

SUMMARY MINUTES
STRATEGIC DEVELOPMENT COMMITTEE
MEETING OF JUNE 18, 2014

Mr. Chapman chaired the June 18 Strategic Development Committee Meeting, calling it to order at 12:08 p.m. A quorum was present – Ms. Lang, Co-Chair, Mr. Curto, Mr. Gates, Mr. Session and Mr. Williams. Mr. Griffin, Ms. Hall, Ms. McConnell, Mr. McDermott and Ms. Wells were also present.

Mark Treadaway, Vice President for Air Service Planning and Development, reported that the Department of Transportation (DOT) had not reached a decision regarding the award of a pair of slot exemptions previously owned by Republic Airlines and operated by Frontier Airlines (Frontier). American Airlines, jetBlue and Southwest had applied for the slot exemptions in March.

As Ms. McKeough had previously reported, jetBlue would inaugurate six new departures at Reagan National the following day, which represented the first part of the 12 new departures it will operate by the end of the year as a result of the recent slot divestiture. Mr. Treadaway reported that jetBlue is very pleased with how this new national service is proceeding and expected great results for the future.

Mr. Treadaway reported on newly inaugurated international service at Dulles International. Air China had begun its service to Beijing (four times per week) on June 10. United Airlines had begun its seasonal service to Madrid on a daily basis on June 4 [correct date of inaugural flight is June 5] and to Nassau on weekends only beginning June 7.

Mr. Treadaway reported on a practice known as upgauging when airlines used larger airplanes during peak season. He provided an example of upgauging, noting that Austrian Airlines would rotate into new aircraft to replace those it operated daily to Vienna, which would result in an additional 100 seats each way, beginning June 28. Additionally, United Airlines had just received DOT approval for weekend service beginning December 20 to San Jose del Cabo, Mexico. Mr. Treadaway reported that Frontier had announced that it would begin serving Cleveland four times a week beginning October 1, which would mark its 15th city. He also noted that Etihad Airlines, one of the Middle Eastern carriers, had recently received two of the industry's newest aircraft, the 787-9, which

it would use for daily service from Dulles International to Abu Dhabi beginning January 1, 2015.

Mr. Session inquired whether staff was certain that the fares offered by the “low-cost carrier” had been true low-cost fares. With respect to Frontier, Mr. Treadaway responded that it represented a third category of airline known as an ultra-low cost carrier. He reported that Frontier did offer an all-inclusive fare that is lower than others that are available, but it would be dependent upon the exact market. Frontier also offered an unbundled fare where a passenger would get the lowest fare possible; however, add on items, including the purchase of food, seat allocation, or baggage, would increase the cost. Mr. Treadaway stated that the ultra-low cost carrier is a model that is working very well and becoming a growing segment of the aviation industry.

Mr. Chapman inquired when staff would be able to use a trend in passenger activity resulting from Frontier and other new services that would provide a forecast for the future. Mr. Treadaway responded that it would likely be the first quarter of 2015 before a determination could be made, but information regarding Frontier should be available by December.

Mr. Griffin inquired about WOW air. Mr. Treadaway reported that WOW air is a medium-haul airline that operated in Reykjavik, Iceland. He explained that an active competition is underway as Wow air is considering providing service to this region, but that the Authority is also competing with a number of other airports in North America.

Mr. Griffin asked why Wow air would be permitted to service this region while Norwegian Air is prohibited from doing so. Mr. Potter stated Norwegian Air did not have the same flexibility with the open skies air transport agreement between the European Union and the United States.

Ms. Hall inquired about staff’s wish list of international carriers that it would like to service Dulles International. Mr. Potter responded that the discussion would need to occur in executive session.

Mr. Williams reported that he and Mr. Chapman had attended the Loudoun Chamber State of Transportation discussion the prior day. He commended Mr. Potter on his excellent presentation and stated that his ability to connect with the politicians and others is extraordinary.

Mr. Potter reported that he had been visiting different venues to address the downturn in domestic passengers at Dulles International as a result of regulatory actions, such as the expansion of the perimeter; addition of slots at Reagan National; or the results of a slot swap or an airline merger. He stressed that domestic passengers at Dulles International had decreased from 22 million to 15 million, and the American merger will exacerbate it. Mr. Potter stated that the information he had presented the prior day was consistent with what he had discussed with the Directors at the last Board Retreat. At that time, he had reviewed 10 topics on which the Authority would work diligently, some of which are coming to fruition, including refinancing debt; cutting costs; hiring a real estate manager; and retaining a low-cost carrier.

Mr. Potter stated that the Authority remained challenged with high costs per enplanements at Dulles International. He noted that staff would provide an update on the use and lease agreement later in the meeting. Mr. Potter believed it is important to attract political support with regard to not allowing additional beyond-perimeter flights. He also noted a unique strategy that had been used when the District of Columbia and Commonwealth of Virginia had helped with the achievement of the development of Air China service to Dulles International.

Mr. Potter stated that events similar to the one that Mr. Williams and Mr. Chapman had attended offer an opportunity for people to engage in discussions with Directors, as well as himself, which increases the size of the team that people can interface with, which is helpful. He thanked Mr. Williams and Mr. Chapman for their attendance.

Mr. Chapman reported that the Committee had additional information that it needed to be updated on in executive session relative to the use and lease negotiations. He explained that because the item had not been identified on the agenda 48 hours in advance, a motion would be needed to waive the notice provision for the members of the Committee. The motion was thereupon approved. Mr. Chapman stated that pursuant to Article IX Section 3 of the Authority bylaws which permits the Board and its Committees to move into executive session, the Committee would move into executive session. He also noted that the Strategic Development Committee was the last meeting of the day and that no additional public sessions would be held.

At 12:25 p.m., the Committee met in executive session. At 12:50 p.m., the Committee adjourned its executive session, at which time the regular session was reconvened.

The Meeting was thereupon adjourned at 12:52 p.m.