

A Strategic Plan for Aviation Revenue Growth

Strategic Planning and Development Committee

MARCH 2012

U.S. Airport Industry Challenges

- Airline Consolidation/Capacity Reduction to Grow Revenue Yields
- Low Cost Carrier's Market Share Growth
- Heavy Airport Debt Obligations/Ongoing Airport Capital Facility Needs
- Rising Airport Costs Increasing Airline Costs per Enplanement (CPE)
- Federal Government Funding Levels for Airports Stagnant:
 - PFCs Frozen through 2015
 - Flat AIP Grant Funding through 2015
- Stagnant Passenger Growth

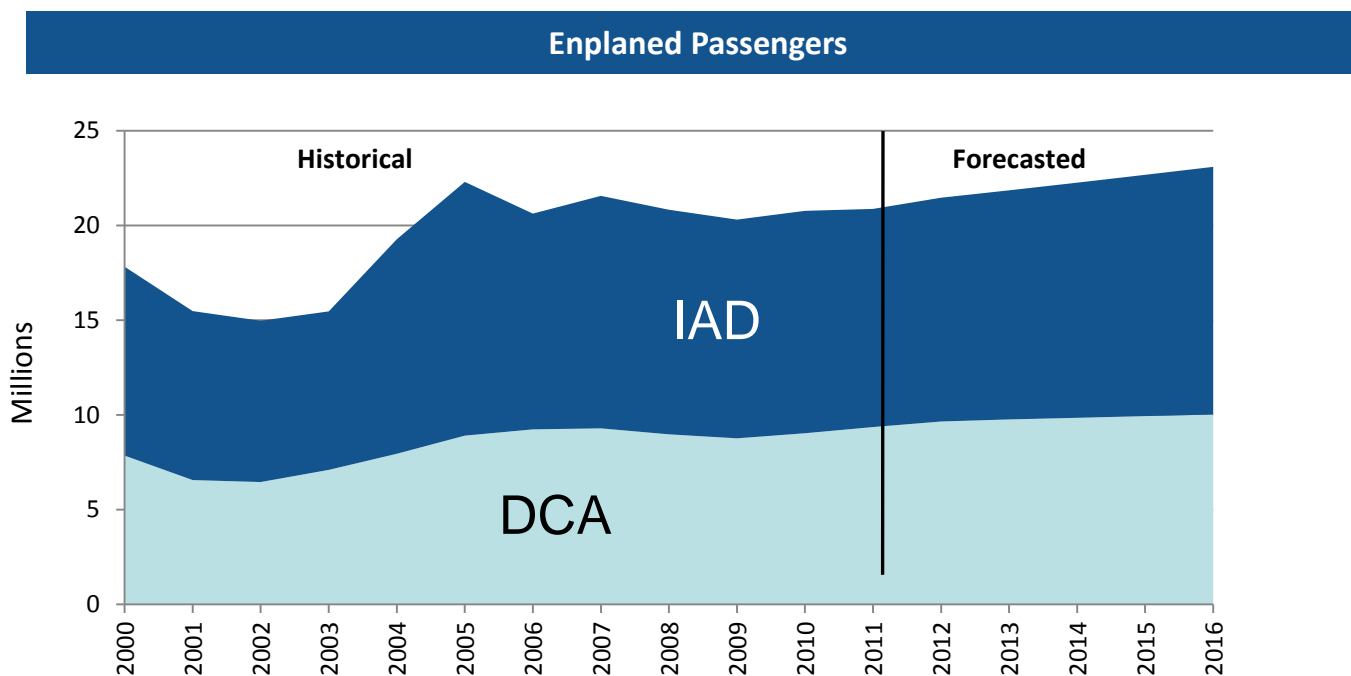
MWAA Challenge

- Cost per Enplanement
- Debt Coverage
- Balance between Dulles International and Reagan National
 - Use and Lease Agreement
- Revenue Growth

- MWAA Revenue Opportunities
 - **Financial Profile**
 - Opportunities for Aviation Revenue Growth
 - Non-Aeronautical Revenue Growth
 - Dulles Airport Western Land Development
 - Human Capital Initiatives



