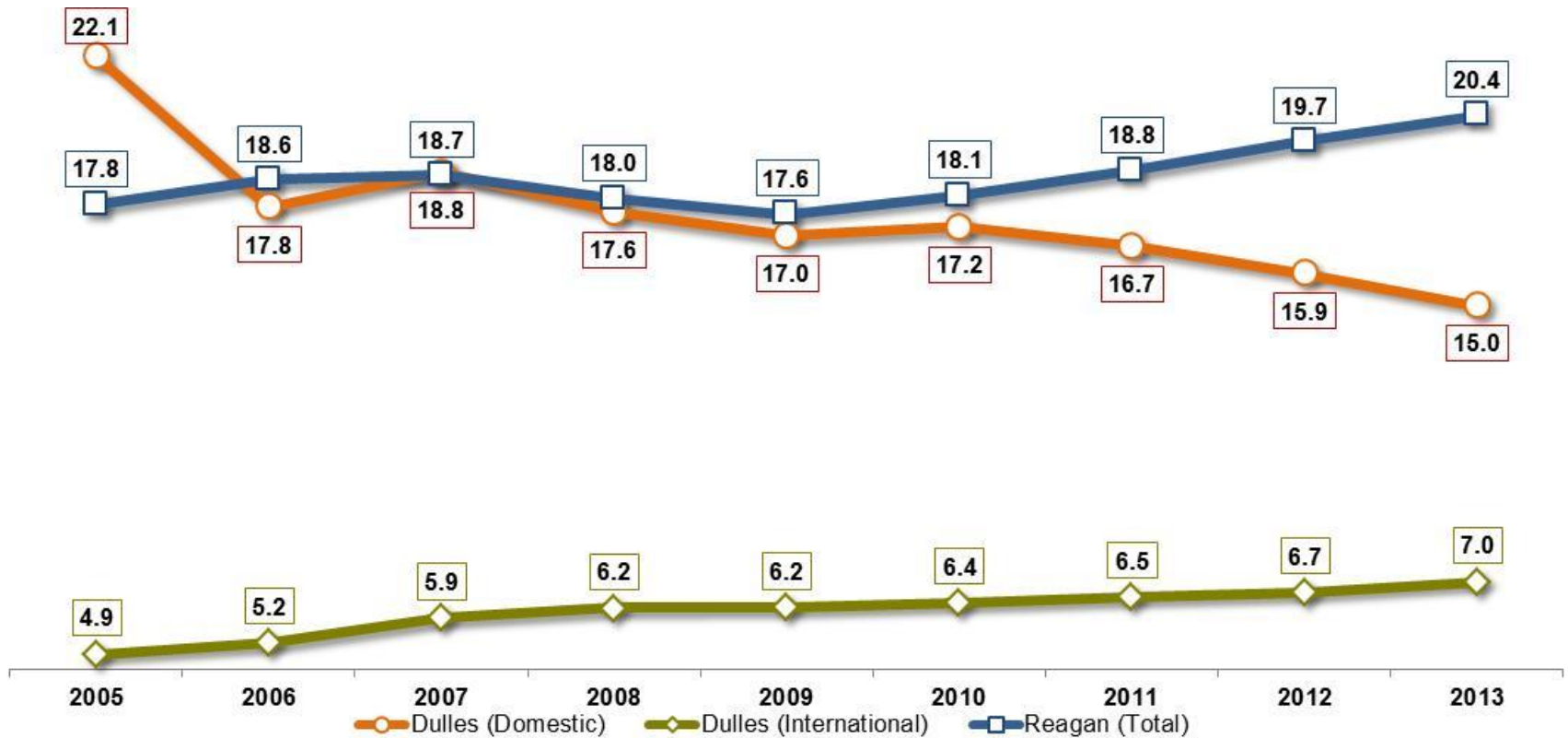
Changing Character of Reagan and Dulles Over 25 Years

Total Passenger Activity
(Millions)



