

Dulles International (IAD) Update

Strategic Planning and Development Committee

December 2012

IAD Update

✈ AGENDA

- ✓ **Aviation Business Update – Margaret McKeough**
- ✓ Airline Rates & Charges – Andy Rountree
- ✓ IAD Customer Experience – Chris Browne
- ✓ IAD Capital Program Planning – Frank Holly
- ✓ Air Service Development – Mark Treadaway
- ✓ Business Opportunities – Steve Baker
- ✓ Summing Up – Jack Potter

Airline Industry

- U.S. Airlines' Reaction to Economic Challenges:
 - Focus on Profits by Constraining Growth of Flights
 - Hold or Increase Fares
 - Reduce Overall Seat Capacity in System
 - Add Lucrative International Service by Shrinking Domestic Service
 - Charge for Ancillary Services

- Result: Soft Domestic Passenger Market in Near-Term

U.S. Airport Industry Challenges

- ✈️ Potential Declining Federal Government Airport Funding Levels
 - ✈️ CBP Operations
 - ✈️ TSA Operations
 - ✈️ PFCs Frozen at \$4.50
 - ✈️ Federal Capital Grant Funding
- ✈️ Inflation in Operating Costs Plus Needed Capital Improvements Combined with Sluggish Passenger Growth Yield Increasing Airline Costs per Enplanement (CPE)

Key Characteristics Of Washington Regional Airport System

- ✈ **Reagan National** is experiencing record domestic activity due to changes in slot/perimeter regulations and slot ownership changes.
- ✈ **Dulles International** is experiencing strong international growth as the international gateway airport to the region serving 67% of region's international passengers. Domestic passenger growth is challenged by growth at Reagan National and low fare options at BWI.
- ✈ **Baltimore Washington International (BWI)** is growing due to a strong, low fare Southwest Airlines domestic operation.

MWAA Airport System Outlook

- Reagan National (DCA) and Dulles International (IAD) are structured to operate as an Airport “System”
- The long-term future is bright for our Airport System
 - DCA – Convenience/Superior Performance/Land Constrained
 - IAD – International Gateway to the Nation’s Capital/Unconstrained Aviation-Aviation Support Growth Potential/Vast Opportunities For Commercial Real Estate Development

Dulles International (IAD)

- ✈ IAD Uniquely Positioned for Growth
 - ✈ Terminal Capacity
 - ✈ Robust Runway Capacity
 - ✈ Parking Capacity
 - ✈ Undeveloped Airfield-Accessible Land
- ✈ Surrounding High Income Customer Base On a Positive Growth Trajectory = More Travel
- ✈ Newly Expanded Facilities and Improvements Have Higher Costs – More Reliant on Airline Activity for Revenue
- ✈ Upcoming Game Changer – METRO at Dulles in 2018

Dulles Challenges

- ✈ Uncertain Short-Term US and Global Economic Outlook Affecting Passenger and Cargo Traffic Growth
- ✈ New and Improved Dulles Facilities Costs Are Driving Higher Short Term Airlines Costs Relative to Other Airports
- ✈ Use and Lease Agreement Constrains MWAA Managing as One Airport System

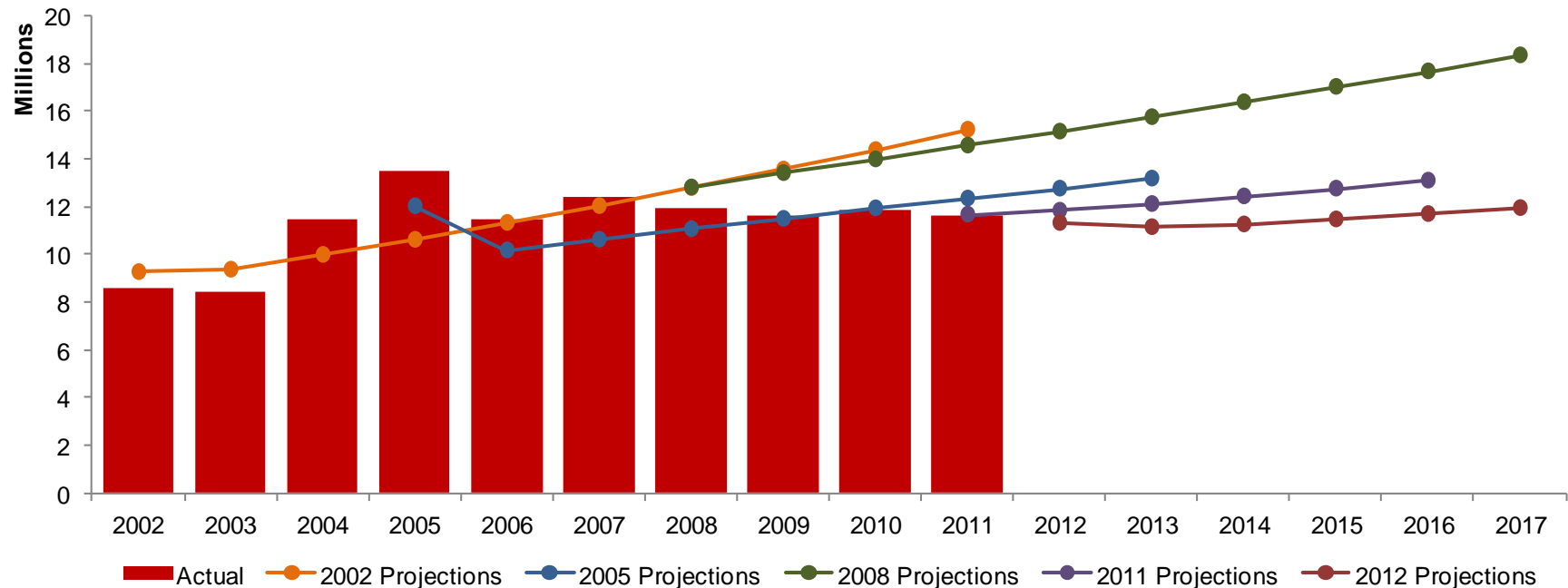
IAD Update

✈ AGENDA

- ✓ Aviation Business Update – Margaret McKeough
- ✓ **Airline Rates & Charges – Andy Rountree**
- ✓ IAD Customer Experience – Chris Browne
- ✓ Air Service Development – Mark Treadaway
- ✓ Business Opportunities – Steve Baker
- ✓ IAD Capital Program Planning – Frank Holly
- ✓ Summing Up – Jack Potter

The Enplanement Forecast History Provides Insight into the Current Financial Profile

IAD Enplanements - Actuals and Forecasts



Enplanement forecasts significantly flattened over the last decade; but only after Dulles was committed to a significant Capital Construction Program

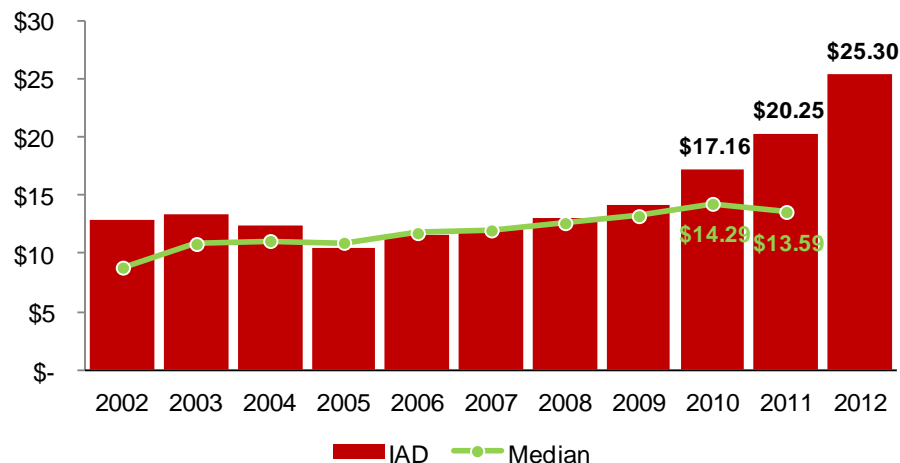
Average Cost Per Enplanement (CPE)

(A Standard Industry Metric = Airport Costs / Enplanements)

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current 2012	Budget 2013
Reagan National	\$10.51	\$10.95	\$12.49	\$12.84	\$13.94	\$12.72	\$14.73
Dulles International	\$12.11	\$13.11	\$14.21	\$17.16	\$20.25	\$25.30	\$27.30
<i>Domestic</i>				\$14.01	\$17.08	\$21.23	\$21.74
<i>International</i>				\$25.25	\$30.22	\$38.33	\$39.80

✈ The combination of flattening forecasts and added debt from the Capital Construction Program has resulted in relatively high CPE at Dulles International

IAD Airline Cost per Enplaned Passenger (CPEP)





Average Cost Per Enplanement (CPE) Can be Significantly Impacted by Activity Level

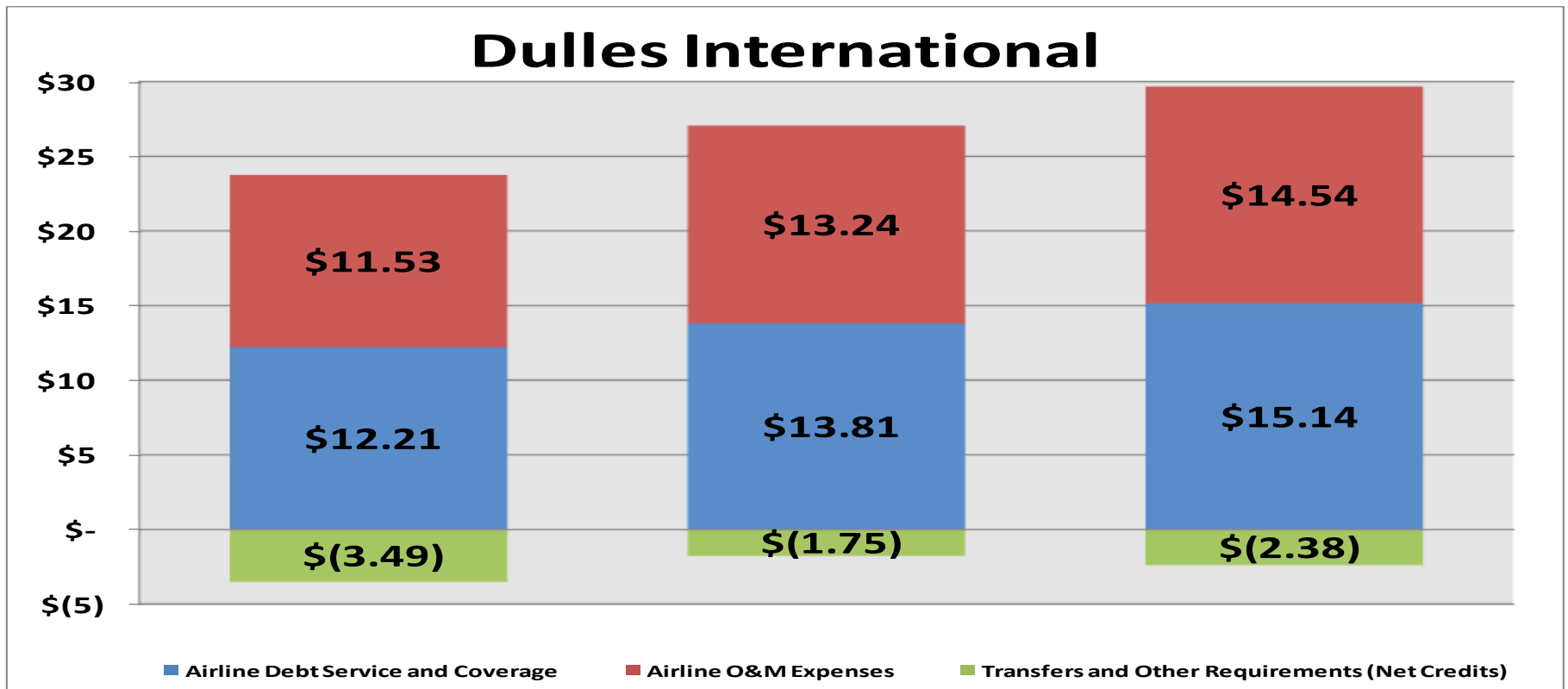
Example Increase of One Million Enplanements (9% increase)