Historical Performance and Forecasted Enplanements

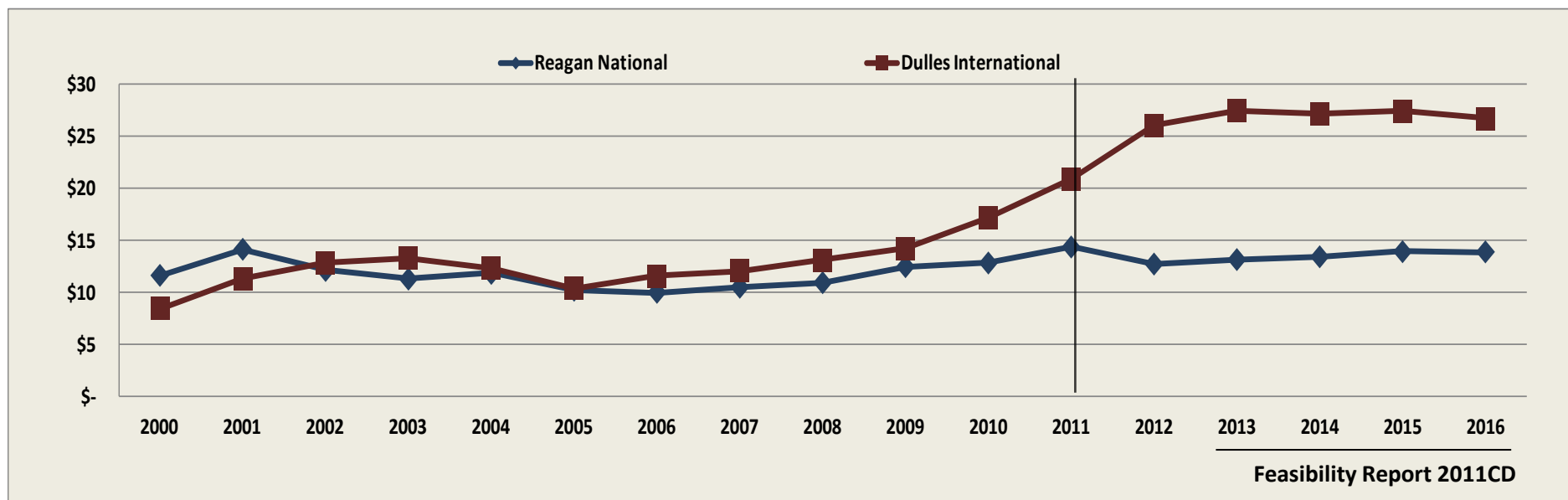


	Historical CAGR	Actual Enplanements & Growth Rate	
	2000-2010	2011	2010-2011
Reagan National (DCA)	(0.2%)	9.4 M	3.6%
Dulles International (IAD)	1.6%	11.5 M	(1.9%)

- Includes both revenue and non-revenue passengers on domestic and international flights. Excludes enplaned passengers on general aviation and military flights.
- Historical information from Airports Authority; forecasts from Leigh Fisher's Feasibility Report, dated September 9, 2011.

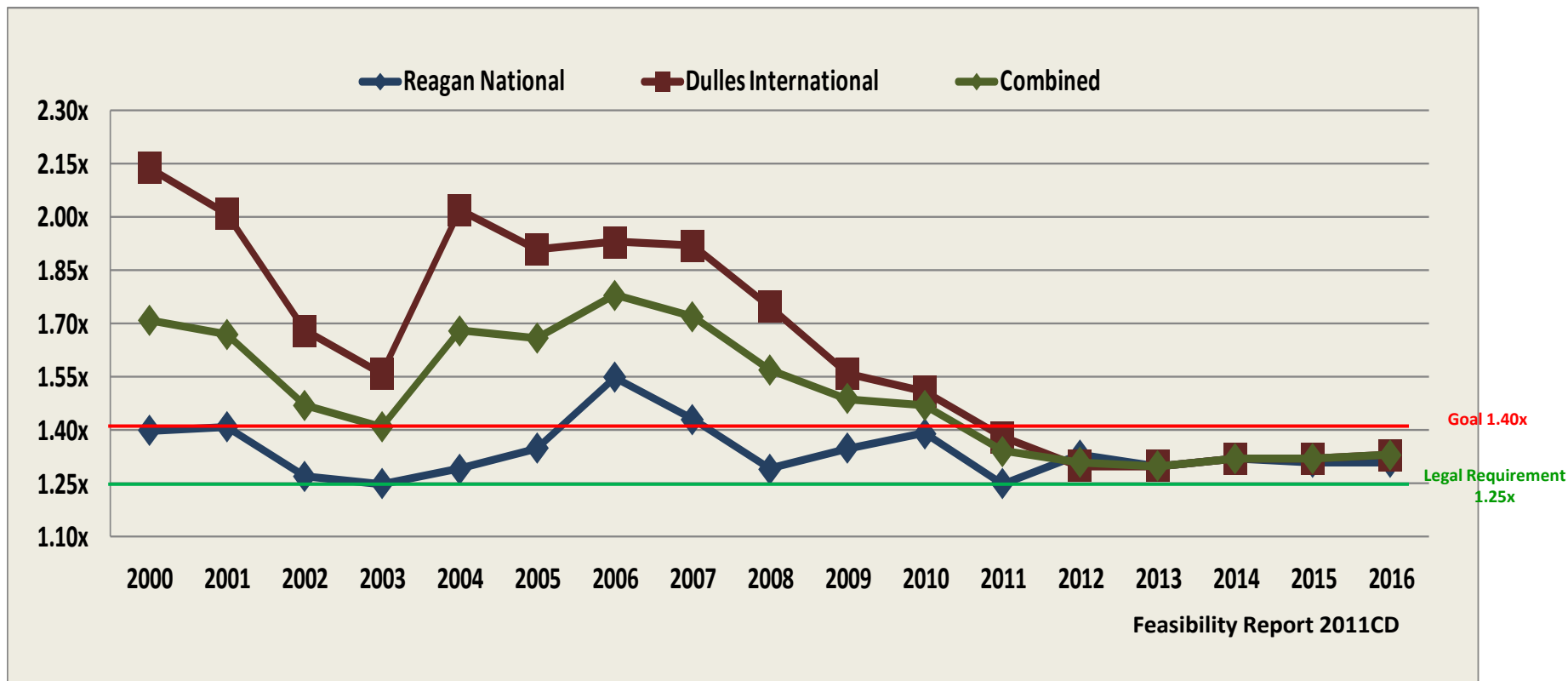


Historical and Forecasted Signatory Cost per Enplanement (CPE)



	Historical											Budget	Prel. 1st Half	CPE Forecast (Feasibility Report 2011CD)			
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Reagan National	11.65	14.16	12.12	11.29	11.84	10.22	10.02	10.51	10.95	12.49	12.84	14.38	12.74	13.17	13.44	13.93	13.91
Dulles International	8.48	11.30	12.81	13.30	12.34	10.40	11.57	12.11	13.11	14.21	17.16	20.89	26.03	27.49	27.20	27.46	26.73

