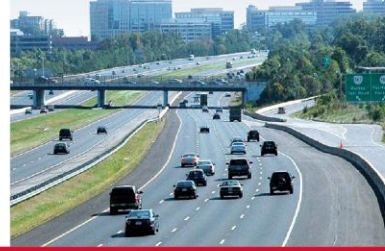




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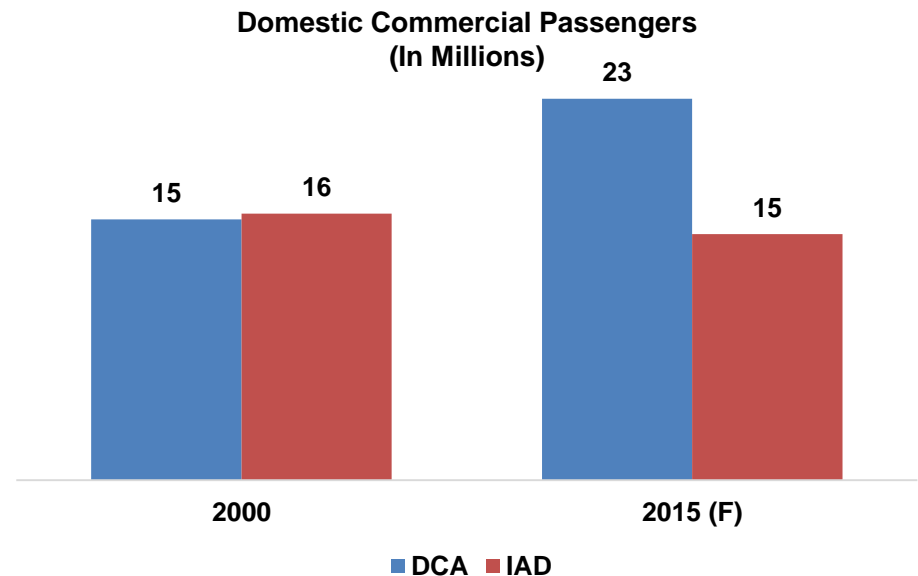


# STRENGTHENING DULLES AIRPORT

January 20, 2016

# Initially Envisioned As A Complementary System, Reagan National Has Been Growing At Dulles's Expense

- The Airports Authority was created with consent of U.S. Congress by Acts of D.C. Council and the Virginia General Assembly
- In 1987, MWAA assumed operating responsibility for DCA and IAD – with the ability to access bond markets to finance capital development at both airports
- MWAA invested \$5 B to develop Dulles as the region's international gateway and long-haul, growth airport – which was forecasted to accommodate up to 40 M passengers
- Despite federal slot restrictions and a 1,250-mile Perimeter Rule, passenger growth has been occurring at Reagan National as a result of:
  - FAA Reauthorization Acts of 2000, 2003, and 2012, which added 54 slots, including 8 beyond-perimeter flights at DCA
  - Economic Recessions of 2001 and 2008, which triggered airline bankruptcies and mergers
  - Delta/US Airways slot swap of 2012, which led to the repositioning of air service by JetBlue, Delta, Southwest, and Virgin America from IAD to DCA



Since 2000, Reagan National has experienced domestic growth of 46%, while Dulles has declined 8%

# Dulles Airport Is a Powerful Economic Engine For the Commonwealth

## Economic Impact of Dulles Airport

Virginia Jobs		Virginia Labor Income		Virginia State & Local Taxes
Direct	Direct, Indirect, Induced	Direct	Direct, Indirect, Induced	Direct
85,126	146,122	\$3.0 B	\$5.9 B	\$612.9 M

## Passenger Spending from Dulles Airport Passengers Totals Over \$3 B for Virginia Annually

Annual IAD Passenger Spending in VA	
Lodging	\$1.3 B
Rental Car	\$698.7 M
Food	\$411.5 M
Retail	\$351.7 M
Entertainment	\$284.7 M
Taxi	\$275.4 M
<b>Total Spending</b>	<b>\$3.4 B</b>