Dulles International	2013 Projected	Adding 1 Million Enplanements	Difference
Enplanements	11,125,000	12,125,000	1,000,000
CPE (Without PFCs)	\$30.03	\$27.54	(\$2.49)
Applying PFCs	\$42 million	\$45.9 million	\$3.9 million
CPE (With PFCs)	\$27.30	\$24.79	(\$2.51)



Average Cost Per Enplanement (CPE) Can be Significantly Impacted by Debt Costs

Capital Program Debt is a Major Component

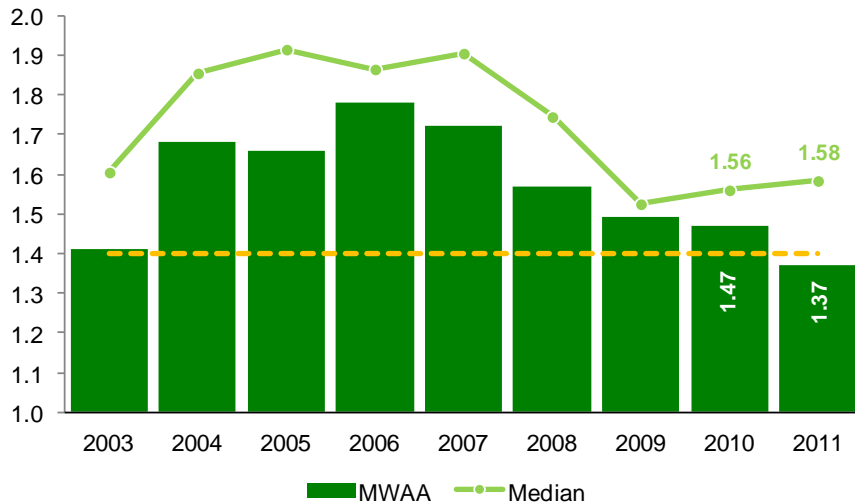




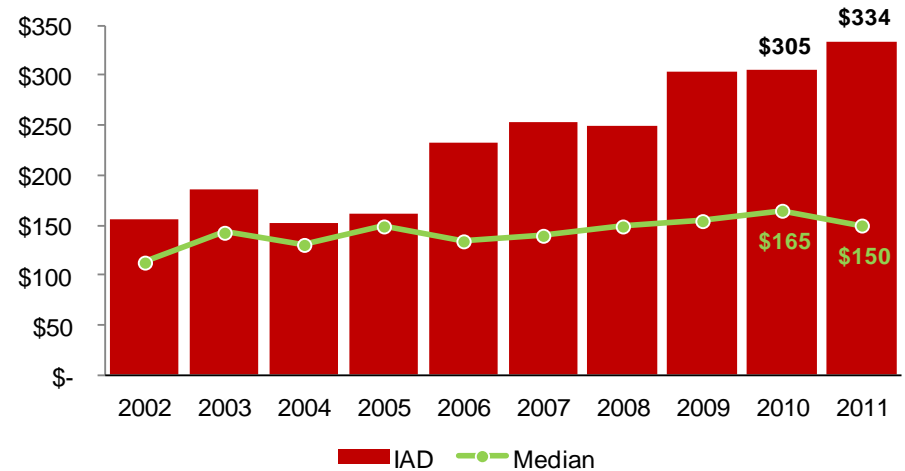
Debt Service Coverage Levels are Carefully Managed

Debt Service Coverage										
	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current 2012	Budget 2013	Projected 2014	Projected 2015	Projected 2016
DCA	1.43	1.29	1.35	1.39	1.47	1.44	1.32	1.32	1.31	1.32
IAD	1.92	1.75	1.56	1.51	1.34	1.27	1.30	1.28	1.28	1.28
Combined	1.72	1.57	1.49	1.47	1.37	1.31	1.31	1.29	1.29	1.29

Debt Service Coverage Ratio



IAD Debt per EPAX



Continuing Financial Strategies for Dulles International

- Operating costs have been held to minimal increases; below levels included in official forecasts
- Manage Capital Program by building as demand warrants
 - New Debt authorized for the Dulles Capital Program in 2013 has been held to a minimum
 - \$1.4 million net increase
- Pursuing longer-term strategies for new non-aeronautical revenues
- Pursue strategies within Use and Lease Agreement negotiations to more proactively manage revenues and costs as an airport system
- Aggressively pursue opportunities for increasing activity

IAD Update

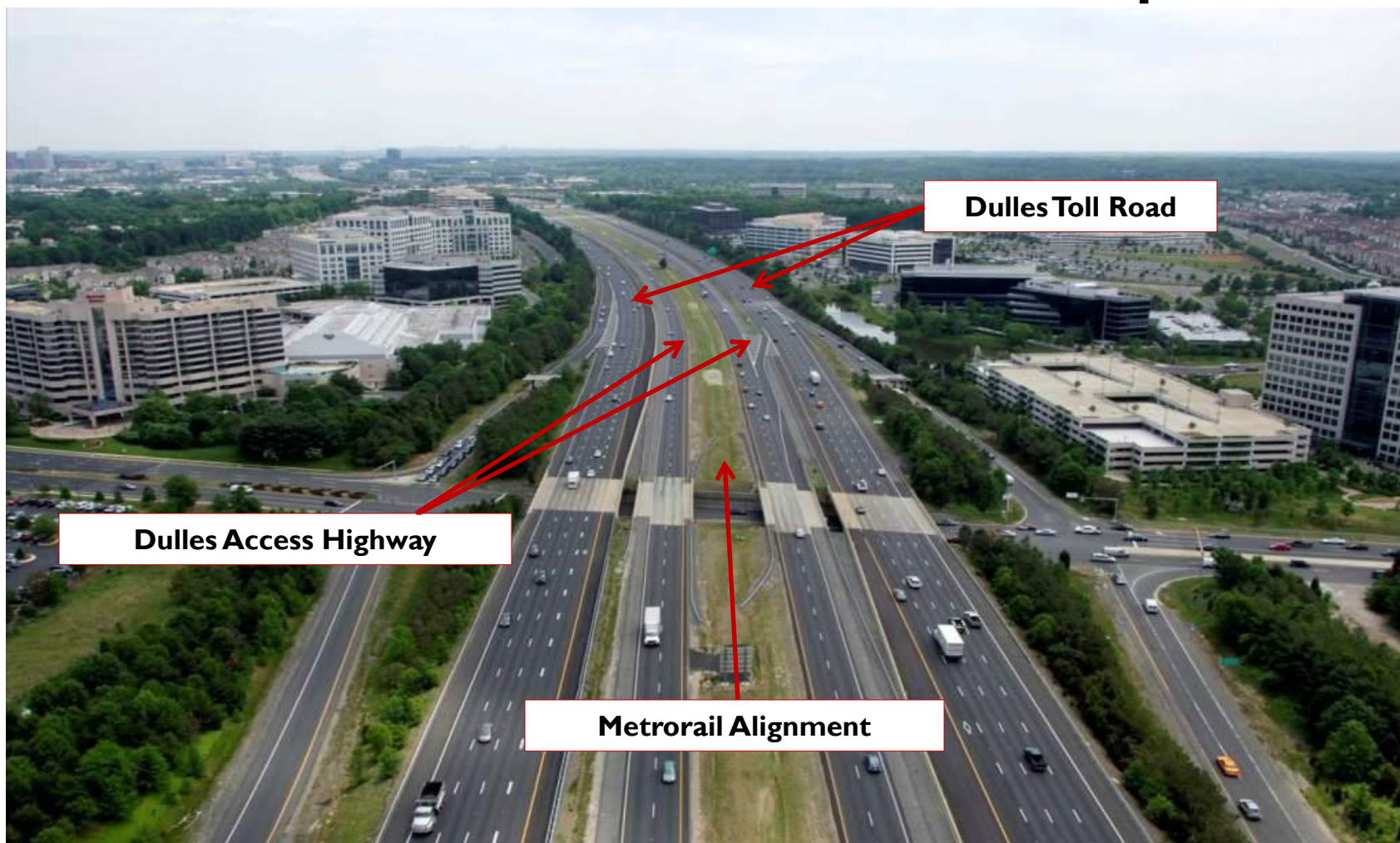
✈ AGENDA

- ✓ Aviation Business Update – Margaret McKeough
- ✓ Airline Rates & Charges – Andy Rountree
- ✓ **IAD Customer Experience – Chris Browne**
- ✓ IAD Capital Program Planning – Frank Holly
- ✓ Air Service Development – Mark Treadaway
- ✓ Business Opportunities – Steve Baker
- ✓ Summing Up – Jack Potter

