Ms. Wells chaired the September 20, 2017 Strategic Development Committee Meeting, calling it to order at 9:52 a.m. A quorum was present during the Meeting: Ms. Lang, Co-Chair, Mr. Griffin, Ms. Hanley, Mr. Lazaro, Mr. Mims, Mr. Pozen, Mr. Session, Mr. Sudow, Mr. Uncapher, and Mr. McDermott (ex officio). Mr. Adams, Ms. Merrick, and Mr. Tejada were also present.

Airline Business Development Information Report. Jerome L. Davis, Executive Vice President and Chief Revenue Officer, was joined by Mike Stewart, Vice President for Airline Business Development. Mr. Stewart provided the Airline Business Development Report, which was informational. He reported that the commercial passenger activity of the Airports continued to be strong and positive in July, which was the last of four months reported. For Washington Dulles International Airport, (Dulles International) the passenger activity for July 2016 versus July 2017 reflected a 3.3 percent year-over-year increase, of which 6.7 percent was international growth and 1.3 percent was domestic growth. At Ronald Reagan Washington National Airport (Reagan National), passenger growth was 1.1 percent, reflecting system growth of 2.3 percent for July 2016 over July 2017. Mr. Stewart stated that year-to-date commercial passenger activity for the combined two-Airport system was about 26.9 million passengers, of which 12.97 million passengers were at Dulles International, 8.52 million of those were domestic passengers, and Reagan National has served 13.95 million passengers year-to-date. He further stated that these numbers reflect an increase in total passengers of 5.4 percent year-to-date through July for Dulles International, a 2.4 percent year-to-date increase for the same period at Reagan National, and a 3.9 percent overall system increase through July. Mr. Stewart pointed out that the July growth represented the 14th consecutive month of growth in passenger activity at Dulles International, and was the first time in a while that passenger growth at Dulles International exceeded passenger growth at Reagan National.

Mr. Stewart provided highlights on the changes at Reagan National, which included increased passengers by Delta Airlines (Delta), Southwest Airlines (Southwest) and United Airlines (United), with a slight decrease by American Airlines, which Mr. Stewart characterized as flat. He stated that domestic passenger growth at Dulles International was led by Frontier Airlines (Frontier), Southwest and Delta, with United leading
international passenger growth. Mr. Stewart also stated that Dulles International experienced passenger growth from Air China and Icelandair, and that the Airport has added two new carriers since July 2016—Air India and Royal Air Maroc. Based on preliminary numbers for August, the good news on passenger growth is likely to continue.

Mr. Stewart also reported that new air service was provided by Air Canada, which returned to Dulles International in May 2016, with service to Toronto, and new daily service to Montreal was added in June 2017. For the first time the national capital region has non-stop air service to India. Air India began three weekly nonstop flights to Delhi from Dulles International on July 7. Mr. Stewart reported that in July four of the 11 flights were upgraded to larger aircraft and that all 11 flights averaged over 92 percent load factors. He stated that Air India was doing well at Dulles International and was looking to increase the flight frequencies.

Mr. Stewart stated that Frontier was another good news story, with plans to add four weekly nonstop flights between Dulles International and San Antonio on October 6. He further stated that those flights would continue as one-stop, same plane services to Ontario, California. Mr. Stewart noted that the Dulles International to Austin flight provided by Frontier is scheduled three days a week, starting in October. Additionally, those flights would continue on as one-stop, same plane services to Ontario, California.

Mr. Stewart advised that United is offering six new flights per week using small regional jet aircraft between Dulles International and Clarksburg, West Virginia. He stated that those flights would be essential air service, subsidized services, and that they would represent a big increase in service for Clarksburg, with operations by United Express carrier SkyWest Airlines (SkyWest).