Historical and Forecasted Debt Service Coverage

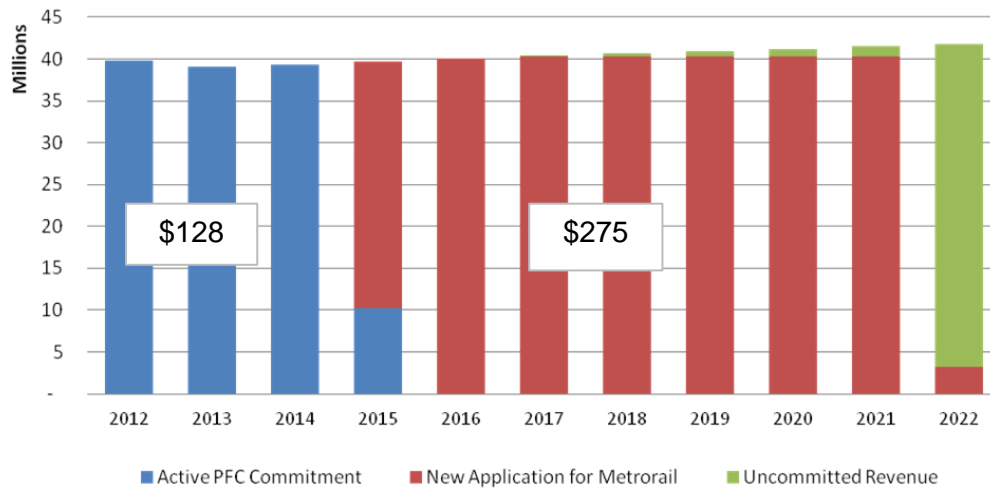


Reagan National Dulles International Combined	Historical												Budget		Forecast (Feasibility Report 2011CD)			
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
	1.40	1.41	1.27	1.25	1.29	1.35	1.55	1.43	1.29	1.35	1.39	1.25	1.33	1.30	1.32	1.31	1.31	
	2.14	2.01	1.68	1.56	2.02	1.91	1.93	1.92	1.75	1.56	1.51	1.38	1.30	1.30	1.32	1.32	1.33	
	1.71	1.67	1.47	1.41	1.68	1.66	1.78	1.72	1.57	1.49	1.47	1.34	1.31	1.30	1.32	1.32	1.33	



Application of PFCs

Ronald Reagan Washington National Airport

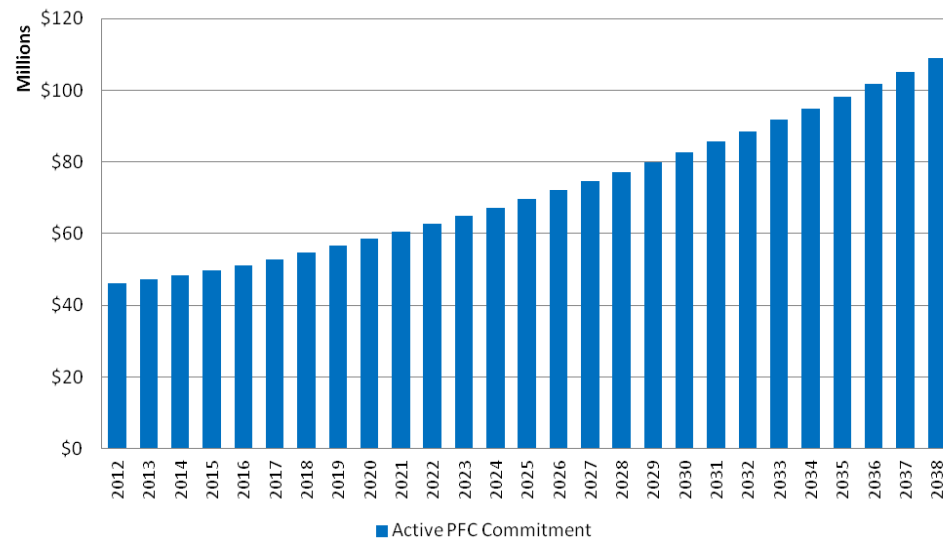


MWAA 4.1%*	\$ 235
+ Financing Costs	52
- Land Contribution	<u>(12)</u>
Total	<u>\$ 275</u>