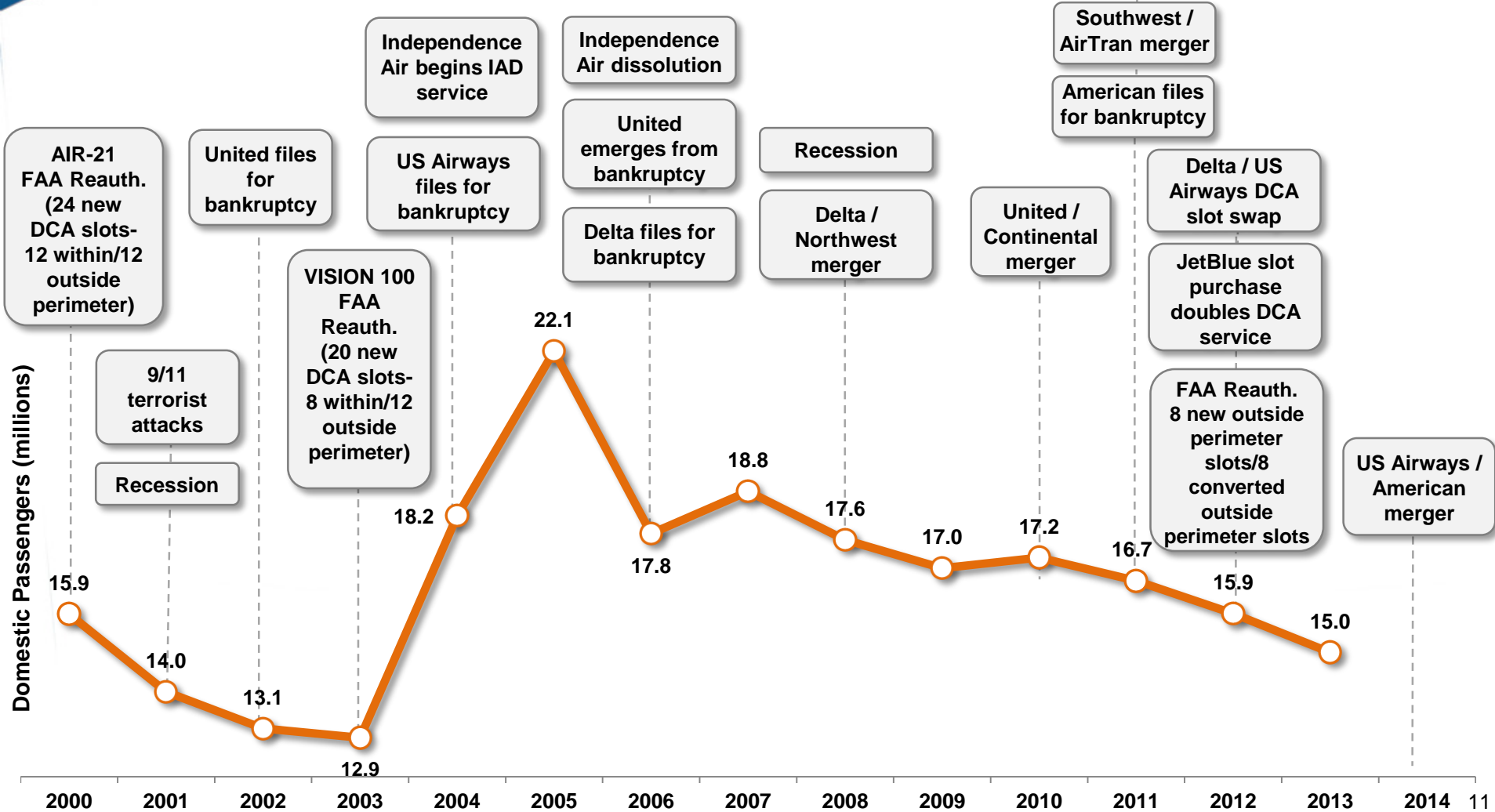


Passenger Activity (In Millions)