Mr. Stewart stated that United had announced that during the summer of 2018, it would offer new service between Dulles International and Edinburgh, Scotland using a 757-200 aircraft configured with 169 seats, of which 16 would be United Polaris Business Class, 45 would be Economy Plus, and 108 would be Economy seats. He further stated that a total of 158 new flights would be offered for that new market during the 2018 summer season, totaling 26,702 seats in each direction. With the addition of those flights, Mr. Stewart advised that Dulles International would provide its 35th nation’s capital to other international capital connection, which no other U.S. domestic airport could claim.
Mr. Stewart advised that Mr. Davis would offer remarks later that day on their recent trip to Beijing for the Beijing Capital International Airports (BCIA) CEO Forum, held September 5-8. He stated that while there, he and Mr. Davis had a private meeting with Mr. Liu, the Chairman and President of BCIA, and its holding company, China Capital Airways Holding. Mr. Stewart reported that a variety of topics were discussed during the Forum, ranging from enhancing the competitiveness of global airport groups through innovation and cooperation, improving operational efficiencies of hub airports, and building partnerships to develop world-class international hubs, with a concluding roundtable session of airport groups and CEOs. He stated that the benefit of the roundtable discussions is that leadership is present from around the world, and there was a big partner airport in Beijing. During the roundtable discussions, Mr. Stewart stated that the participants share best practices, examine ways that they can help each other in training and air service development, among other things. He advised that the Airports Authority was introduced to this event a few years ago by Loudoun County, which has remained active to promote Beijing.

Mr. Stewart stated that the Airports Authority is monitoring the new airport in Beijing as it is being built. The additional airport, scheduled to open in 2019 and located in the southern area of the Daxing District, is designed to relieve pressure off of the Beijing Capital International Airport, located in the northeast suburbs. Mr. Stewart stated that the new airport would have a terminal with four runways designed for up to 72 million passengers, about 620,000 flights a year and could actually be expanded to accommodate over 100 million passengers in just a few years.

Mr. Stewart reported that Star Alliance would remain at the existing Airport in Beijing, while Skyteam Alliance, the predominantly Delta alliance, would move to the new airport. Presently, One World, the American-British Airways Group alliance, was undecided on which airport it would serve. Mr. Stewart stated that both airports would work together to service a number of areas throughout the country and would be connected by high-speed rail. He further stated that traffic continues to grow in that part of the world, and the Airports Authority would like to see the U.S. and Chinese governments add slots so that the two Beijing Airports could serve more points in North America, which would be good groundwork for growing future business.

Mr. Stewart reported for the first time, the Airports Authority would have a booth at the World Routes Conference (Conference). More than 3,000
delegates would attend the Conference representing 300 airlines, 700 airports, 130 tourism authorities, 110 countries and there would be over 80 speakers. Mr. Stewart stated that he and Mr. Davis would leave for the conference in Barcelona that night, and that they had scheduled almost 30 one-on-one meetings with airlines, and about 10 meetings with airports to discuss strategies and ways to obtain carrier service. He advised that the booth would be a “wow” factor inasmuch as it was in a prominent location and would be the first thing attendees would see upon entering the front doors of the conference center in Barcelona. Airports Authority representatives would host meetings in a conference room in the rear of the Dulles International booth. Mr. Stewart expressed excitement that staff is experiencing in anticipation of the Conference and the potential to recruit new air service options for Dulles International.

Mr. Stewart reported that a member of the Airline Business Development staff had also flown to Zurich to participate in a United Airlines’ event for that region’s top fliers. He stated that the event was well received, that Dulles International got a lot of promotion, and that the Airports Authority continues to have good partners in Zurich with United and in Europe where they are promoting Dulles International as the premier international gateway to the United States.

Mr. Stewart introduced two more members of the Airline Business Development staff: Carl Schultz, who started in July, and joined the Airports Authority from the air service development area of the Houston Airports Authority; and Ian Chyun, who joined the Airports Authority from Lufthansa Airlines, where he was a regional sales manager. He advised that Mr. Chyun served as a management intern about ten years ago for Mark Treadaway, former Vice President of Air Service Planning and Development, and others at the Airports Authority.

Ms. Wells stated that the Barcelona trip sounded exciting and she wished Mr. Stewart and his team lots of luck, and offered assistance if they needed it.