* Assumes \$2.9 billion Phase 1 cost and \$2.821 Phase 2 cost

PFC revenues committed to AeroTrain and associated projects in Application 4

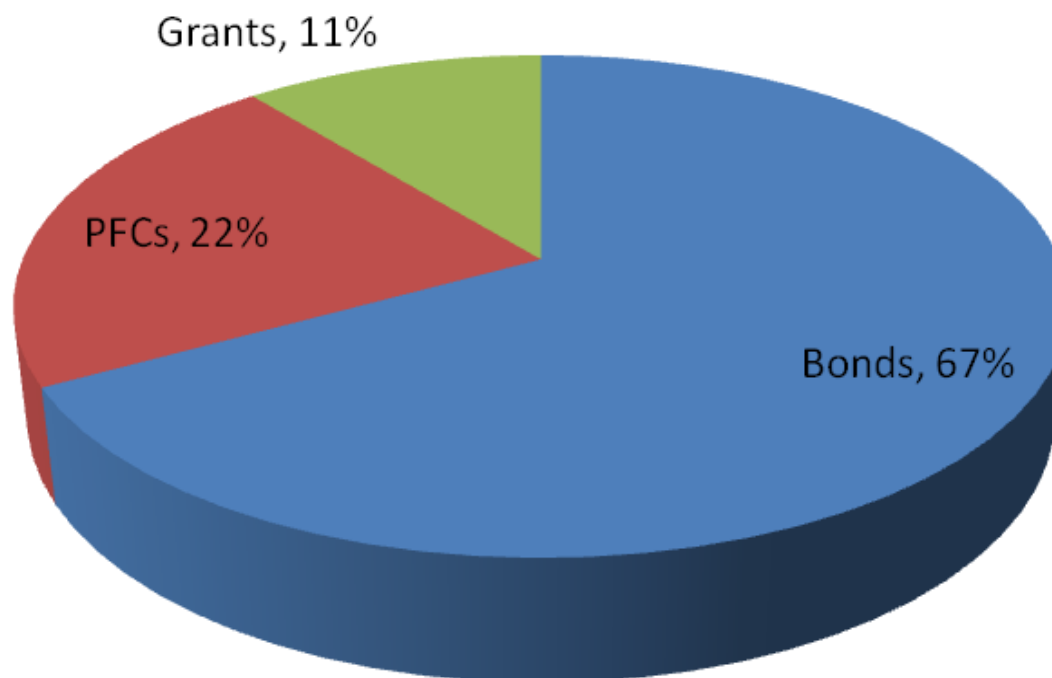
Washington Dulles International Airport



Existing PFC Revenue is \$4.50 (\$4.39 excluding fee)



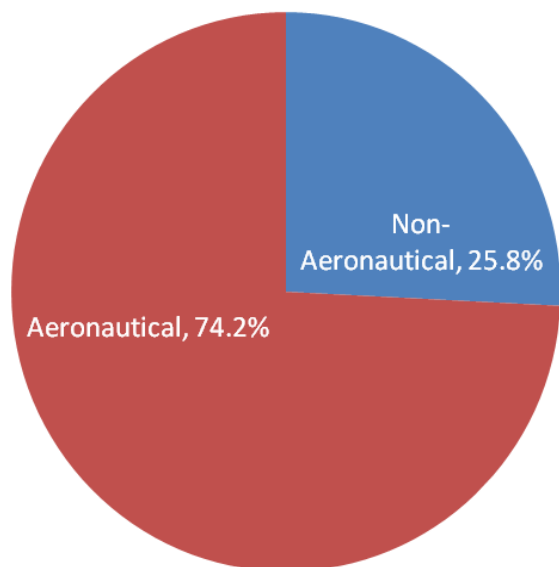
Historical Sources of Funds for Aviation Capital Program Financing



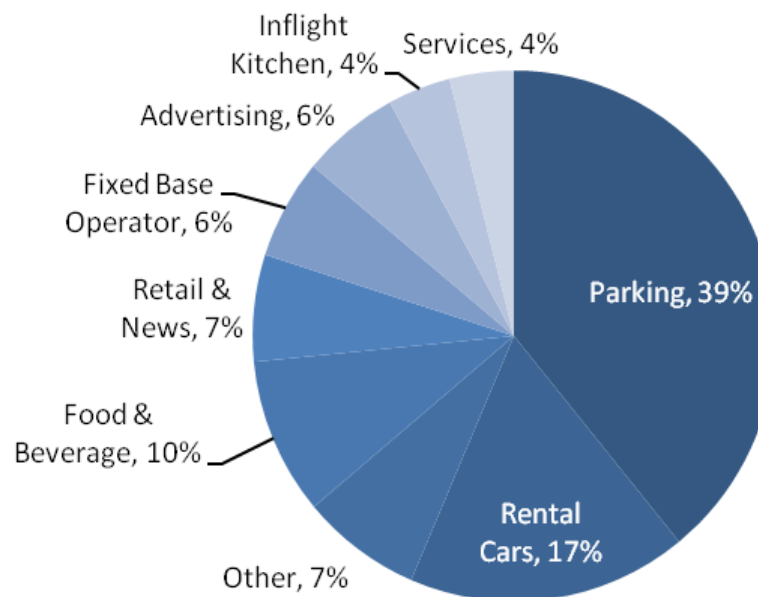
Source: Series 2011CD Official Statement

2012 Aviation Enterprise Budgeted Revenues

Total 2012 Budget: \$727.8 Million



**2012 Budget
Non-Aeronautical Revenue \$187.4 Million**



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 - Financial Profile
 - **Opportunities for Aviation Revenue Growth**
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Aviation is in a Very Dynamic Period of Change

- Mergers/Acquisitions of Traditional Legacy Carriers Continue
- Low Cost Carriers Continue to Grow
- Increasing Fuel Prices Continue to Drive Down Airline Profits
- Economic Conditions are Negatively Impacting Number of Passengers
- Airlines are Constraining Growth in Flights and Reducing Seat Capacities
- Decreases in Seat Capacity Enable Airlines to Increase Fares and Charge for Ancillary Services
- International Service is Becoming More Lucrative

Reagan National

- Location, Location, Location
- Limited Capacity with Unlimited Regulation – Slots Control Ability for Airlines to Add/Start Service
- Low Rates/Charges (Cost per Enplanement)
- Low Cost Airlines Increasing Their Presence and Growing Passenger Traffic
 - jetBlue
 - Southwest (AirTran Merger)

Reagan National Developments

- Delta/US Airways Slot Exchange
 - US Purchased 42 Slot Pairs from Delta
 - jetBlue Won 8 Slot Pairs (\$5 Million per Pair)
- FAA Reauthorization Adds 8 Beyond Perimeter Slot Pairs
 - Four Incumbent Airlines Each Add One Beyond Perimeter Flight
 - New or Limited Airlines Applying for 4 New Slot Pairs
- Changes Will Push Passenger Levels to New Heights