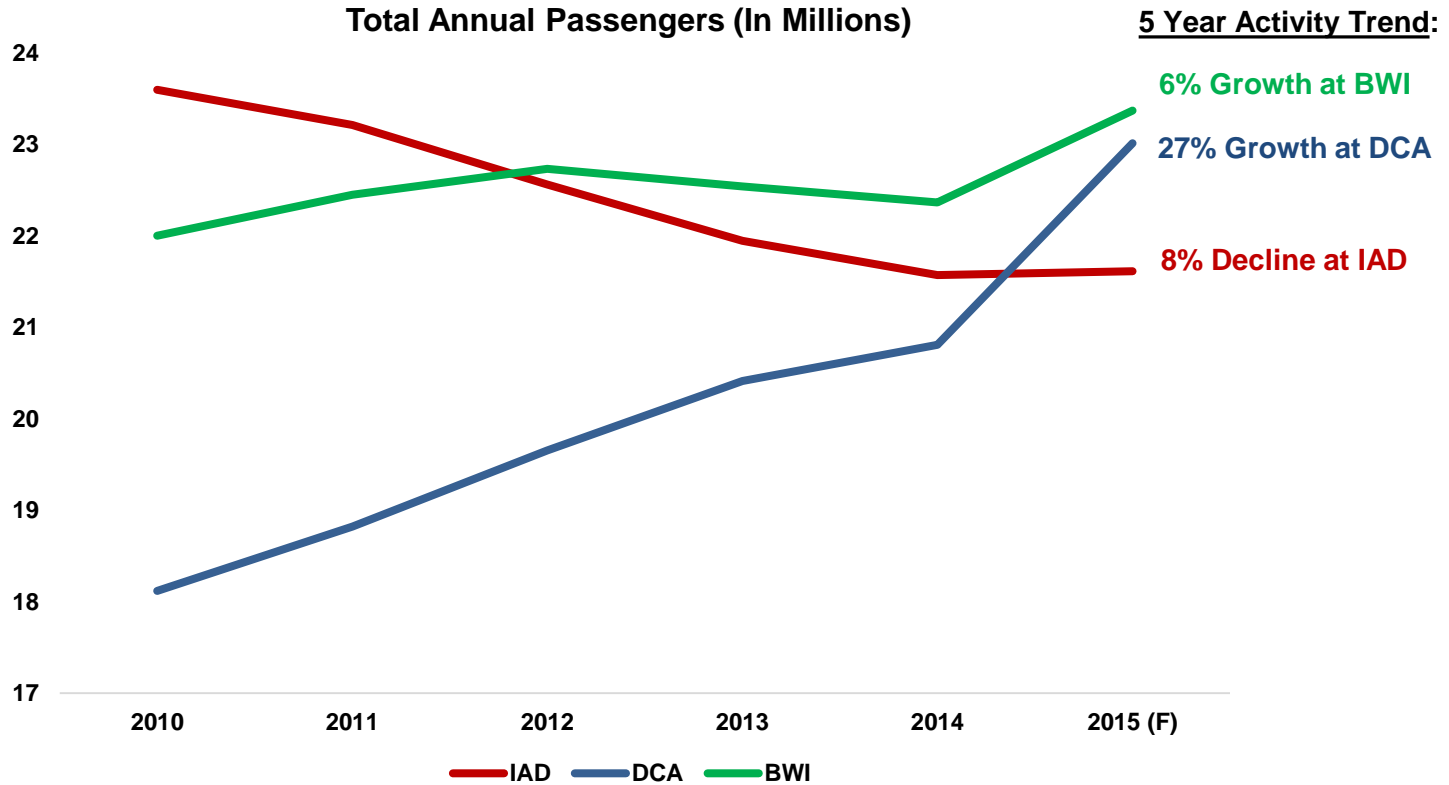


## Flights Between Dulles and Commonwealth Airports Are In Decline

From	To	2007	2015	% Change
Dulles	Other VA Airports	6,793	4,840	-29%
Norfolk	Dulles	2,204	1,566	-29%
Richmond	Dulles	1,452	1,054	-27%
Charlottesville	Dulles	1,466	1,010	-31%
Shenandoah	Dulles	990	939	-5%
Roanoke	Dulles	1,074	603	-44%
<b>Total Flights Between Dulles &amp; Commonwealth Airports</b>		<b>13,979</b>	<b>10,012</b>	<b>-28%</b>