Dulles Serves the Customer

- ✈ Contemporary
- ✈ Predictable
- ✈ Satisfying
- ✈ Reliable

Dulles Airport Corridor Provides Quick and Direct Access to the Airport



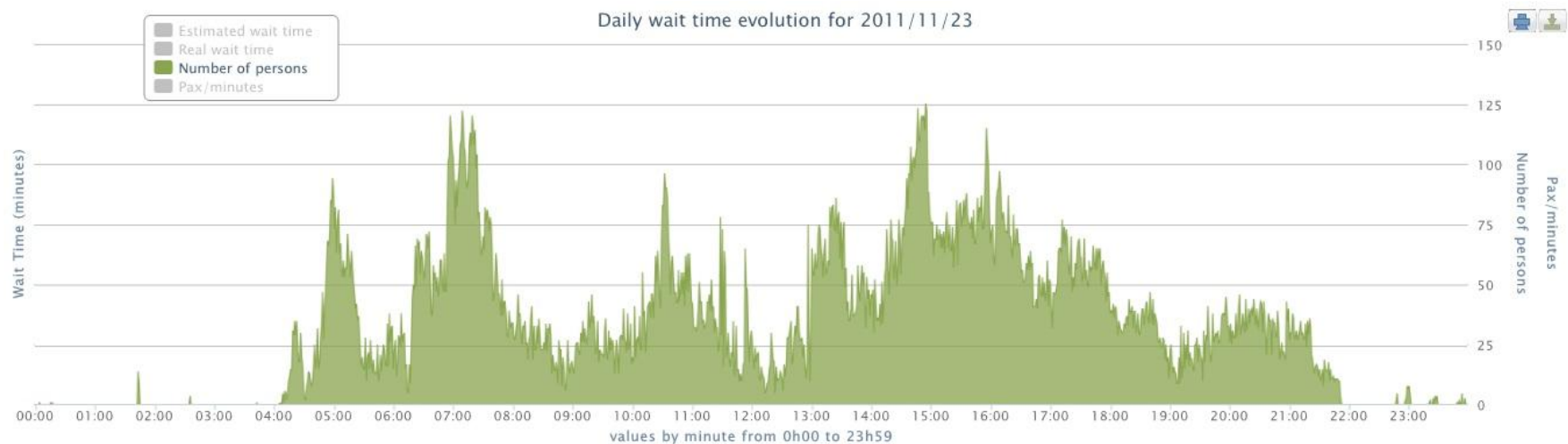
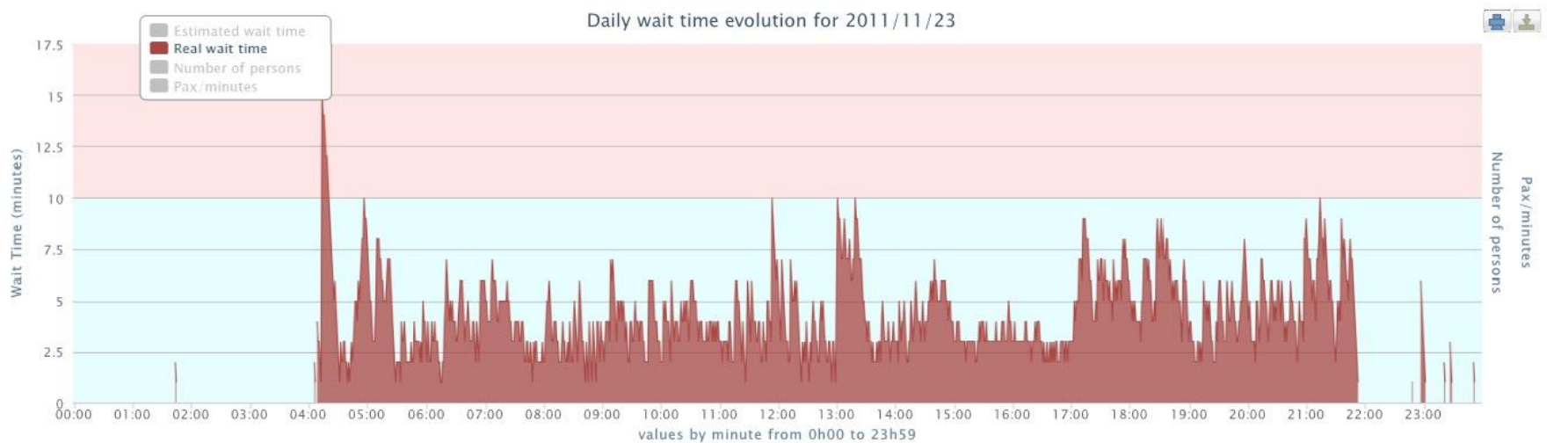


First in the Nation to Display Real-Time Security Line Waits





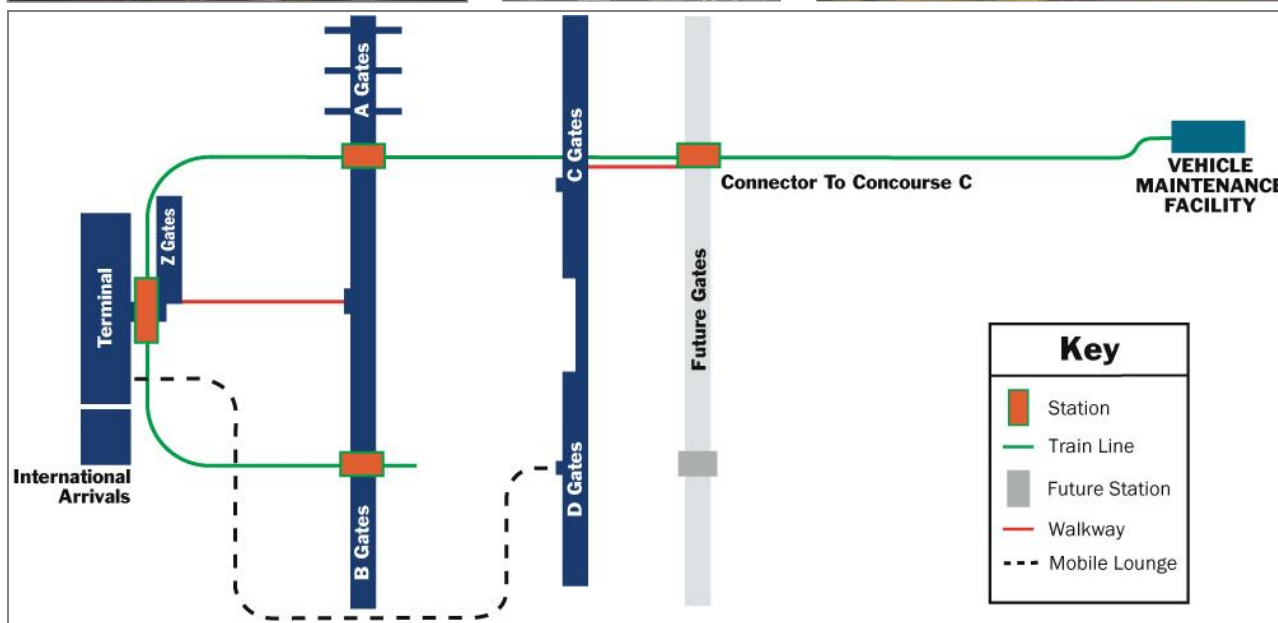
TSA line wait information is used by management to actively monitor TSA staffing levels and performance.



Dulles is Hosting Trend-Setting TSA Pre-Check and Global Entry Solutions



AeroTrain Automated People Mover (APM) Is Running Smoothly (99.85% availability in 2012)

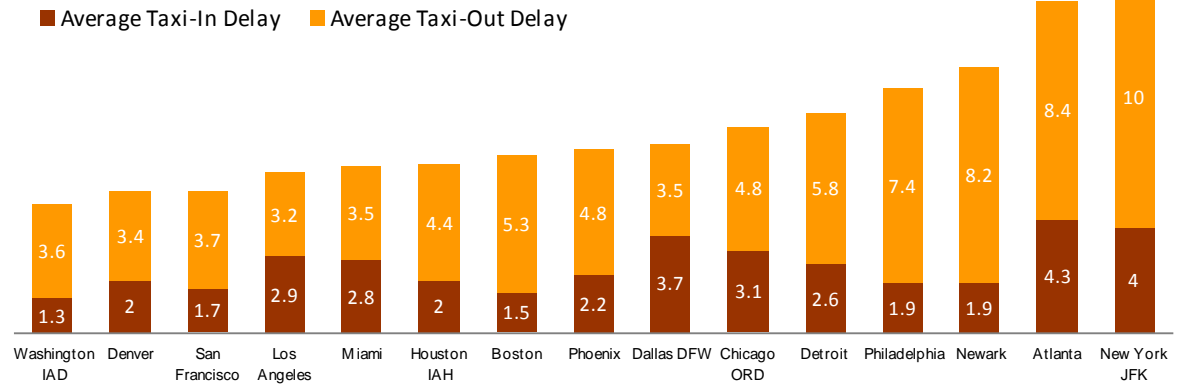




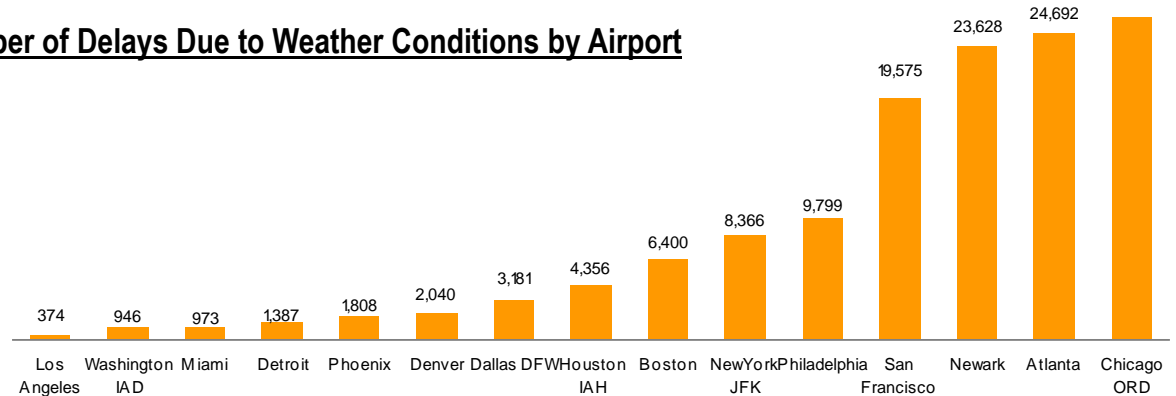
Dulles International Has the Lowest Average Taxi and Second Lowest Weather Delays Among Major East Coast Hub Airports



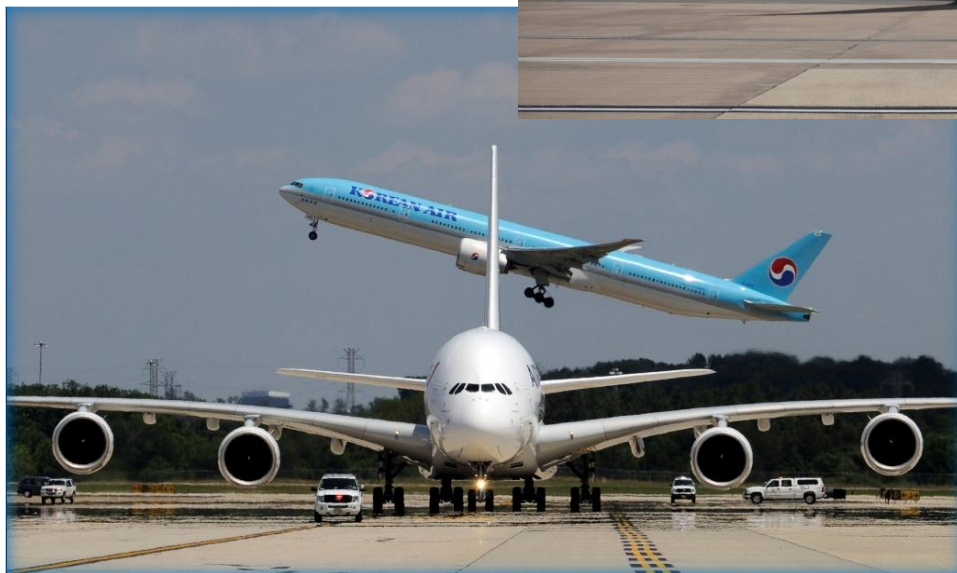
Average Taxi-In/Taxi-Out Delay Time by Airport (minutes)