**If We Were a One Airport System,
We Would Declare Success at Reagan National.
However, What is Good for Reagan National Can
Negatively Impact Dulles International.**

Dulles International Airport Domestic Traffic Challenges

- United/Continental Merger
- Perimeter Rule Changes at DCA
 - More Long-Haul Flights at Risk at IAD
- Delta/US Airways Slot Swap
 - Lost Service-jetBlue Cutting Five IAD Flights in June
- High Cost-per-Enplanement

Dulles International Airport Opportunities

- International Powerhouse
- High Expansion Potential for Variety of Aviation Related Companies, Including Maintenance and Repair Operations
- Cargo Opportunities

Dulles International Developments: 3 New International Airlines

- Porter Airlines
 - Three Daily Toronto City Airport, Toronto, Canada Flights Starting April 16
- Aeromexico
 - Daily Mexico City, Mexico Service Starting May 21
- Etihad
 - Daily Abu Dhabi, United Arab Emirates Service Starting March 31, 2013

Dulles Developments: 4 New United Routes

- Daily Manchester, UK Nonstop May 1
- Daily Doha, Qatar Tag onto Dubai May 1
- Daily Dublin, Ireland Nonstop June 7
- Daily Honolulu Nonstop June 7

Maintenance & Repair Operation (MRO) Opportunity at Dulles International

- United Airlines Facility Approved
- Additional MRO
 - Allows Airlines to Conduct Periodic Maintenance Checks at Varying Levels and Cut Time Aircraft is Out-of-Service
 - Increases Landed Weights Thereby Increasing Revenues
 - Facilitates Air Service Growth

Dulles Cargo Development Challenges

- Belly Capacity Limiting Some Shipments
- Competitive Cargo Gateways: JFK, ATL, ORD
- Small Manufacturing Base = Lean Export Levels

Dulles Air Cargo

- Ethiopian Airlines – First of Weekly Flower Import Shipments (2 Tons) Arrived from Ethiopia January 25
- Silk Way Airlines – All Cargo Airline Based in Baku, Azerbaijan, Plans to Start Twice Weekly B747F Freighter Service in Early 2013

Reagan National – Autopilot

Dulles International – Growth Opportunities Exist

- Focus of air service development attention
- Focus of growth plan

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Definitions

- Aeronautical Revenue is Revenue that is Derived from Charges to Airlines for the Facilities/Services Provided by an Airport (e.g., Landing Fees, Rents, Apron Parking Fees, etc.)
- Non-Aeronautical Revenue is the Revenue that is Not Derived from Charges to the Airlines for Facilities/Services Provided by an Airport (e.g., Concessions, Office Buildings, Hotels, Gas Stations, Land Development, etc.)

The Significance of Non-Aeronautical Revenue

- Increases Our Net Remaining Revenues
 - Provides Funding for Passenger Service Improvements
- Improves Our Debt Service Coverage
 - Reduces Our Cost of Borrowing Money
 - Allows Us to Reduce Airport Facility Costs to the Airlines

The Significance of Non-Aeronautical Revenue (cont'd)

- Increases Our Relative Attractiveness as an Airport Competing for New and Expanded Air Service
 - As a Originating Point Into the Metro DC Region, AND
 - As a Connecting Point Vis-a-Vis Alternative Hub Airports (Both Domestically and Internationally)
- Provides a Level of Insulation Against the Cyclical Downturns of the Aviation Industry

Historic Patterns of Non-Aeronautical Revenue at Major Airports

- The Industry

1990 – 10%-15% of Airport Revenue was Non-Aeronautical

2000 – 30% of Airport Revenue was Non-Aeronautical

2010 – 45-50% of Airport Revenue was Non-Aeronautical

- MWAA

2007 – 47% of Airport Revenue was Non-Aeronautical

2011 – 38% of Airport Revenue was Non-Aeronautical

2012 – 25% of Airport Revenue is Budgeted to be Non-Aeronautical

Non-Aeronautical Revenue Focus for MWAA

- Terminal Concessions
- Advertising
- Land Development
 - Existing Office Buildings
 - Parking
 - Gas/Convenience Stations
 - Hotel