Mr. Session referred to a slide in Mr. Stewart’s presentation which referenced United’s provision of essential air service. He stated that the essential air service program is a very important federal program to provide air service to smaller communities. Mr. Session further stated that with every Federal Aviation Administration (FAA) reauthorization, a potential challenge existed. He inquired as to the numbers of essential air service flights the Airports Authority offers to smaller communities
from its Airports. Mr. Stewart apologized for not mentioning that there was a good news story associated with essential air services from Dulles International and Reagan National. He reminded everyone that when the U.S. Department of Transportation Request for Proposals were issued for the last round of service Silver Airlines had held many of the routes from Dulles International, and it lost a lot of those bids, therefore, the Airports Authority lost many of those routes to other competing airports in the area, such as Charlotte and Pittsburgh.

Referring to a slide presented during his presentation, Mr. Stewart stated that the six flights per week featured were the only essential air service routes that the Airports Authority currently offered, but that it would be the first time since 2012 that United Express received authority to serve those essential air service markets. He advised that the essential air service markets, which are short-haul markets, are important to the Airports Authority and it is good news that United Express has begun to serve them. Mr. Stewart stated his hope that SkyWest, the United Express carrier which actually initiated the proposal, would continue those services which had been readily accepted in Clarksburg, WV, and he further advised that SkyWest had discussed replacing one of the other carriers that took some of the essential service routes from Dulles International. He also stated his belief that United and SkyWest were moving the Airports Authority toward positive developments and that if something happened with essential air service program funding, having a United Express carrier in those markets would be good for those communities.

With respect to United’s service to Edinburgh, Mr. Sudow inquired as to who defines the seasonal period and whether there is a standard industry definition for a “season”. Mr. Stewart stated there is a loosely referenced “summer season” and a “winter season” in the airline industry. While those seasons are somewhat dictated by time changes, the summer season normally runs near the April to May timeframe until the end of October for practically all markets with all air carriers. Mr. Stewart stated that the airline decides the definition of its summer season. In response to a comment from Mr. Sudow suggesting his preference for a May 1 start of the summer season, Mr. Stewart advised that United has announced that its Lisbon seasonal service would begin about a month earlier in 2018. Mr. Stewart commented that the Lisbon service extension would be a good one, which would add seats in a very important market, and that the Airline Business Development group is hopeful that many of the seasonal markets would do the same, which would improve service in those markets.
Mr. Sudow asked Mr. Davis about the Office of Revenue’s plan and milestones for the real estate brokerage agreement, which had been approved by the Board at a prior meeting. More specifically, he asked Mr. Davis what is envisioned over the next 12 months in terms of moving toward execution of a real estate transaction. Mr. Davis stated that he could provide a better update offline, but shared that the Office of Revenue had established a very aggressive 120-day plan in order to discuss various milestones that the Airports Authority and CBRE, its partner, would be accomplishing together and what CBRE would need to do independently. He further stated that the most important thing for the Office of Revenue would be to continue the work that had already been submitted to the FAA, which would give the Airports Authority the ability to obtain FAA signoff to have the land available through the Master Plan so that CBRE could commence examination of possibilities for how the land would be priced. Mr. Davis stated that following FAA signoff the Airports Authority would be a position to move expeditiously and that the 120-day plan would allow for the development of a more comprehensive set of steps to move forward. He advised that his staff would plan to keep everyone involved, and the Strategic Development Committee would receive an October update, with which he thought Mr. Sudow would be very pleased in terms of progress and the manner in which the Airports Authority would build accountability between the parties. Mr. Sudow thanked Mr. Davis and agreed with his approach.

Mr. McDermott observed that the trip to Barcelona would occur during one of the hottest political events to occur in Catalonia, and that the Air Service Development team was instituting a flight to Edinburgh at a time when the Scottish nationals were considering a referendum, like the Catalans. He wished the team luck. Mr. Stewart stated that they were aware of those facts and that he had been briefed that day in the event that any demonstrations or banners would be present. He stated that he was advised that the Scots backed them and had completed the referendum, so all was good.