Number of Delays Due to Weather Conditions by Airport



Dulles Serves the Newest and Latest Generation Aircraft: A380, B787, B747-8i





Expanded Fuel Tank Settling Farm that Ensures Lower Costs and Greater Availability

Washington Dulles has among the lowest fuel costs on the East Coast and the most robust and reliable supply



Fuel Related Costs - Cents per Gallon

Airport	Transportation	Airport Distribution	Federal Excise Tax	State Tax	Total
IAD	3.8	2.0	4.4		10.2
LGA	5.9	2.0	4.4		12.3
EWR	5.9	6.7	4.4		17.0
JFK	5.9	2.6	4.4		12.9
PHL	5.0	1.6	4.4	2.0	13.0
BOS	5.3	4.3	4.4	12.0	26.0



Ample Space, Long Runways, and Tight Security Make Dulles the Preferred Choice for the President and Air Force 1 (4 visits in 2012)





METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Recently Completed International Arrivals Building Provides First Class Welcome





Student Ambassadors Greet and Assist our Arriving International Passengers



All of our Ambassadors are attending college, and most (90%) are bilingual representing 16 different languages, and provide the CBP with translation assistance.

Customer Service Touch Points

- Fast security
 - 88% of Dulles passengers are either satisfied or very satisfied with security screening process
- Global Entry Program
 - 92% of arriving international passengers are either satisfied or very satisfied with the CBP processing speed when using Global Entry (Dulles has among the highest percentage of users in the Nation)
- Clear, visible and simple signage (including Flight Information Displays)
 - 97% of Dulles passengers are either satisfied or very satisfied with directional signage and FIDs inside the terminal
- Working condition of elevators, escalators and moving walkways
 - 98% of Dulles passengers are either satisfied or very satisfied with working condition of elevators, escalators and moving walkways
- Cleanliness in the terminal and bathrooms
 - 97% of Dulles passengers are either satisfied or very satisfied with cleanliness of the terminal and restrooms
- Overall Appearance of the Facilities
 - 95% of Dulles passengers are either satisfied or very satisfied with cleanliness of the terminal and restrooms



Dulles Is Part of Aviation History



- Air France A380 Arrival on June 6, 2011
- Space Shuttle Discovery Arrival on April 17
- Lufthansa 747-8i Arrival on June 1
- Ethiopian 787 Arrival on June 15





Dulles is Positioned for Growth and Ready for the next 50 years...

Dulles Now



Dulles Future



IAD Update

✈️ **AGENDA**

- ✓ Aviation Business Update – Margaret McKeough
- ✓ Airline Rates & Charges – Andy Rountree
- ✓ IAD Customer Experience – Chris Browne
- ✓ **IAD Capital Program Planning – Frank Holly**
- ✓ Air Service Development – Mark Treadaway
- ✓ Business Opportunities – Steve Baker
- ✓ Summing Up – Jack Potter

IAD Capital Program Planning

IAD Master Plan

The IAD Master Plan allows for future construction of facilities that would accommodate approximately 70 million annual passengers or 35 million annual enplanements.

Facilities constructed or expanded over the past ten years, with minor expansion, can accommodate approximately 45 million annual passengers or 22.5 million enplanements.



Major IAD Facilities

	<u>Current</u>	<u>Future</u>
Runways	4	5
Terminals	1	2
Concourse Tiers	2	4
Gates	135	>250
International Arrivals	4,000 per hour	>8,000 per hour

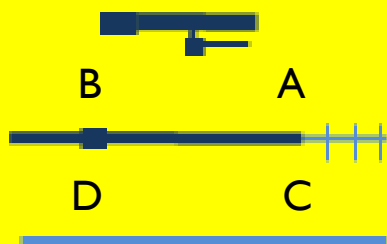


Current Saarinen Terminal Capacities

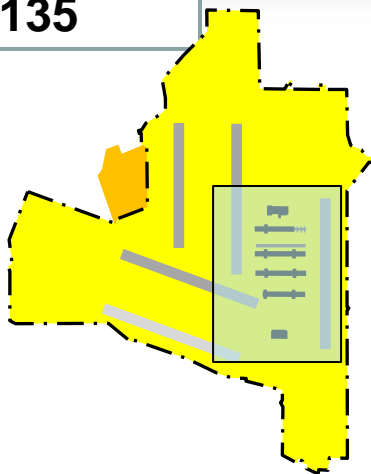
<u>Terminal Component</u>	<u>Annual Passengers</u>
Overall Terminal Structure	45 million
Outbound Baggage	27 million
Passenger Screening	35 million
Ticketing	42 million
Baggage Screening	45 million
Baggage Claim	45 million

Existing/Future Terminals and Concourses

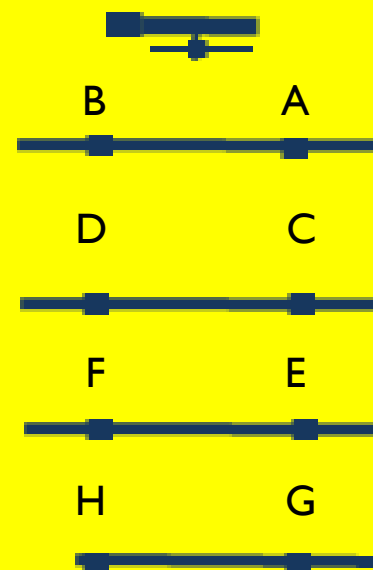
Saarinen Terminal (T1)



Existing Gates: 135



Saarinen Terminal (T1)



South Terminal (T2)

Ultimate Capacity: 250 gates



Airfield Capacity

Hourly Inclement Weather Operations

4 Runways: 125

5 Runways: 180

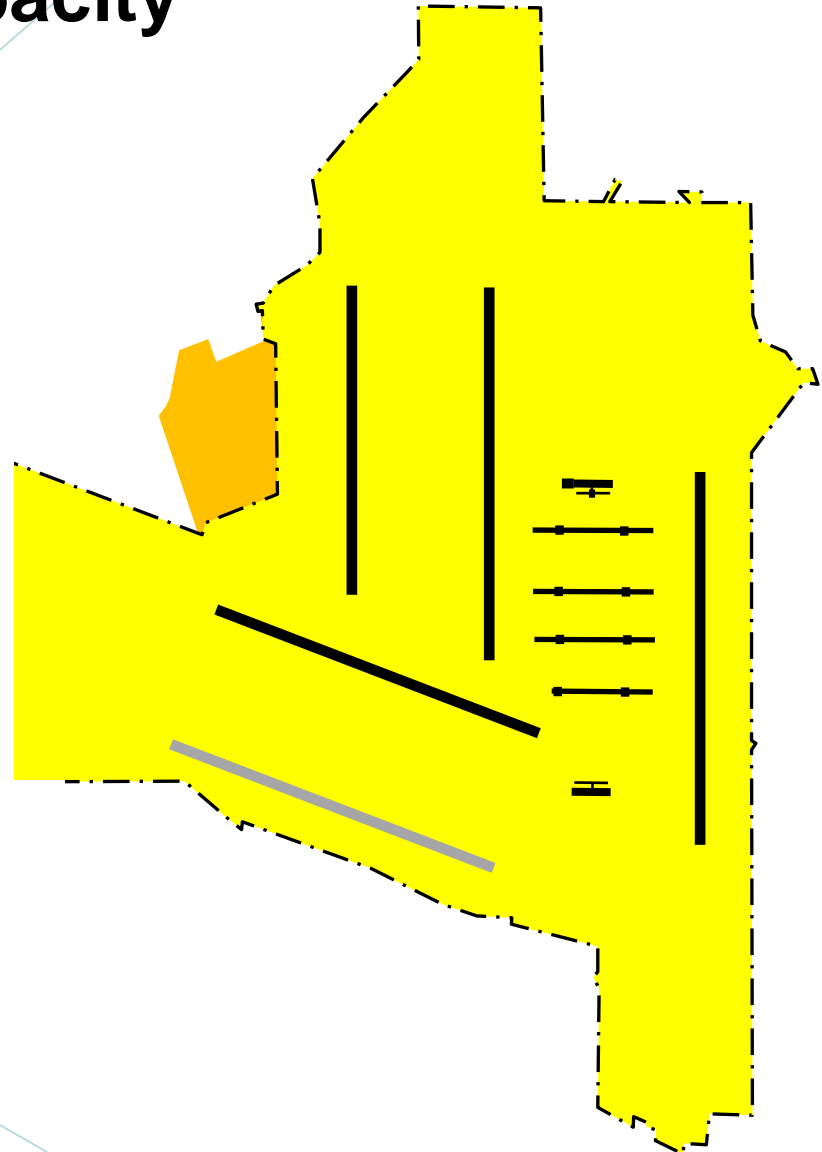
Annual Operations

4 Runways: 600 thousand

5 Runways: 1 million

Annual Operations

Past 12 Months: 336.5 thousand



Planned Surface Access Improvements

Forecasted Increases in Annual Passenger and Cargo Levels Will
Require Improvements to Roadways and Other Surface
Transportation Modes