Terminal Concessions

- Re-Solicit for Fee-Manager
- Update Our Concessions Offerings at DCA and IAD

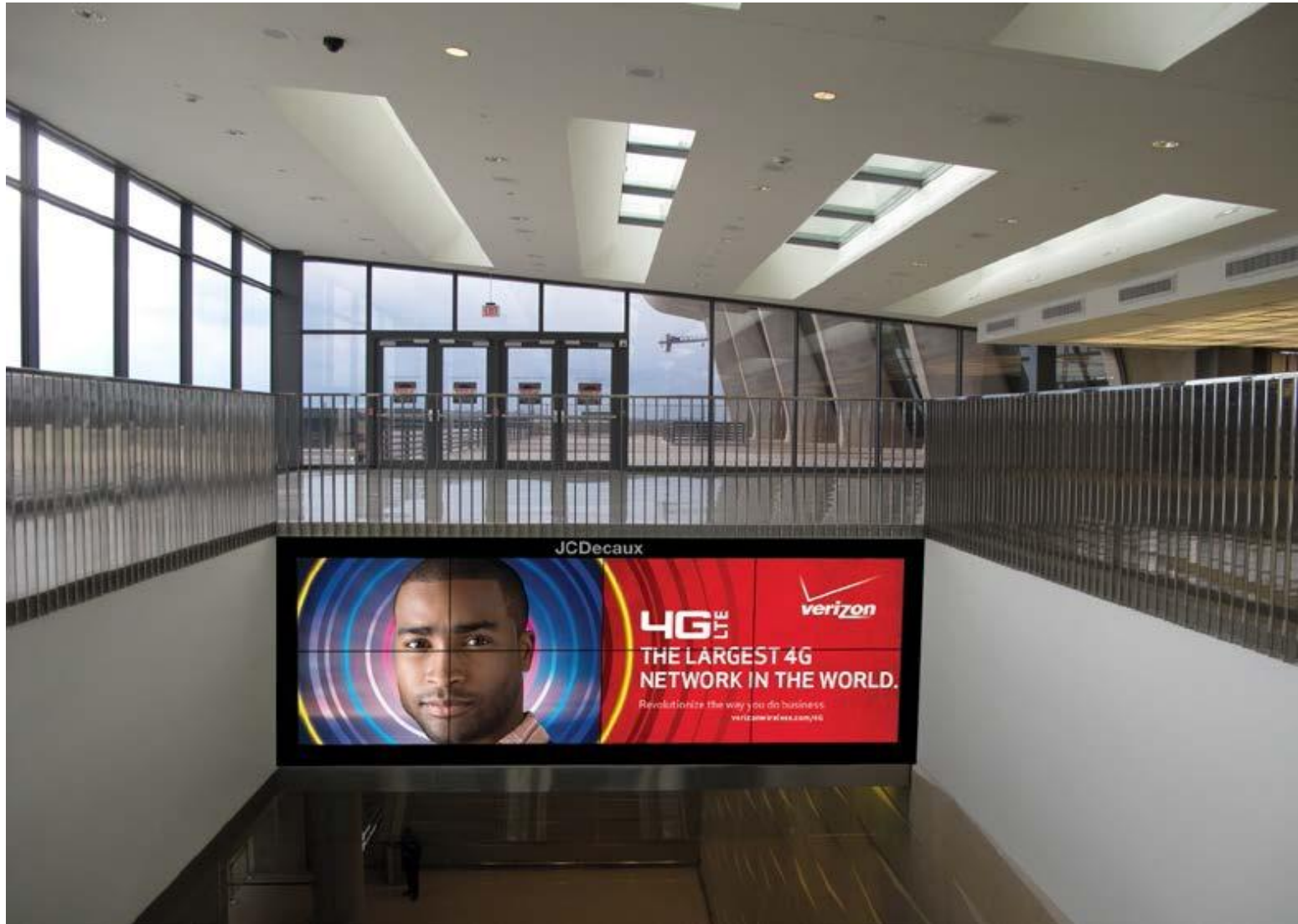
Advertising

Continue to Identify Creative New Opportunities

- New Digital Signage - \$1,400,000 Annually per Airport
- New Locations
 - APM Trains - \$690,000 Annually
 - Security Checkpoints – \$759,000 Annually
- Possibilities
 - Floor Graphics - \$750,000 Annually
 - Loading Bridges - \$ 3 Million Annually



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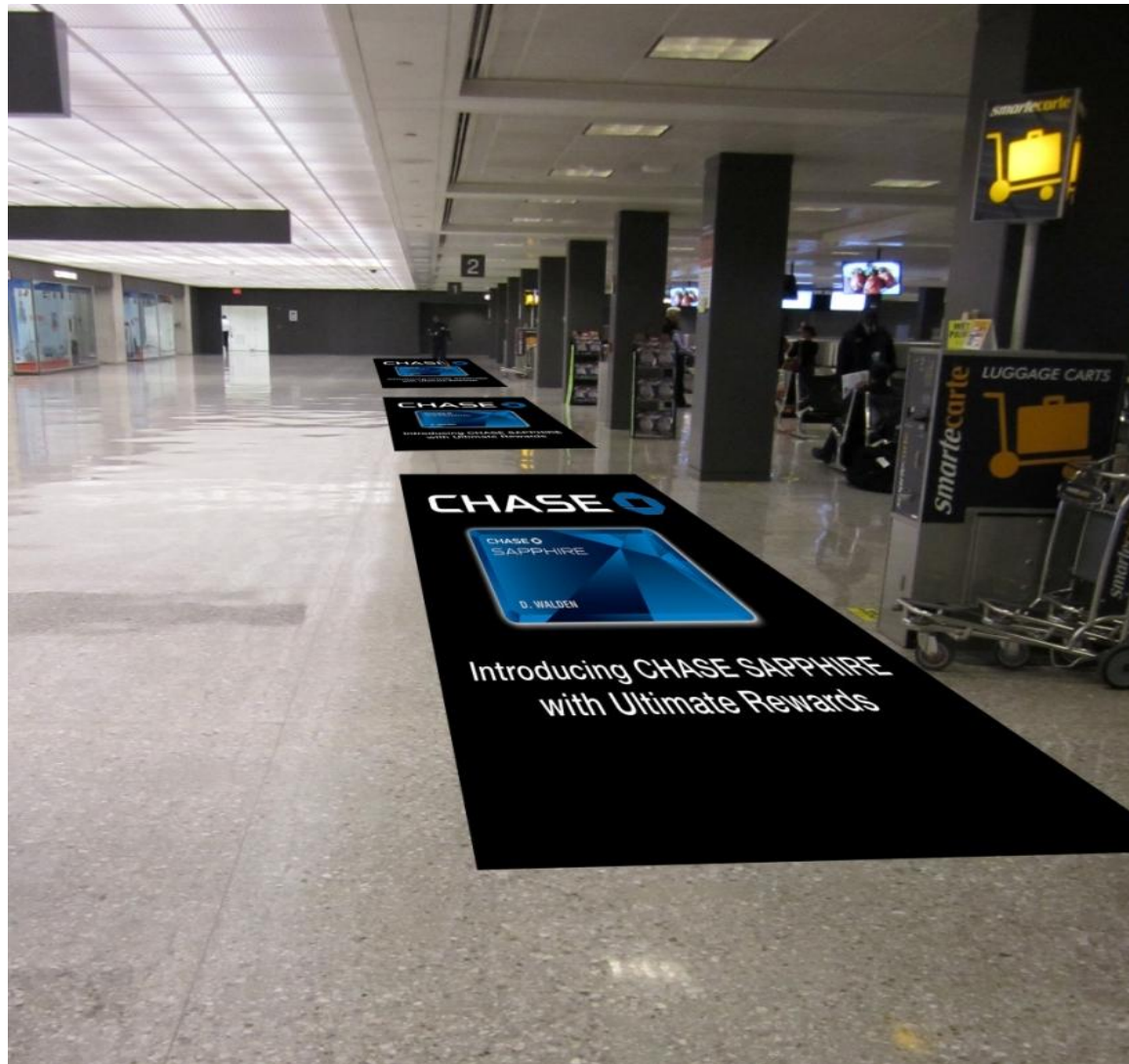