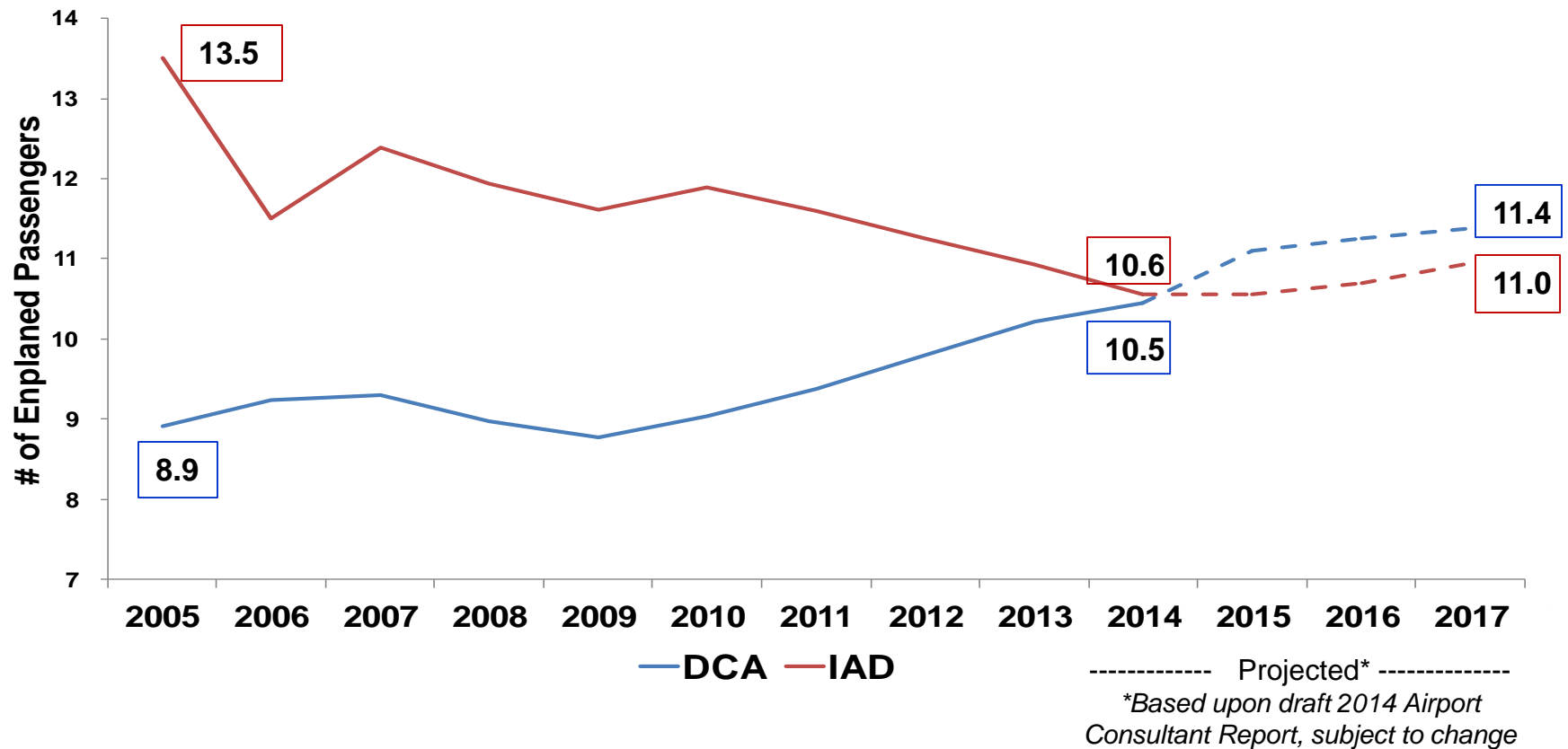




Slot Changes at Reagan National Further Challenge Developing Dulles Domestic Service



DCA is Projected to Overtake IAD Enplanements Beginning in 2014



Historical & Projected Enplanements (In Millions)