Dulles Loop: Perimeter Roadways, Routes 28, 50 and 606

Tri-County Parkway/Western Transportation Corridor

Metrorail Silver Line

Dulles Access Road: Third Lanes in Each Direction



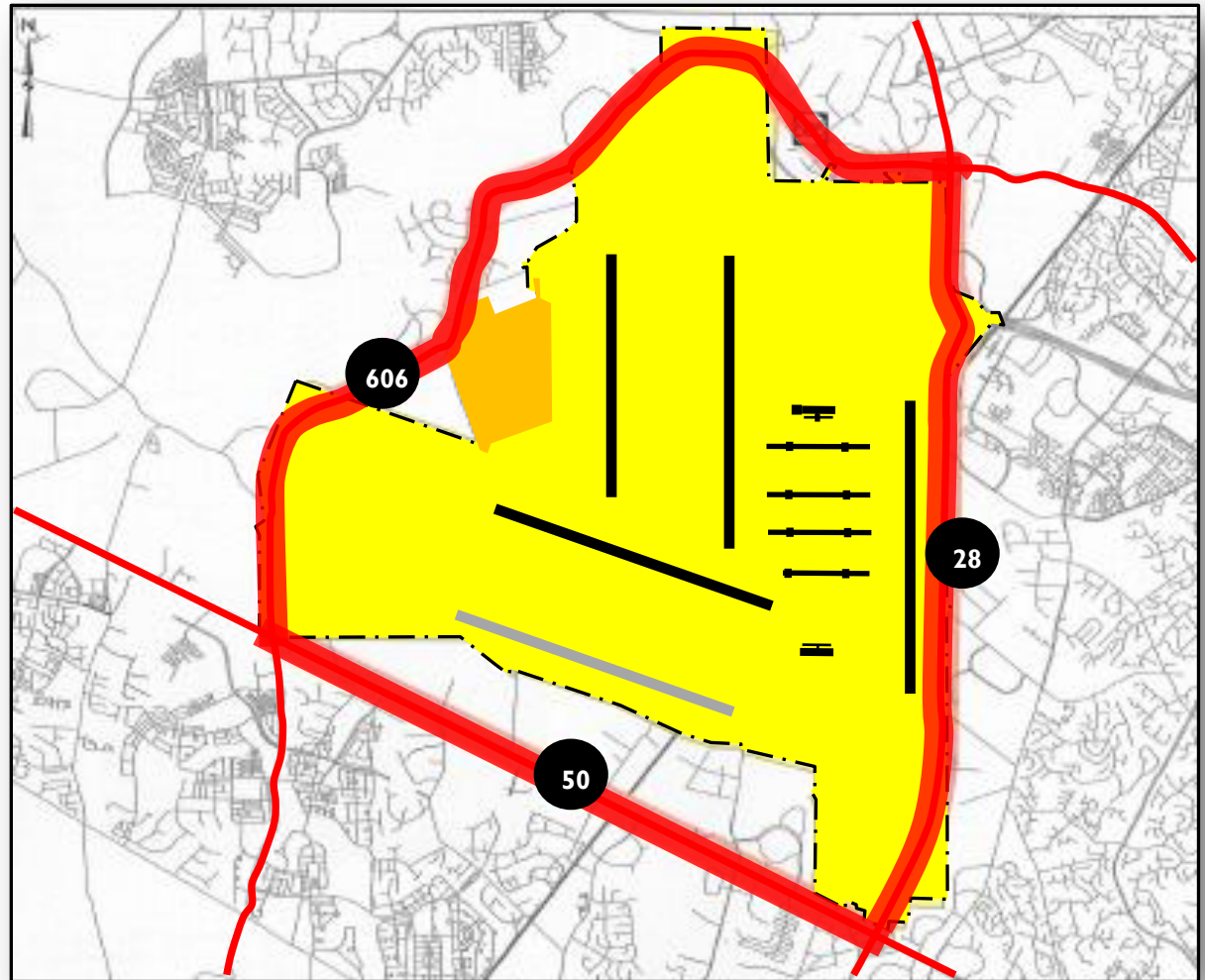
Planned Surface Access Improvements

Dulles Loop

Route 606 – two lanes will grow to six with some new interchanges

Route 50 – four lanes will grow to six with some new interchanges

Route 28 – six lanes will grow to an eight-lane full freeway

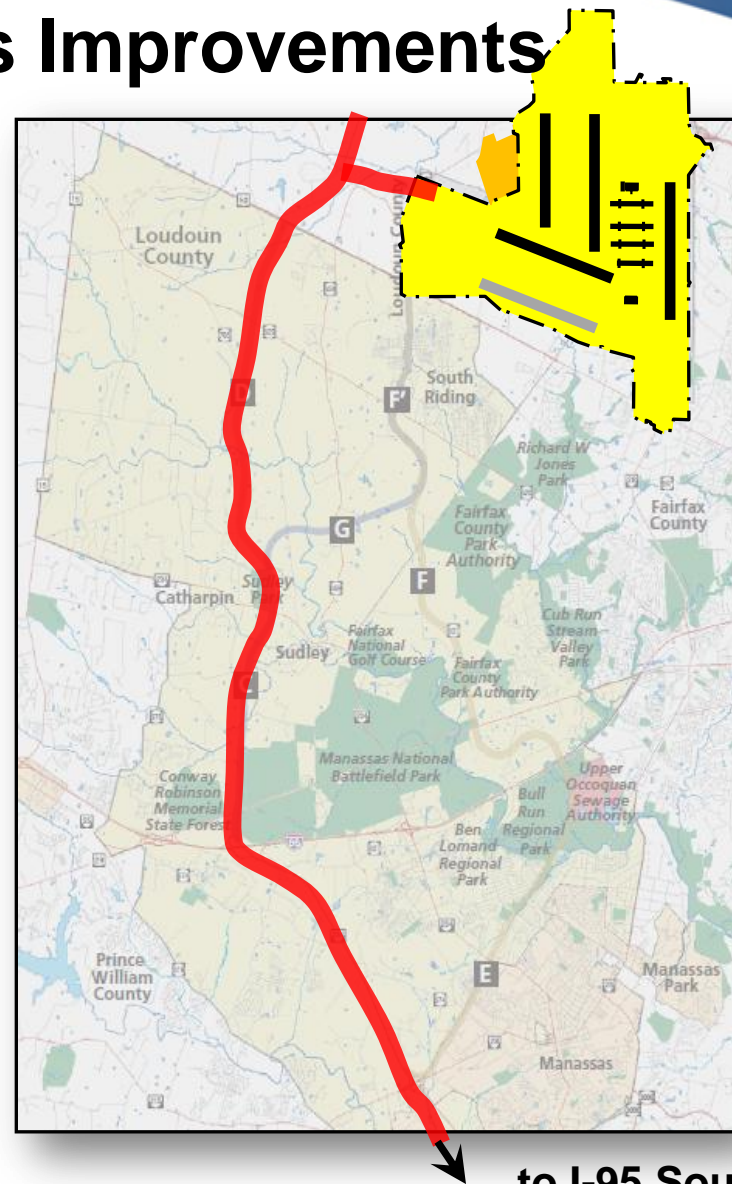


Planned Surface Access Improvements

Tri-County Parkway/Western
Transportation Corridor

Connections between Interstate 95
South and Interstates 66 and 81

Western access to IAD



to I-95 South

Planned Surface Access Improvements

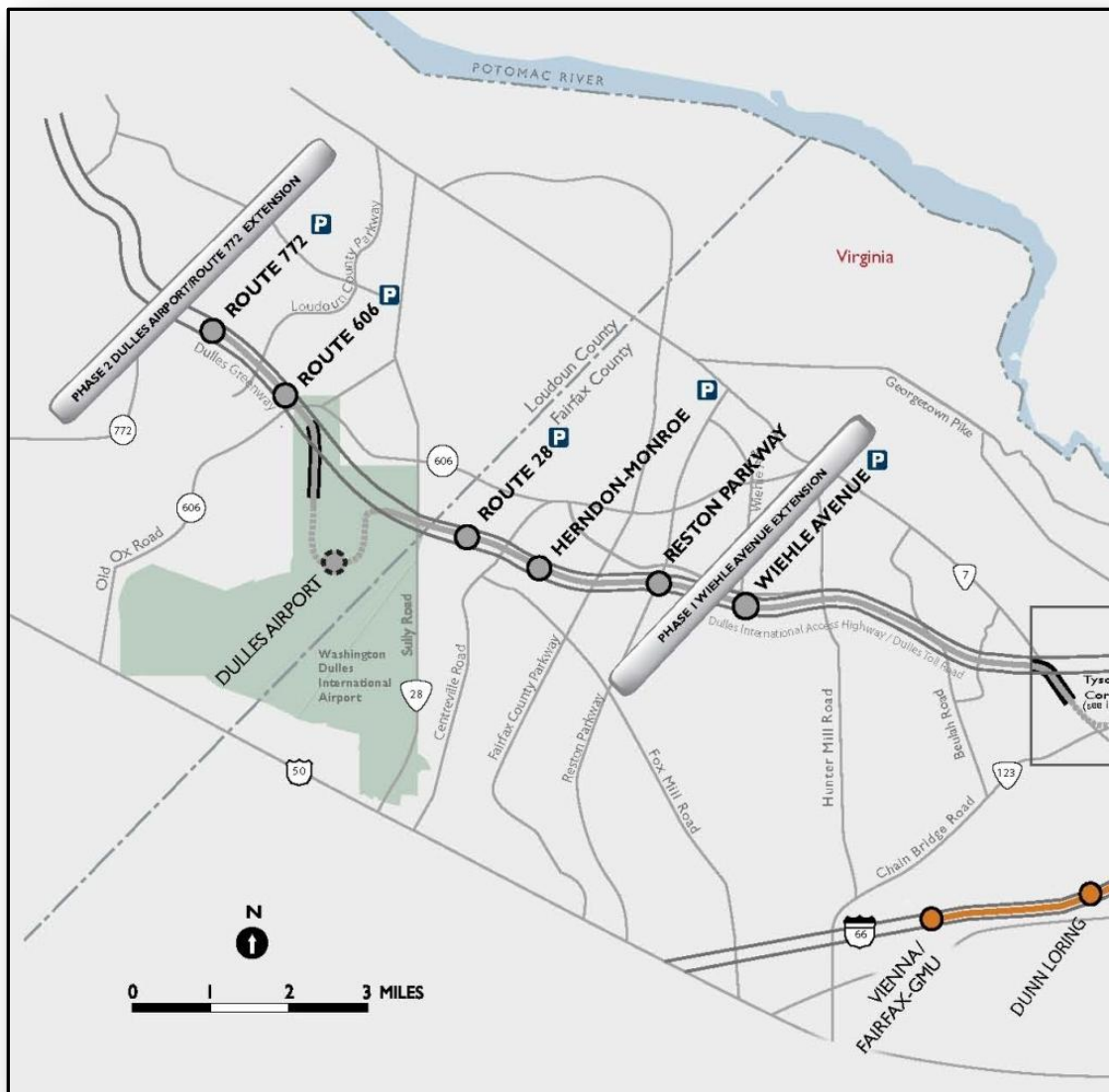
Metrorail Silver Line

Eleven Stations

Eight in Fairfax County
Two in Loudoun County
One at IAD

Seamless Access to IAD

Completion scheduled for
2018



Summary

IAD is well positioned to meet current demands and long-term facilities requirements as a result prior investments and plans for future expansion.