Mr. Tejada referred to an earlier slide presented during Mr. Stewart’s initial remarks, and stated that Dulles International continues to be slightly behind Reagan National in commercial passenger activity. Mr. Tejada asked Mr. Stewart in his travels around the world, what he had found to be the common denominator for Dulles International that people would find, whether persons worldwide are familiar with the Airport and its facilities, whether the name of the airport is an issue, and the top two or three things of importance about the Airport. Mr. Stewart stated that Dulles International is very well known around the world.
While some stumble over the Airport’s name, it sometimes comes out as Dallas in some dialects, but the name is not an issue. The entire name of the airport, or Dulles International, is promoted by the Airports Authority. Mr. Stewart stated that the perception of Dulles Airport was changing and that the biggest battle the Air Business Development staff faced was changing old perceptions and removing some of the paradigms. He advised that one perception was that the Dulles Airport location is far away and that travelling there takes a while, although other airports in the region are accessible by Metro.

Mr. Tejada inquired whether Mr. Stewart’s representation was indicative of the general perception. Mr. Stewart answered affirmatively and stated that one of the biggest selling points for Dulles International, beside the Metro’s completion in 2020, involved showing the growth in the Dulles corridor, both in terms of commercial square footage and in residential, and both domestic and international carriers. He stated that many were watching and observing how that develops. Mr. Stewart noted that a lot is changing and that was part of his reason for providing the July as well as year-to-date commercial passenger numbers on the slides that he presented. He stated that the July [2017] growth numbers reflected that Dulles International exceeded Reagan National. While the Airports Authority did not want to view its second Airport negatively, it was nice to see the air traffic statistics at Dulles International exceed those at Reagan National.

Mr. Tejada stated that the point of capacity is always a question and asked whether any aircraft type can land at Dulles International, to which Mr. Stewart responded in the affirmative.

Ms. Wells asked for a motion to suspend the meeting of the Strategic Development Committee, which was moved, seconded and voted upon unanimously.

The meeting was thereupon recessed at 10:12 a.m. so that the day’s Board of Directors Meeting could begin timely.

Ms. Wells reconvened the Strategic Development Committee Meeting at 11:08 a.m.

**Ronald Reagan Washington National Airport Project Journey.** Roger Natsuhara, Vice President for Engineering, provided an update on the costs of enabling projects. Mr. Natsuhara reported that approximately $886,000 had been spent during the last couple of months, most of
which had been used for the demolition of the old Corporate Office Building (COB). With regard to the scheduled activities, Mr. Natsuhara stated that the construction work associated with Lot K and Airfield Area A would be completed this month, and the demolition of Hangars 11 and 12, as well as the old COB, would be completed in November.

Mr. Natsuhara shared a slide of the existing Lot K reconfiguration for American Airlines’ operations. He also shared a slide of the Airfield Area A paving, and demolition of Hangars 11 and 12 and the old COB, which is near completion. Lastly, Mr. Natsuhara shared a slide of the hazardous material remediation of Hangars 11 and 12, which had been completed.

Mr. Natsuhara reported that approximately $3 million had been spent on the New Commuter Concourse during the last couple of months, primarily for utility work. With regard to design development, Mr. Natsuhara stated that the work for the Apron had been completed, and that 90 percent of the work for the Concourse Building had been completed. The final design would be completed in November. Mr. Natsuhara reported that the Notice to Proceed (NTP) for the construction of the Apron package would soon be issued. He stated that paving would begin within the next couple of months. He further stated that the NTP for construction of the building would be issued in February 2018.

Mr. Natsuhara reported that approximately $83,000 had been spent for design work on Secure National Hall during the last couple of months. With regard to the scheduled activities, staff had received the proposals for the construction of Secure National Hall. Mr. Natsuhara stated that the NTP for the Secure National Hall construction is expected this month.

The meeting was thereupon adjourned at 11:12 a.m.