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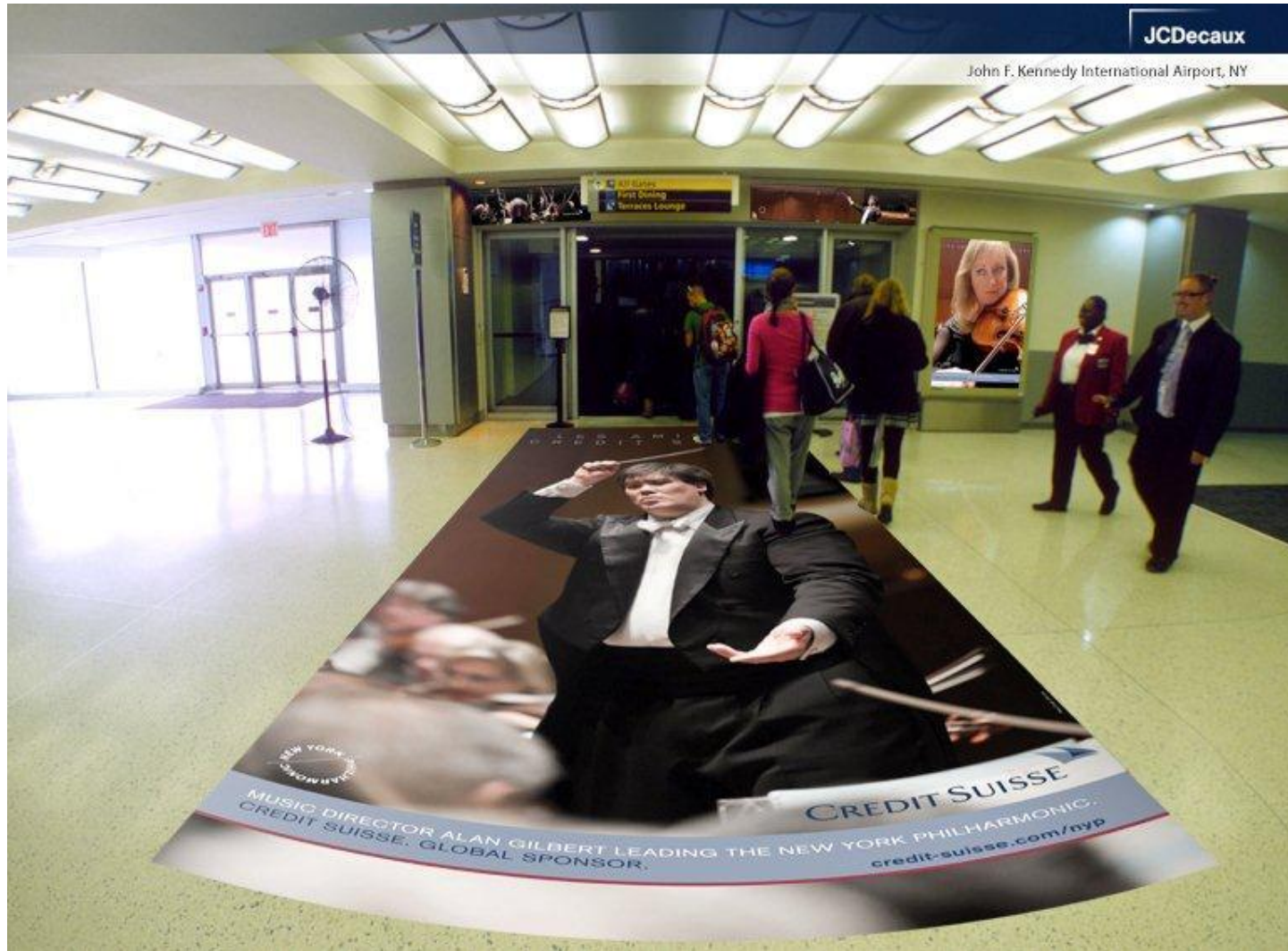


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Land Development

- Existing Office Buildings
- Parking at DCA
 - New Parking Revenue Control System
 - New Parking Structure
- Gas/Convenience Stations
- Hotels