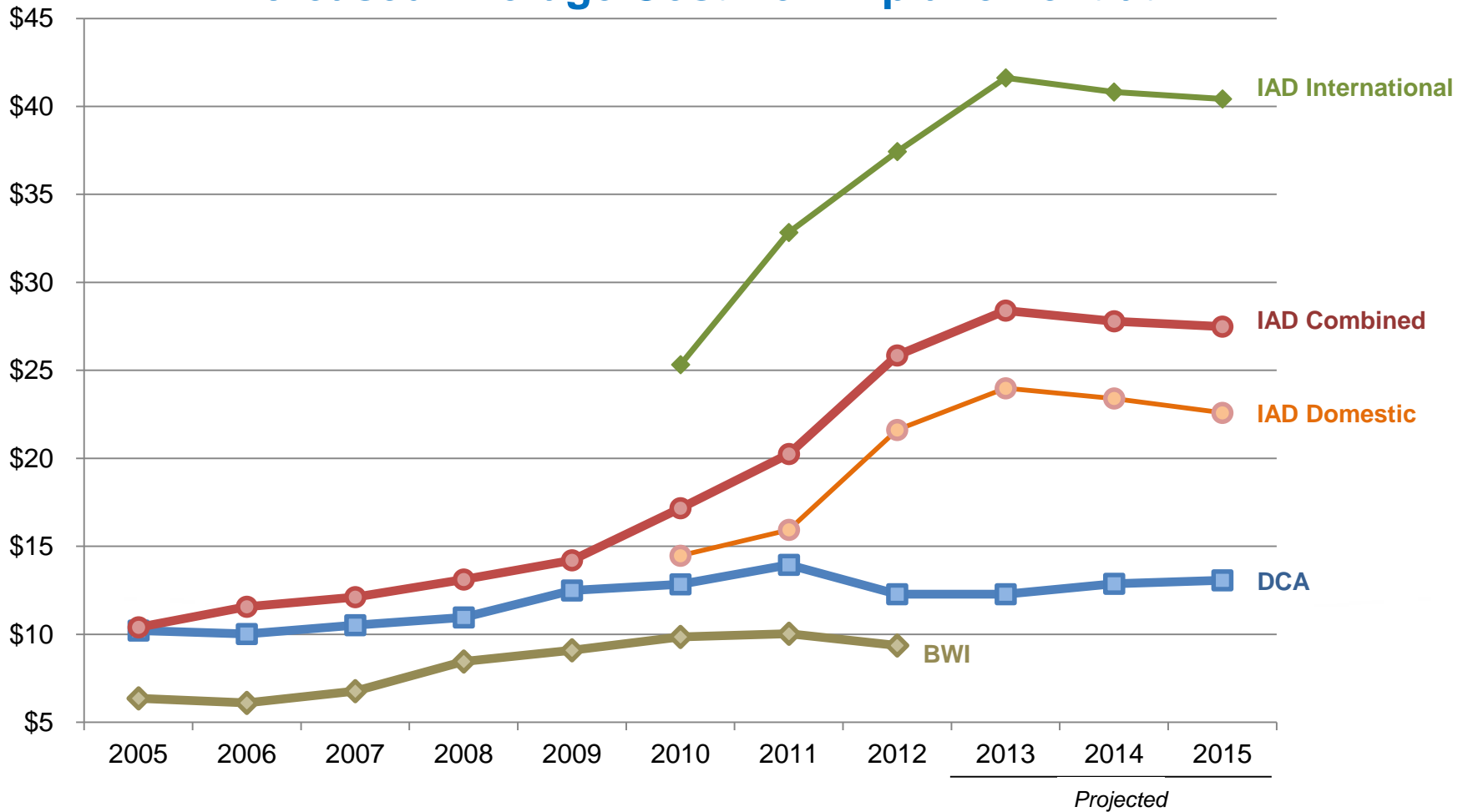


Dulles Economics

- Steady international growth and strong domestic passenger growth at the turn of the century resulted in \$5 billion capital investment in Dulles infrastructure (can handle ~ 40 million passengers with today's configuration)
- In 2013, more than 60 percent of United IAD passengers connected. As United continues to reduce its domestic schedule, continuation and growth of United and Star partners international service is threatened
- To pay for debt, and loss of airline passengers, landing fees and terminal have risen significantly
- As a result, average Airline Cost per Enplaned Passenger (CPE) at Dulles has been rising, which negatively impacts the airport's competitive position

$\text{CPE} = \frac{\text{Total airport charges (\$) to Airlines}}{\text{Number (\#) of Enplaned Passengers}}$
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Mature Capital Program and Limited Activity Growth Has Increased Average Cost Per Enplanement at IAD