**Flights Between Dulles and Commonwealth Airports  
Have Declined Almost 30% in the Last 8 Years**

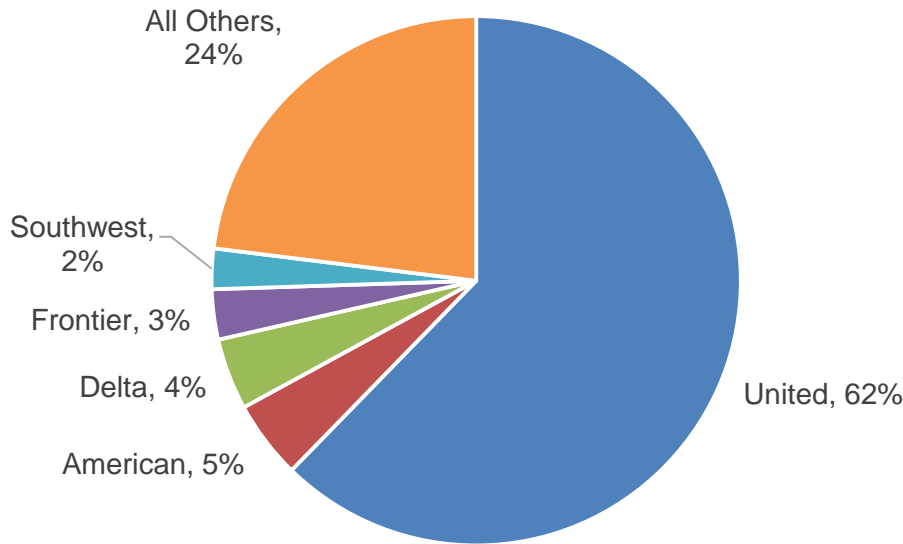
# Reagan National and BWI Have Overtaken Dulles's Regional Market Share



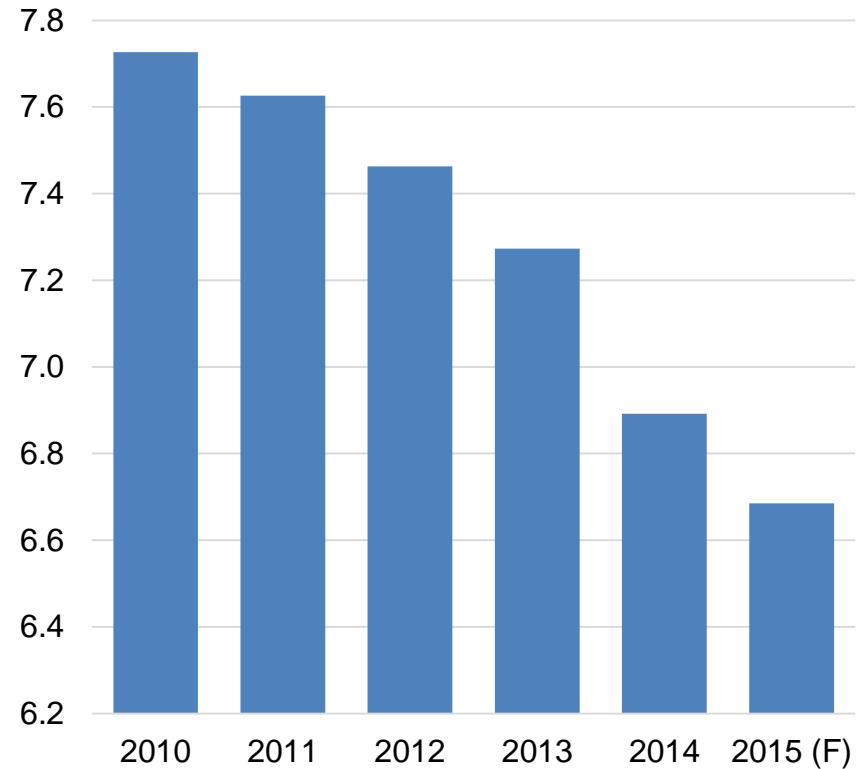
**The regional leader 5 years ago, Dulles now serves fewer passengers than DCA and BWI**

# Dulles's Dominant Carrier Has Seen A 13% Decline in Enplanements Since 2010

Market Share of Enplaned Commercial Passengers (Jan-Nov 2015)