IAD Update

✈ **AGENDA**

- ✓ Aviation Business Update – Margaret McKeough
- ✓ Airline Rates & Charges – Andy Rountree
- ✓ IAD Customer Experience – Chris Browne
- ✓ IAD Capital Program Planning – Frank Holly
- ✓ **Air Service Development – Mark Treadaway**
- ✓ Business Opportunities – Steve Baker
- ✓ Summing Up – Jack Potter

Air Service Development Objective

Raise Awareness of the Strengths of our Market/Airports to Drive Demand for Increased Air Service for the Washington Region's Passengers & Shippers

Increased Aviation Activity Increases Aviation Revenues

Air Service Development Objectives for Dulles

Retain and Support Current Domestic & International Air Service

All Top 50 Domestic Markets Served - 44 International Markets Served

Identify, Pursue & Obtain New Air Service to Destinations Highly Travelled to and from the Washington Region

In 2012: 3 New Foreign Flag Airlines & 7 New or Competitive Service Destinations

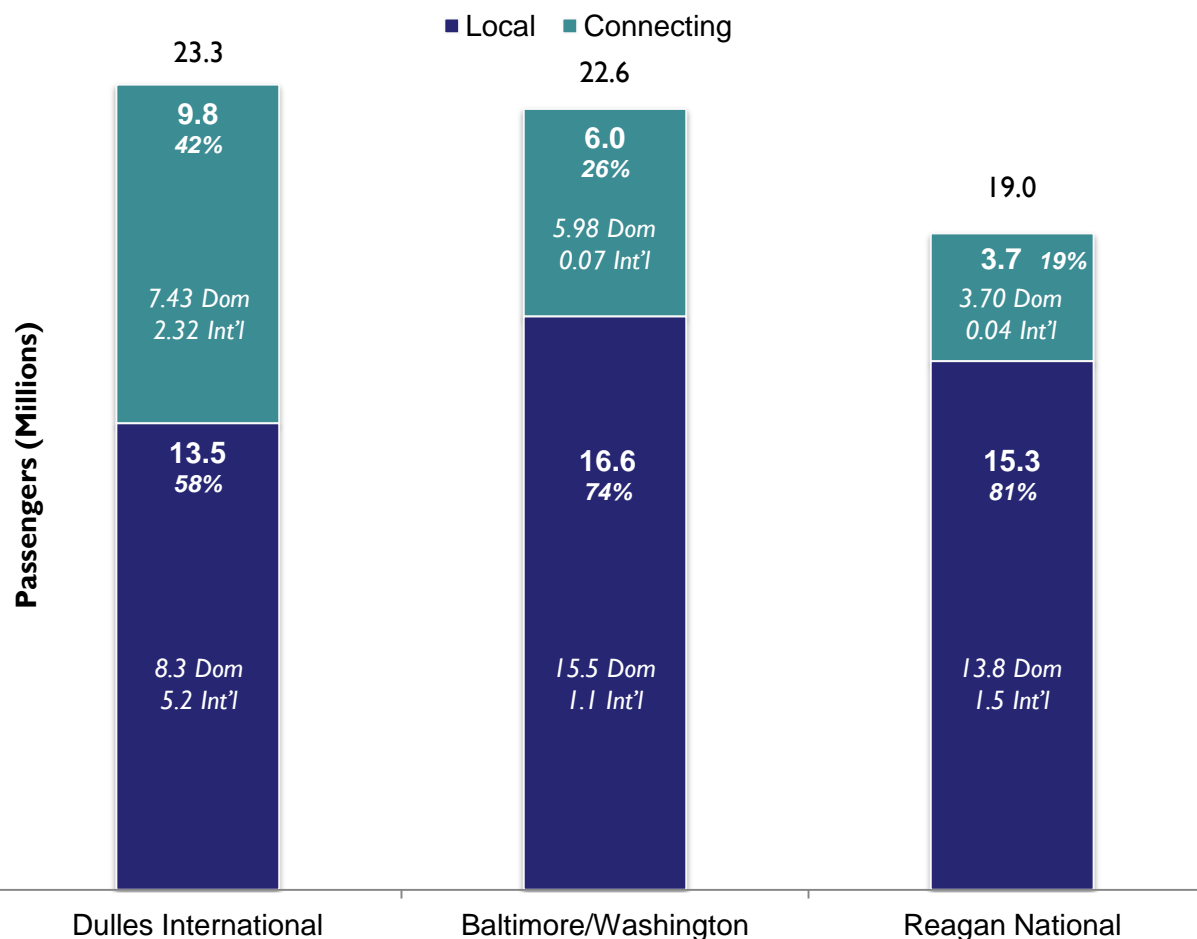
Establish Dulles International as a Major U.S. Air Cargo Gateway

Freighter service to Europe on track for Q3 2013

Niche markets under development: Flowers and other perishable air cargo

Dulles International as a Major Hub Airport Serves More Total Passengers Than Reagan National or BWI

Dulles' Unique Strength is 7.5M International Passengers Compared to DCA's 1.5M or BWI's 1.2M



Air Service Advantage of Dulles International

The U.S.' Strongest Local Major Market
in the Heart of the Washington Region's Economy

METRO REGION	TOTAL RANK ¹	2010 POPULATION (000S)	2000-2010 POPULATION GROWTH	2010 MEDIAN HOUSEHOLD INCOME (000S)	SEPT. 2012 UNEMPLOYMENT RATE (%)	FIVE-YEAR ² JOB GROWTH (000S)	2011 GROSS REGIONAL PRODUCT PER CAPITA (000S)
Washington	1	4	5	1	1	2	2
Houston	2	9	1	10	4	1	4
Boston	3	5	11	3	2	4	5
Dallas	3	7	3	9	3	3	6
San Francisco	4	6	8	2	6	8	1
New York	5	1	12	4	11	6	3
Denver	6	13	4	5	5	5	7
Philadelphia	7	8	9	6	9	7	9
Chicago	8	3	10	7	7	12	8
Atlanta	9	10	2	11	8	9	11
Los Angeles	10	2	7	8	12	13	10
Miami	11	11	6	13	10	11	12
Detroit	12	12	13	12	13	0	13

Notes:

1. Composite score is based on sum of individual category ranks

2. Job growth is non-annualized and compares June 2012 to June 2007

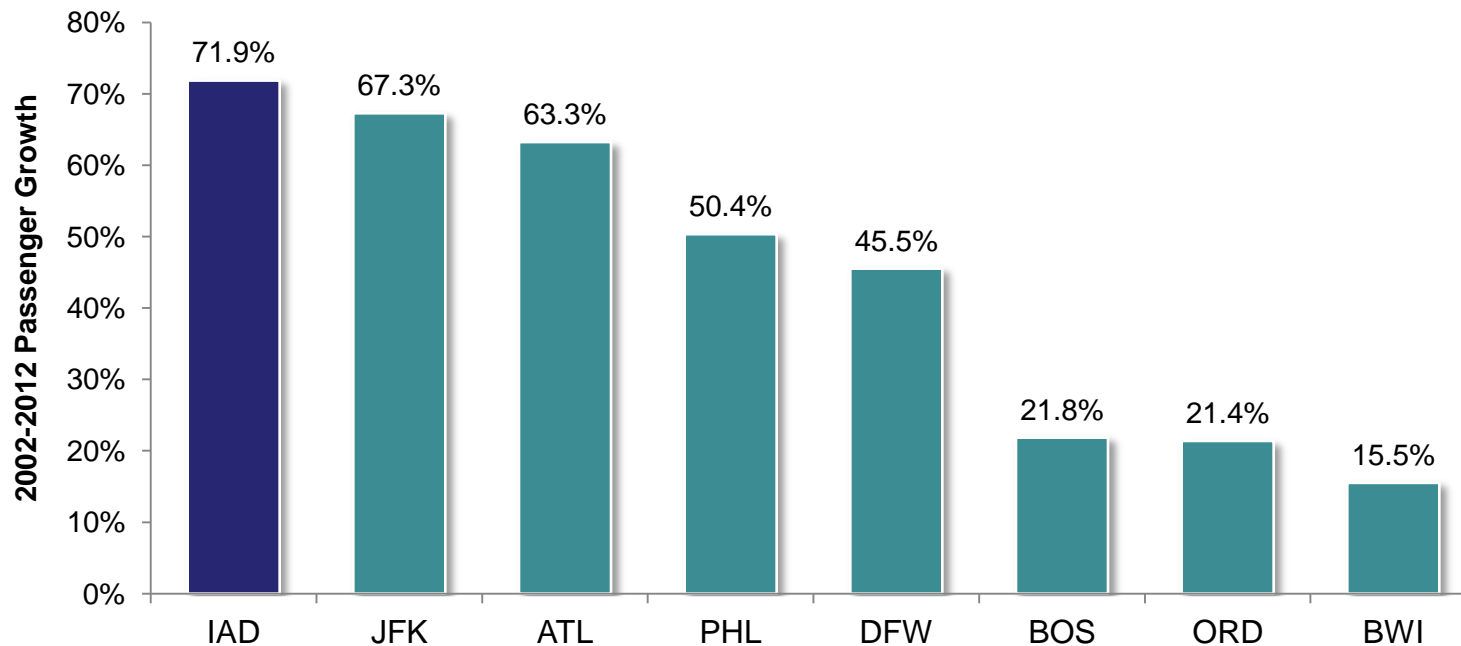
Sources: U.S. Census Bureau, 2010 American Community Survey; U.S. Bureau of Labor Statistics; Woods & Poole Economics, CEDDS 2012



International Passenger Growth at Washington Dulles Has Outperformed Its Peers

Dulles International Passenger Traffic Has Grown 72% over the Past 10 Years

Comparison of 10-Year Growth in International Passengers
(YE May 2012 vs. YE May 2002)