Existing Office Buildings



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Parking



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Gas/Convenience Stations



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Hotels



Summary of Non-Aeronautical Revenue Focus

- Stimulate Creativity
- Increase Revenue
- Increase Passenger Satisfaction

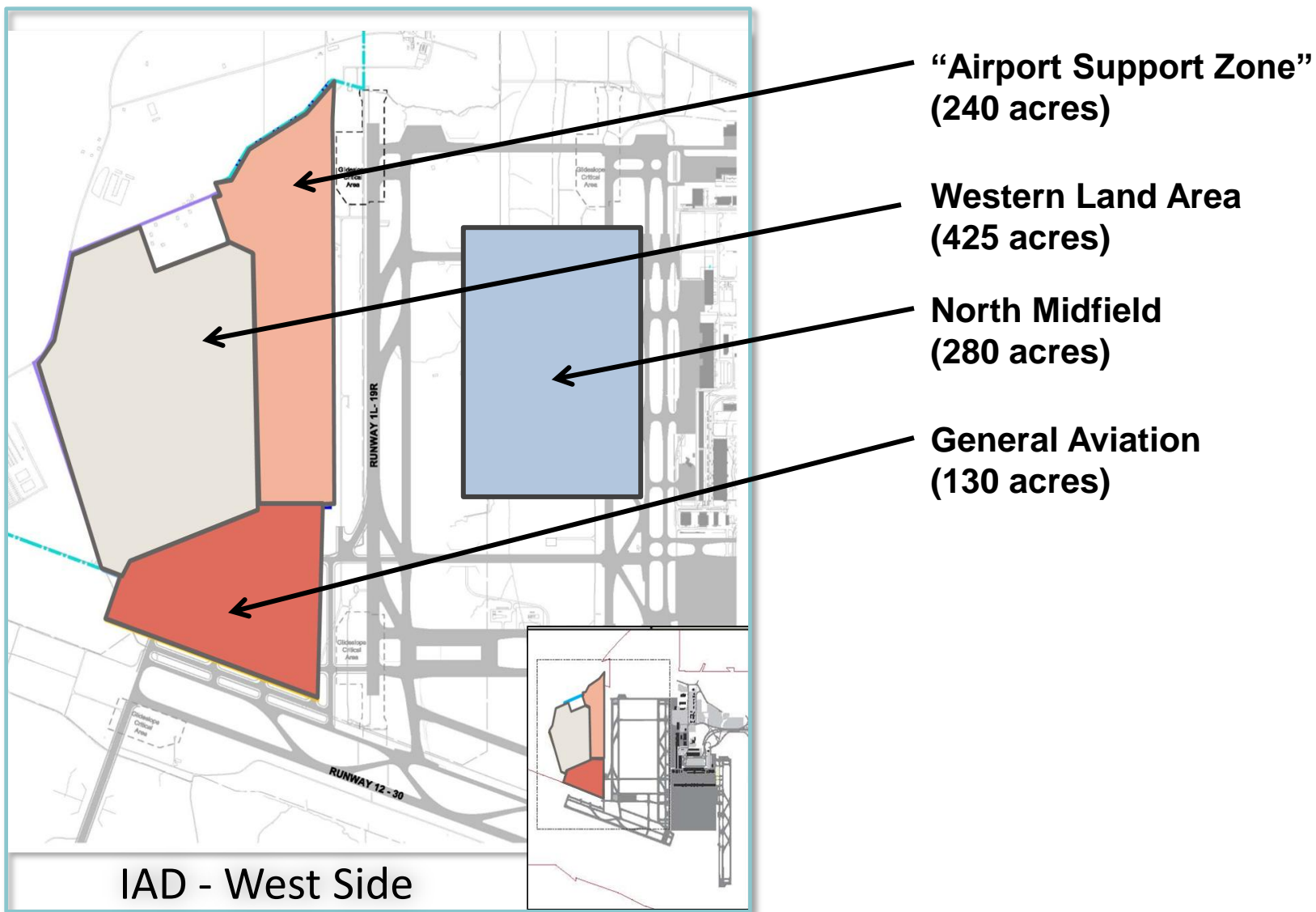
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Western Land

- Unique Configuration
 - 650 Acres of Aviation Property
 - 425 Acres of Non-Aviation Property
 - Adjacent to Major Roadway (606)
- Perfect for Business Needing Access to Ramp
 - Integrator
 - Just in Time Fulfillment
 - Repair Operation



West Dulles Development Parcels





West Dulles Development Parcels



View Looking West (new Runway 1L-19 foreground, Route 606 background)

- Changes Impacting U.S. Airports
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Key Initiatives

1. Stability Through Responsive Programs and Services
2. Enhanced Employee Communications
3. Motivation Through Performance Management
4. Ensuring Availability of Critical Management Skills

Stability through Responsive Programs and Services

Challenge: To Provide Programs and Services that Respond to Employee Needs

1. Lack of Employee Assistance Program (EAP) Confidentiality
2. EAP Program Review
3. Comprehensive Restructured EAP

Enhanced Employee Communications

Challenge: To Ensure That Employees Understand and Own the Business Model

1. Quarterly Management Forums
2. Employee Suggestion Program
3. On Good Authority Express
4. HR Connects

Motivation through Performance Management

Challenge: To Motivate Employees to Strive for Excellence

1. Review of the Performance Management Partnership (PMP)
2. Revised Program Components Focused on Measurable Goals and Competency Based Job Behaviors
3. Program Roll-Out

Critical Management Skills When Needed

Challenge: To Respond to the Impact of Attrition on an Aging Workforce

A Three Pronged Leadership Development Program:

1. Ongoing Identification and Assessment of Skills Required for Mission Critical Jobs
2. A Program with Proven Methods of Candidate Assessment and Development
3. Competency Based Hiring Process for Managerial and Supervisory Jobs

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