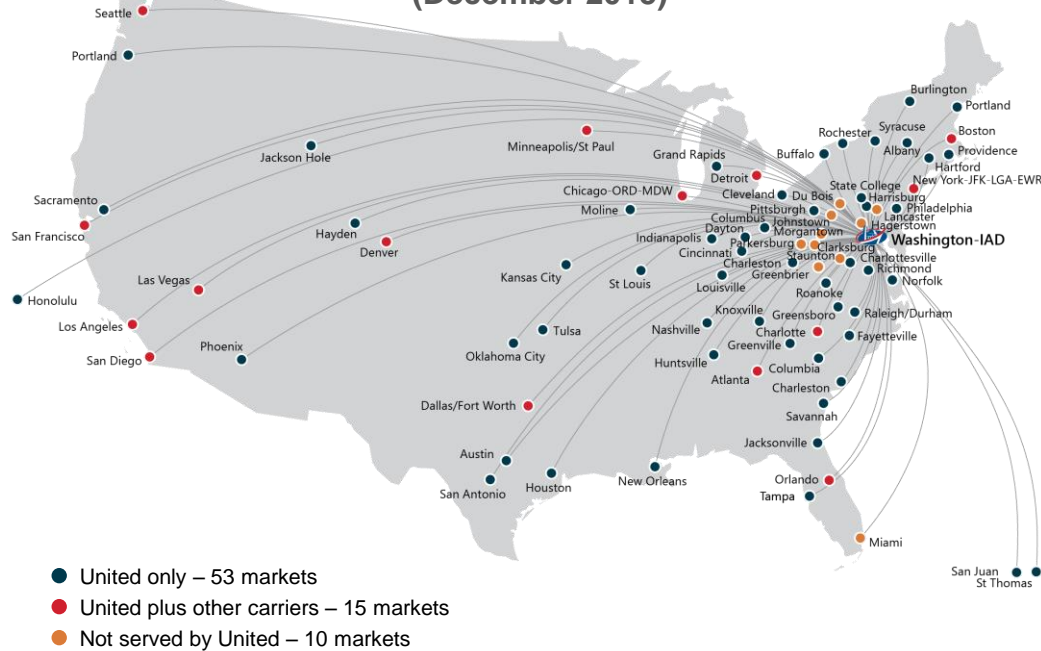


Annual United Enplanements at IAD (Millions)



# United Is Vital to Virginia

North American Air Service From Dulles  
(December 2015)



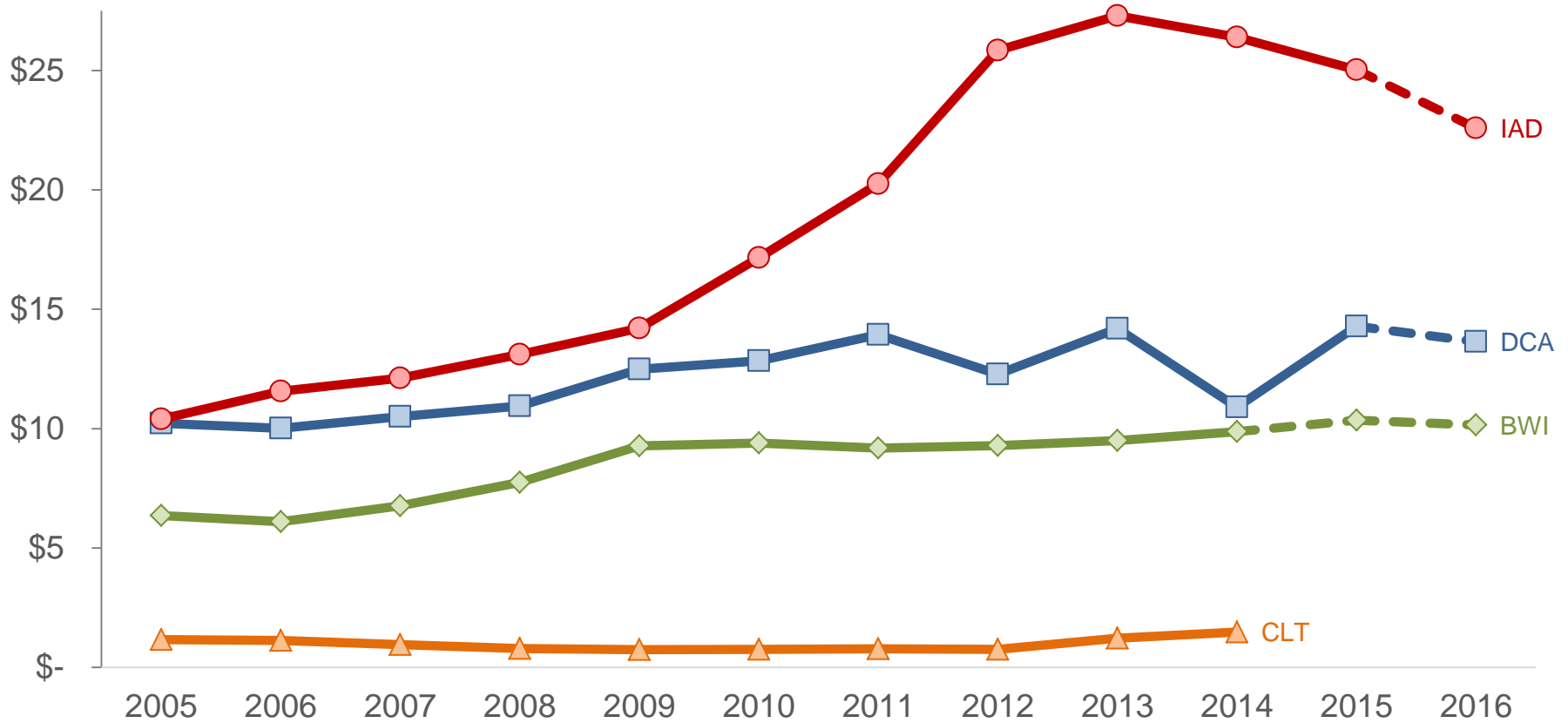
VA Airport Departures  
(October 2015)