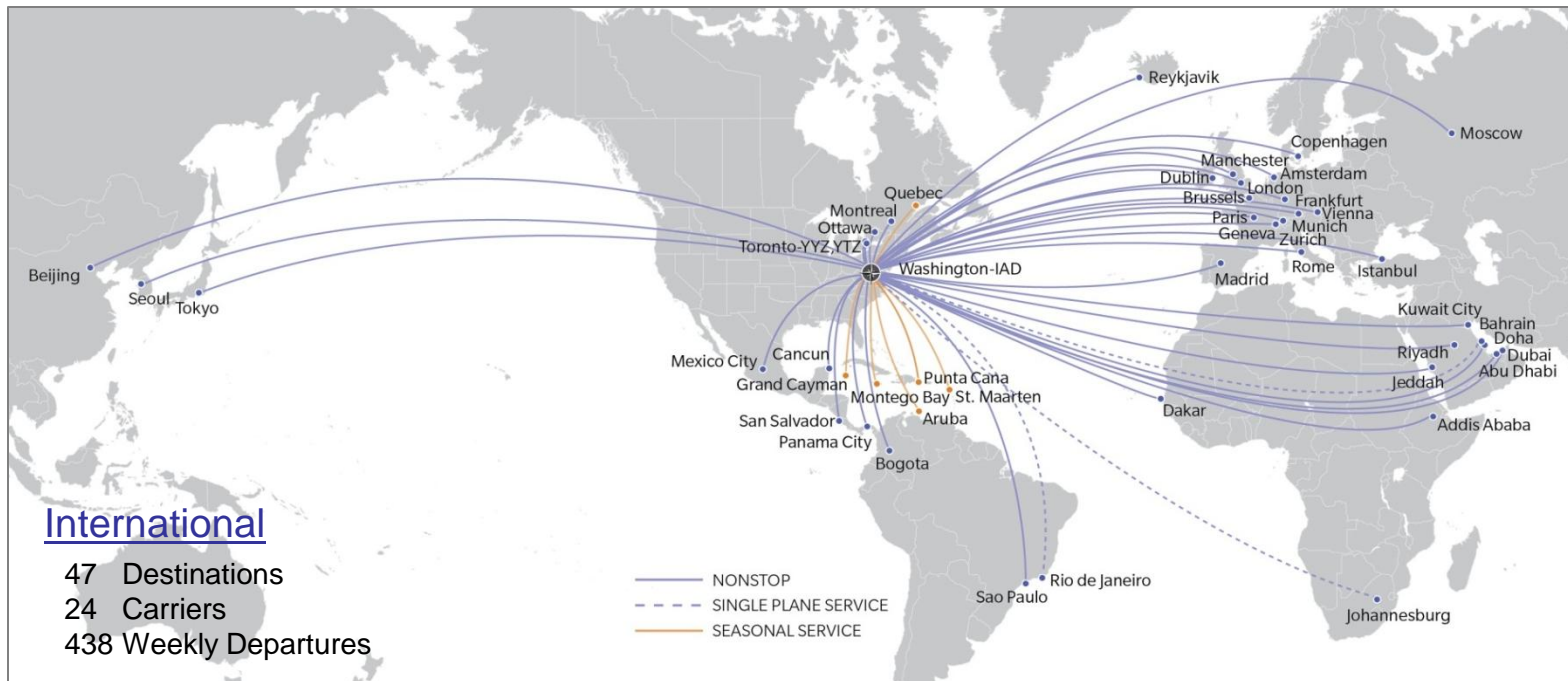
Growth by Number (million)	2.64	9.57	3.65	1.27	1.69	0.71	1.80	0.06
----------------------------	------	------	------	------	------	------	------	------



International Air Service at Dulles International

New markets: Dublin, Ireland; Manchester, England; and Toronto City, Canada

Additional service by new carriers: Dubai, UAE; Mexico City, Mexico and San Salvador, El Salvador



Abu Dhabi
Addis Ababa
Amsterdam
Aruba
Bahrain
Beijing
Bogota
Brussels
Cancun
Copenhagen
Dakar
Doha
Dubai
Dublin
Frankfurt
Geneva
Grand Cayman
Istanbul
Jeddah
Johannesburg
Kuwait City
London
Madrid
Manchester
Mexico City
Montego Bay
Montréal
Moscow
Munich
Ottawa
Panama City
Paris
Punta Cana
Quebec City
Reykjavik
Rio de Janeiro
Riyadh
Rome
San Salvador
São Paulo
Seoul
St. Maarten
Tokyo
Toronto-YTZ
Toronto-YYZ
Vienna
Zürich

Airlines					
Aeroflot	Austrian	COPA	Icelandair	Porter	South African
AeroMexico	Avianca/TACA	Emirates	KLM	Qatar Airways	Turkish
Air France	British Airways	Ethiopian	Korean Air	SAS	United
ANA	Cayman Airways	Etihad*	Lufthansa	Saudi Arabian	Virgin Atlantic

Note: Etihad has announced to launch daily nonstop service to Abu Dhabi on March 31, 2013, subject to regulatory approvals.

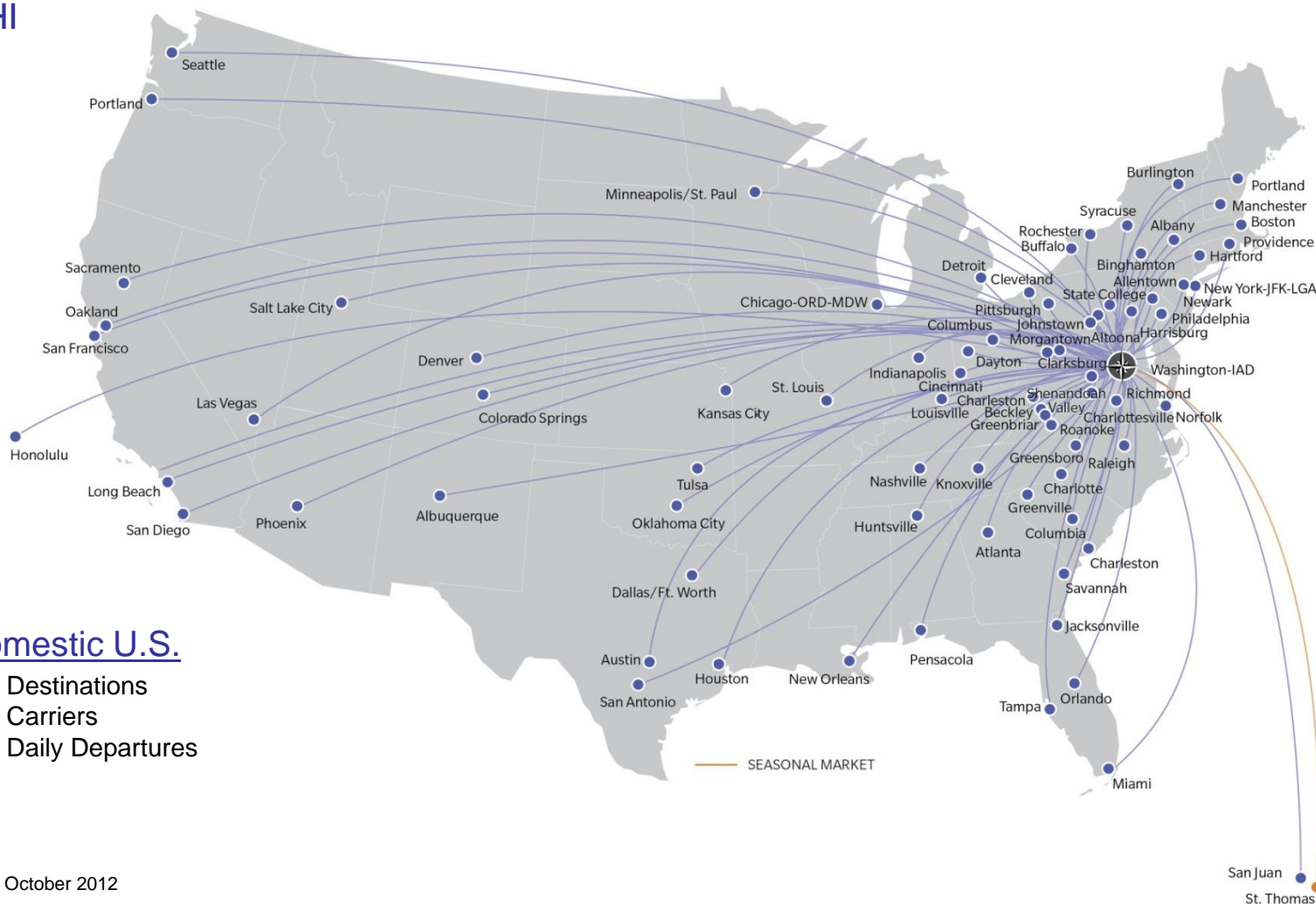
Source: OAG, October 2012

Domestic Air Service at Dulles International

Despite reductions on some routes, United added service to Ft. Lauderdale, FL, Greenbrier, WV, and Honolulu, HI

Domestic U.S.

83 Destinations
7 Carriers
305 Daily Departures



Dulles International's Cargo Advantages

- ✈ World-class facilities
- ✈ Cost advantages compared to other East Coast cargo hubs
- ✈ Catchment area which covers entire east coast within one-day drive, combined with extensive nonstop international network
- ✈ Cooperative work environment with State and local governments and Economic Development Agencies
- ✈ Promotional Cooperative Program for airlines
- ✈ Freightler Incentive Program (FIP)

Why Cargo Development?

- Supports New International Markets
- Builds Demand for Cargo Space
- Supports Regional Economy
- Increases IAD Market Share of Air Cargo
- Supports Niche Market Development

Air Cargo Service Priorities

- Increase Cargo Flow to Dulles International within the Catchment Area
- Grow Belly Cargo
- Encourage Expansion and Promote Dedicated All-Cargo Freighter Service
 - Work with Shippers and Freight Forwarders that Influence Service Decisions
 - Continuation of the Freighter Incentive Program (FIP)
- Develop Infrastructure Including Cold Storage and Handling Equipment
- Develop Investor Interest in the Dulles Air Cargo Expansion Initiative



Dulles International's Aviation Support Opportunities

- Fixed Base Operator (FBO)
- Maintenance Repair Overhaul (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
 - United Airlines Facility Approved
 - Additional MRO

IAD Update

✈ AGENDA

- ✓ Aviation Business Update – Margaret McKeough
- ✓ Airline Rates & Charges – Andy Rountree
- ✓ IAD Customer Experience – Chris Browne
- ✓ IAD Capital Program Planning – Frank Holly
- ✓ Air Service Development – Mark Treadaway
- ✓ **Business Opportunities – Steve Baker**
- ✓ Summing Up – Jack Potter

Revenue Development Objective

Increase Non-Aeronautical Revenues to Reduce Operational Costs by Providing Desirable and Quality Goods and Services to Our Customers

Business Development Objectives for Dulles

- ✈ Improve the Concessions Offerings
- ✈ Expand the Definition of “Customer”
- ✈ Create Additional Opportunities for Development



Improve the Concessions Offerings

- Identify and position concepts to match customer demographics (age, gender, nationality, destination, flight duration, etc.)



- Create concepts for varied passenger palates within limited physical constraints (food courts, market places, stores within stores, etc.)