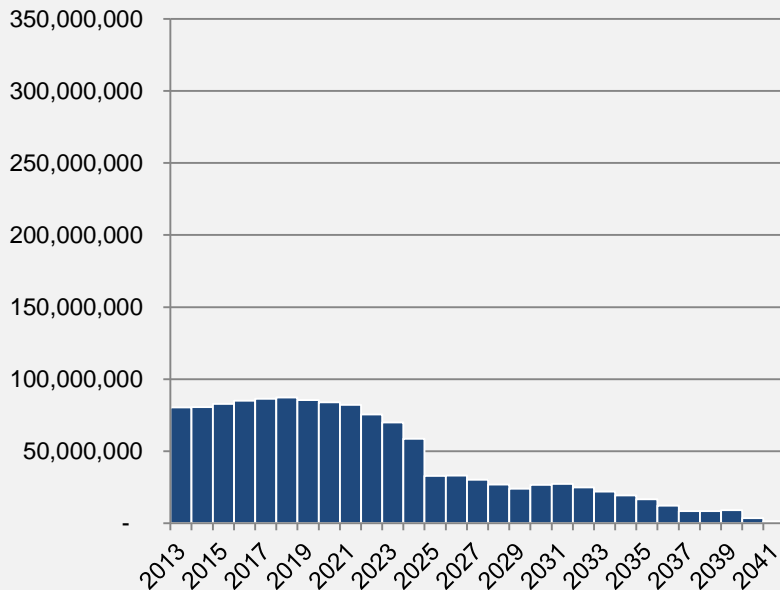


Net Debt Service* by Airport

DCA debt service profile reflects smaller level of capital investment and material amortization of related debt; IAD debt service profile reflects more recent and larger capital investment

DCA Net Debt Service Profile

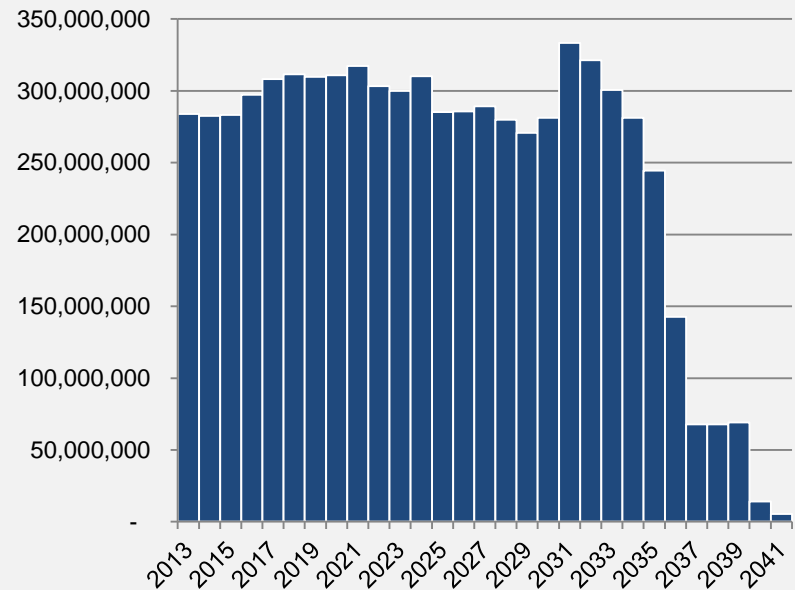
Outstanding DCA Debt Service



- Approximate overall capital investment at National at \$1.6 billion with more than 70% prior to 2001
- There is currently \$780 million of outstanding principal associated with National

IAD Net Debt Service Profile

Outstanding IAD Debt Service



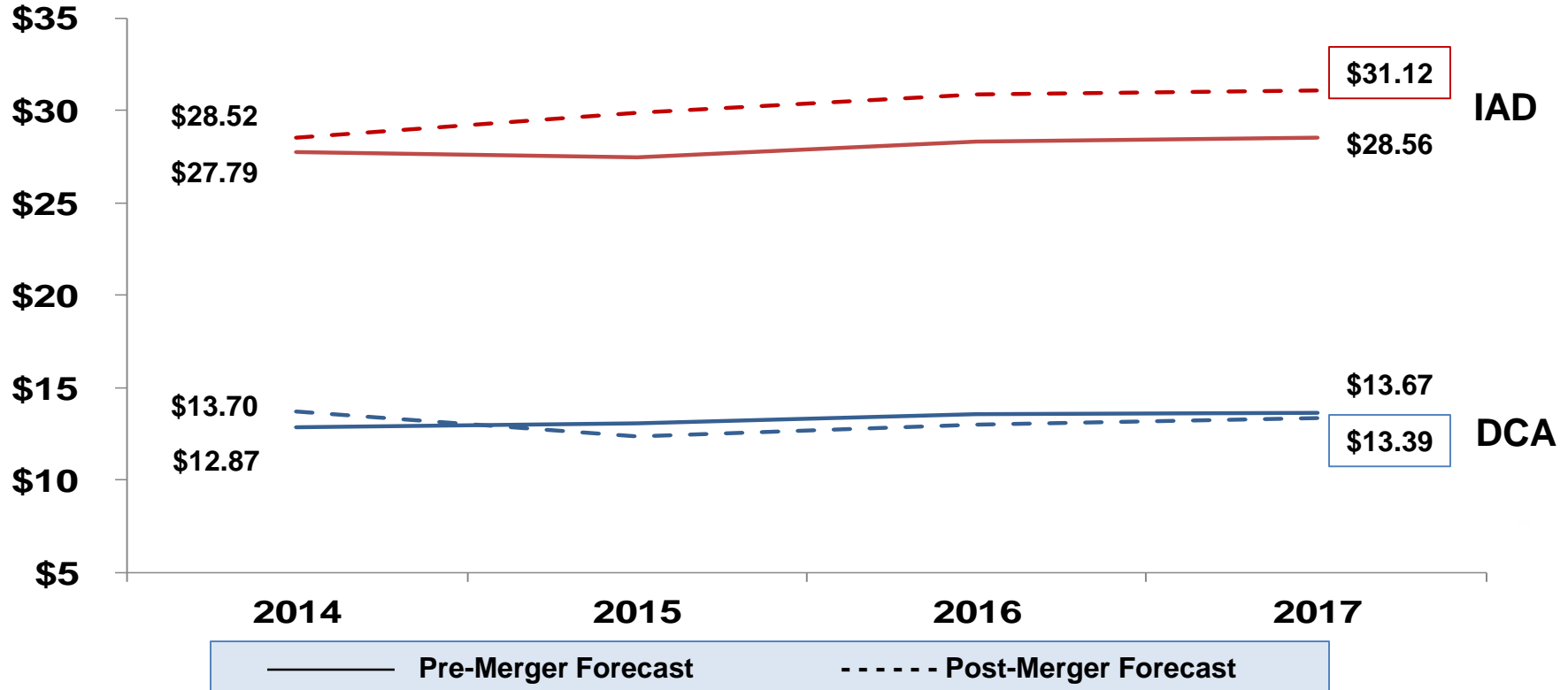
- Approximate overall capital investment at Dulles at \$5.4 billion with over 80% taking place after 2001
- There is currently \$4.2 billion of outstanding principal associated with Dulles

*Debt Service is the principal and interest payments required to repay debt.



Projected Merger Impact on CPE*

The American merger is expected to drive activity declines at Dulles and increases at Reagan National. Under the terms of the existing Use & Lease Agreement, CPE will decrease at DCA and increase at IAD:



*Based upon draft 2014 Airport Consultant Report, subject to change

Response to Dulles Situation

- Oppose further expansion at Reagan – FAA Reauthorization
 - Additional slots
 - Additional beyond perimeter flights
- Retain/grow existing Dulles carrier activity
 - Suggest underserved destinations to IAD Airlines
- Grow international passengers
 - Partner with DC & Commonwealth
- Attract low cost carriers
 - Abandoned routes
 - Niche Low Cost segment
- Drive cargo
 - Flowers (Ethiopian)
 - Pharmaceuticals

Response to Dulles Situation (continued)

- **Non-Aviation Revenue**
 - Land Use
 - Hotel
 - 606 Station
 - Western lands
- **Airport access**
 - Support Bi-County Parkway & Access to IAD via Loudoun County
 - Bus to Wiehle Ave Station
- **Use and Lease Agreement**
 - Shift some cost from Dulles to Reagan to lower Dulles airline costs
- **Reduce costs**
 - Refinance debt
 - Operations