VA Airport	Total Departures	United Departures	% United
Richmond	2,054	422	21%
Norfolk	1,688	383	23%
Charlottesville	554	91	16%
Roanoke	538	70	13%
Shenandoah	79	79	100%
<b>Total</b>	<b>4,913</b>	<b>1,045</b>	<b>21%</b>

United serves 87% of Dulles's North American destinations – including 68% of them exclusively

United accounts for over 20% of Other Commonwealth Airport Departures

# Declining Passenger Activity, Coupled With \$5 B Capital Investment, Raised Dulles's Cost Per Enplanement to One of The Highest in the Nation



$$\text{CPE} = \frac{\text{Total Airport Charges to Airlines}}{\text{\# of Enplaned Passengers}}$$

MWAA Sources: 2016 Budget, Office of Finance  
 BWI Source: 2016 MDOT MAA Budget  
 CLT Source: 2014 Annual Report



## The Loss of United's Hub at Dulles Could Cost Virginia \$400 M Annually

- United's connecting enplanements account for 33% of Dulles's total enplanements
- If United moves its hub from Dulles – resulting in a conservative 10% loss in passenger activity – the impact would be significant:

	Current Economic Impact	Assumed Reduction	Potential Annual Lost Revenue
State & Local Taxes	\$ 612.9 million	10%	\$ 61 million
Passenger Spending	\$ 3.4 billion	10%	\$ 340 million
<b>Total</b>	<b>\$ 4.0 billion</b>	<b>10%</b>	<b>\$ 401 million</b>

- Additional impacts to the airport and community may include:
  - Lost service to the 53 markets served exclusively by United
  - Increased cost for other airlines
  - Loss of Dulles's status as an international gateway, as international carriers who have historically relied on United's connecting passengers shift service to other hubs

# Support from Virginia Will Help Gain United's Commitment and Ensure Dulles's Future

## 2015: Short-Term Agreement

## 2017 – 2018: Continued CPE Management

## 2018 – 2024: Long-Term Security

- Concerned about high costs at Dulles, United agreed to a three-year Use & Lease Agreement, which expires at the end of 2017
- The Commonwealth's investment, coupled with actions MWAA has taken to reduce CPE, would directly lower fees charged to United, as well as all other airlines serving IAD, in 2017 and 2018
- Airlines, including United, make a renewed financial commitment to guarantee use of gates, hold rooms, and ticket counters in the form of a longer-term Use & Lease Agreement

Funding from Virginia is critical to lowering costs and securing United's long-term commitment



## MWAA's Bond Ratings Consider Dulles's CPE and Activity Levels

### AA- Fitch

(6/18/15)

- “The authority reported a \$26.55 CPE at IAD in 2014, nearly \$2 below forecast for the second consecutive year, and CPE is now expected to remain at or below this level through 2020 as a result of MWAA's new Airport Use and Lease Agreement.”
- “Should enplanements fall short of forecast or management not be able to contain expenses, CPE could rise to levels inconsistent with the current rating, especially at Dulles International.”

### AA- S&P

(6/19/15)

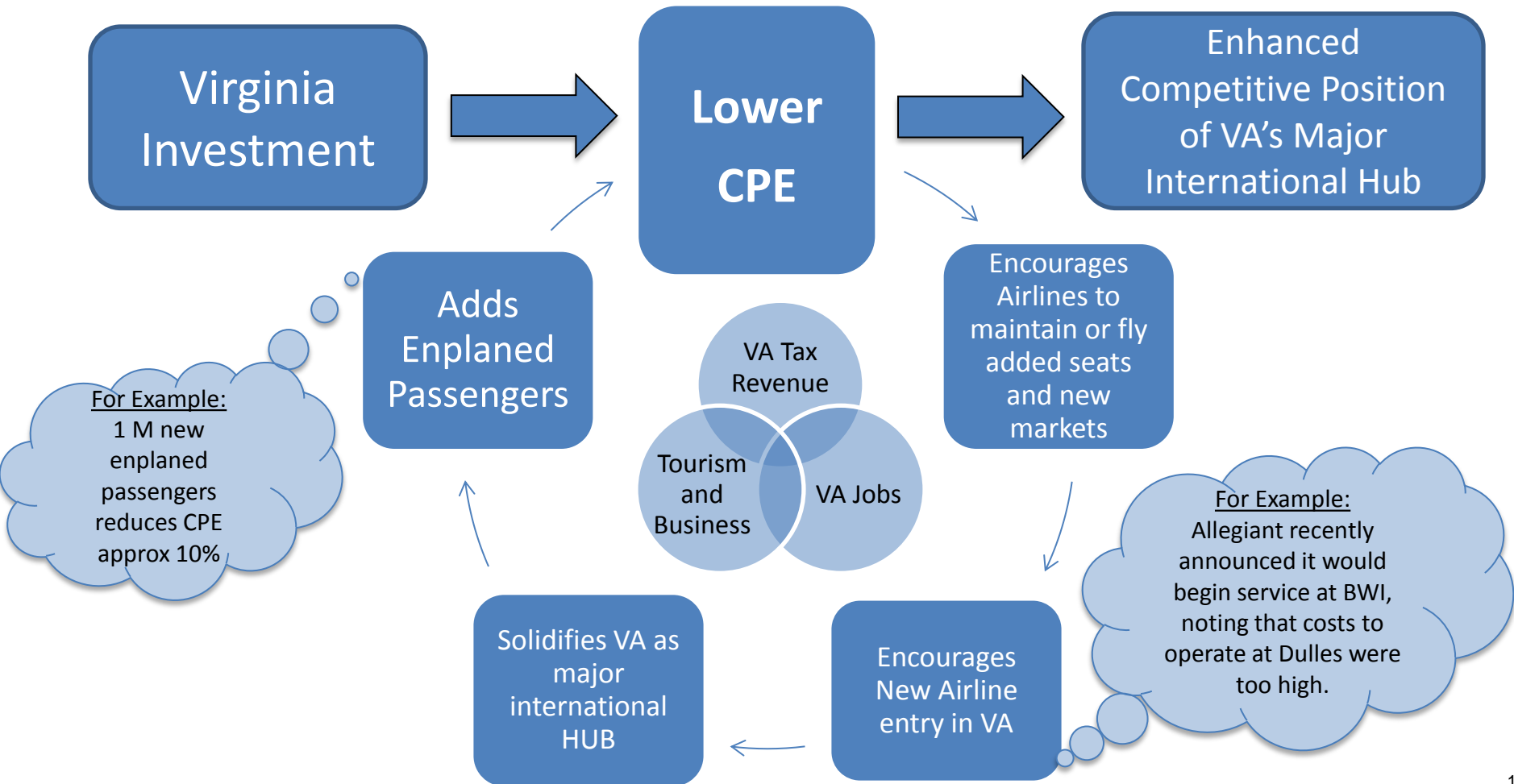
- “Credit Risks: A high cost structure, with cost per enplanement at \$11.26 for National and \$26.55 for Dulles for 2014, and high debt levels at approximately \$230 per enplanement.”

### A1 Moody's

(6/20/15)

- “Aggregate CPE remains high at nearly \$19 per enplanement (averaged between both airports) primarily due to high leverage, though lower than previously forecasted.”
- “The A1 rating is based on our expectation that the local economy will continue to generate enplanement growth to offset high CPE and maintain improved forecasted DSCRs over the next five years. MWAA has outperformed its recent forecasts with respect to DSCR and CPE and we believe MWAA is likely to meet or outperform current financial projections due to its conservative financial management and budgeting.”
- **“Strong, conservative management of airport operations and careful long-term capital planning has been repeatedly revised and adapted by airport management in response to changes in the airline industry.”**

# Investing to Lower Dulles's Cost Per Enplanement Improves Virginia's Competitive Position





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