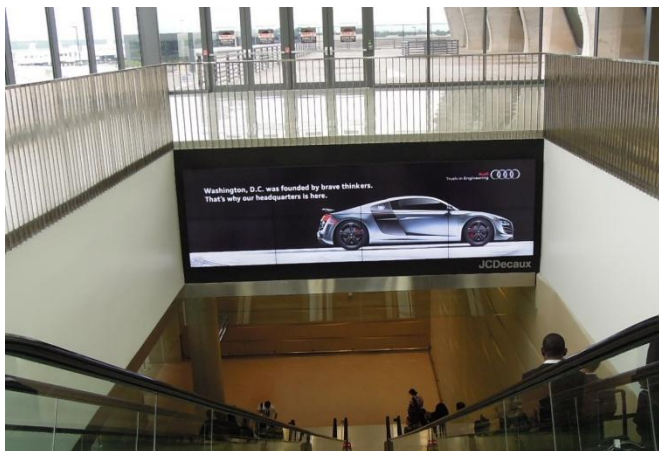
Improve the Concessions Offerings (cont'd)

- ✈ Design spaces to accommodate volume of passengers traversing the concourses (fewer concepts, better presentation, easier access)
- ✈ Integrate hold-room seating and concessions to allow space to be multi-purposed and revenue producing



Improve the Concessions Offerings (cont'd)

- ✈ Expand advertising opportunities



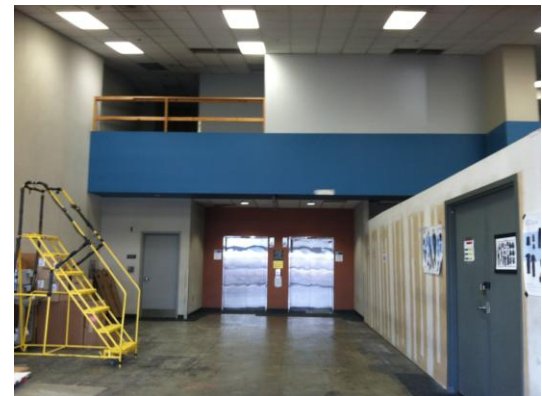
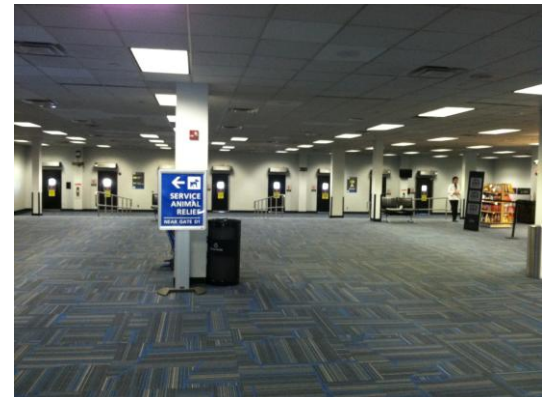
Expand the Definition of “Customer”

- Traditionally, airports have focused on passengers as the only source of non-aeronautical revenue
- Increase revenues by pursuing revenues that are derived from serving airport employees, tenants and other service providers
- Pursue food and fuel centers, hotels and ultimately restaurants, dry cleaners and new office space that focus on capturing more revenue from “new” customers that has historically flowed off-airport

Create Additional Opportunities for Development

In the terminal and concourses:

- ✈ Reprogramming of operational space from boarding levels to ramp levels where possible
- ✈ Conversion of former mobile lounge loading docks to food courts
- ✈ Reconstruction of former commuter lounge facilities on Concourse C/D to concession space





Create Additional Opportunities for Development (cont'd)



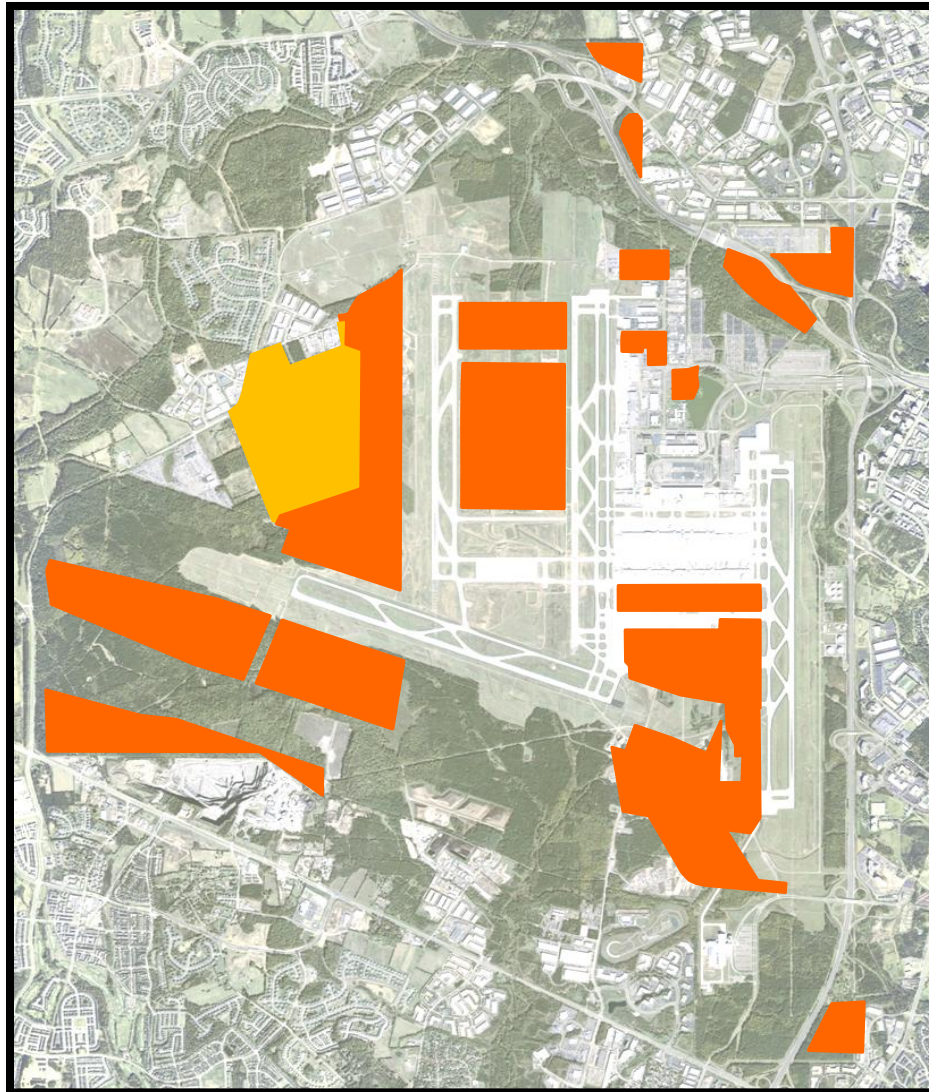
IAD Update

✈ AGENDA

- ✓ Aviation Business Update – Margaret McKeough
- ✓ Airline Rates & Charges – Andy Rountree
- ✓ IAD Customer Experience – Chris Browne
- ✓ IAD Capital Program Planning – Frank Holly
- ✓ Air Service Development – Mark Treadaway
- ✓ Business Opportunities – Steve Baker
- ✓ **Summing Up – Jack Potter**



Developable Airport Property 3,000 Acres



Commercial Development Opportunities

Developable Property	3,000 Acres
-----------------------------	--------------------

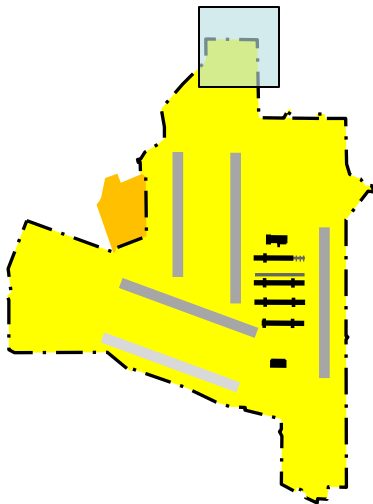
Western Lands: Industrial Type Facilities

Vicinity Route 606 Metrorail Station: Mixed Use

Third and Fourth Runways: Cargo & General Aviation

Commercial Revenue Opportunities

**North Side of
Route 606
Metrorail
Station**



Commercial Development Opportunities

Western Lands:

430 acres along Route 606

Illustrative Site Plan shows land uses:

■ Commercial



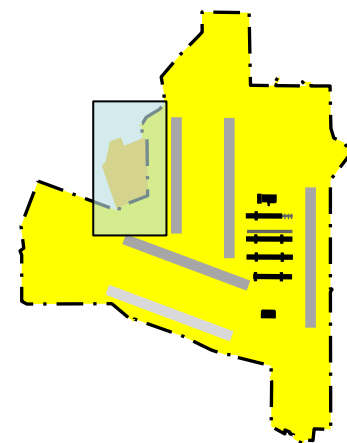
■ Office



■ Conference



■ Industrial

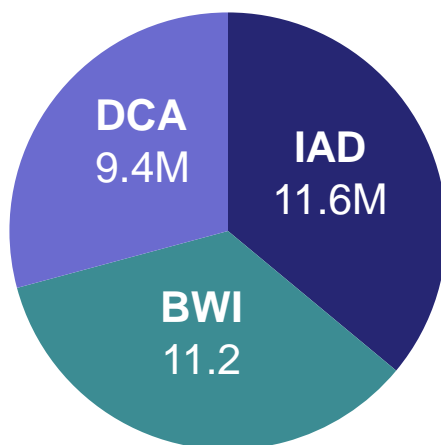




Federal Aviation Administration (FAA) Forecasts Dulles International to Grow Greater Than Other Regional Airports by 2040

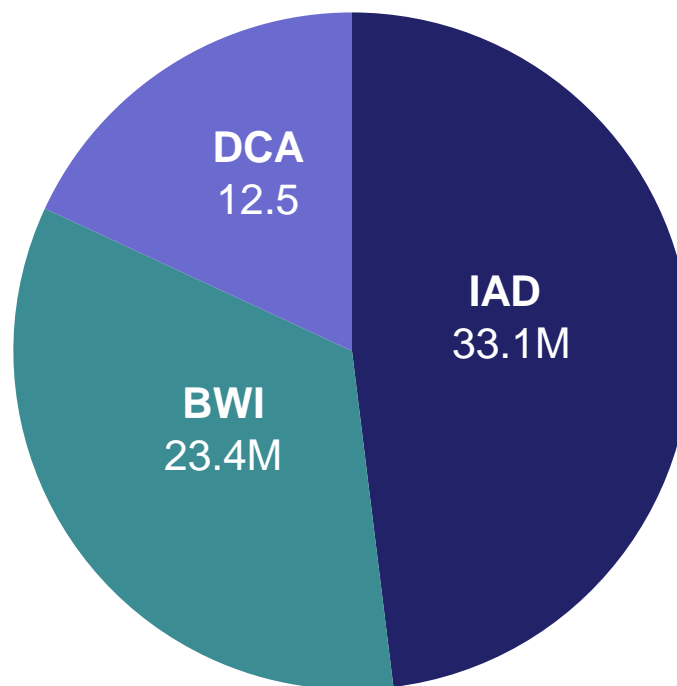
2011

32.2 Million Enplaned Passengers



2040

69.0 Million Enplaned Passengers



The Sky's The Limit At Dulles

- ➔ We are sitting on the crown jewel at Dulles—Convenient global and regional access and a healthy business environment.
- ➔ An improving economy will drive opportunities to Dulles.
- ➔ Being alert and ready for every opportunity is vital.
- ➔ We must nurture Dulles in the interim.
- ➔ We need to send the message of Dulles' potential to:
 - ➔ The Public
 - ➔ Airlines
 - ➔ State/Local Partners and Agencies
 - ➔ Developers



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY