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Can We Ever Improve the Airport Experience?



James E. Bennett
President and Chief Executive Officer
Metropolitan Washington Airports Authority



The Who

- Airport
- Transportation Security Administration
- Customs and Border Patrol
- Federal Aviation Administration
- Airlines
- Concessions

The What

- Global Economic Uncertainty
- Old Airport Facilities
- Lack of Runways
- Complex and Changing Facilities

Who / What Influences the Airport Experience?

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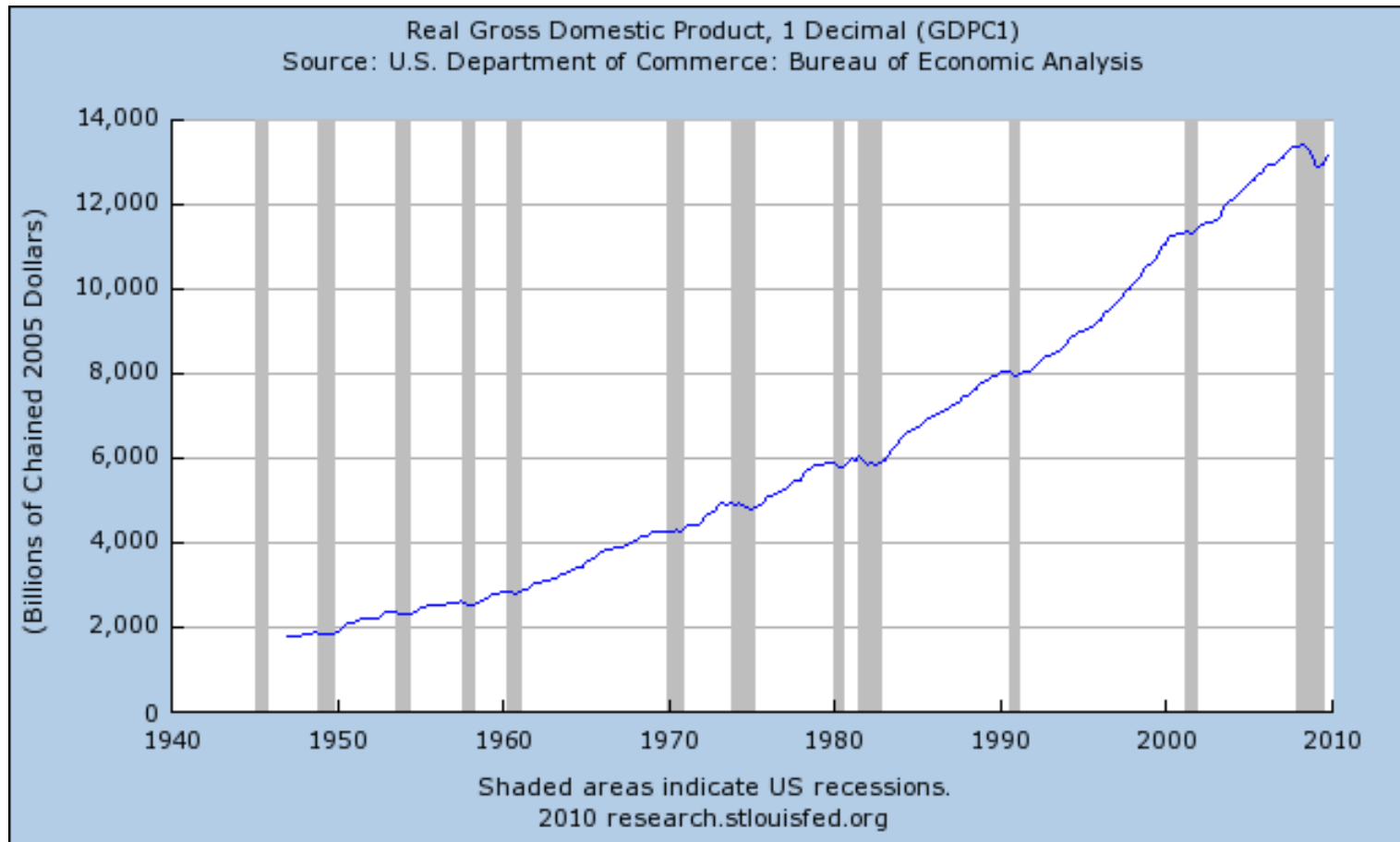


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The Global Economic Climate

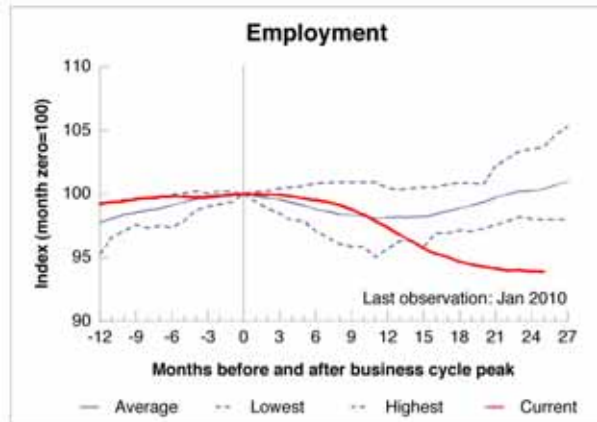
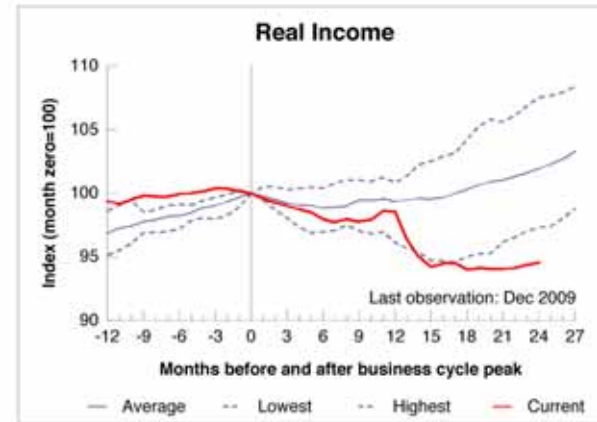
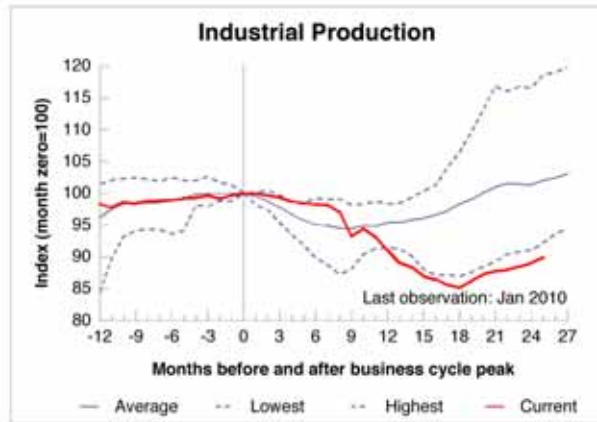


Real GDP 1940 - 2010





Tracking the Global Recession: Economic Indicators-United States



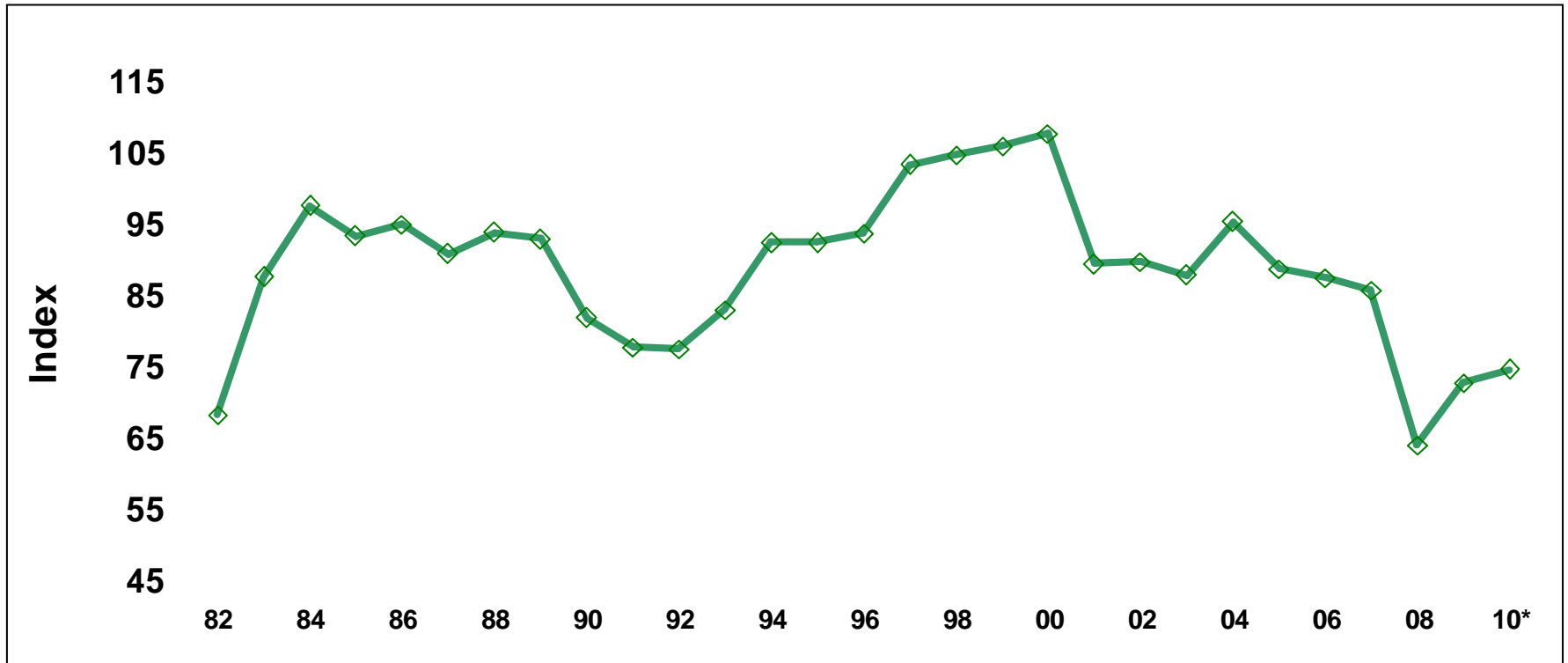
Data lasted 2010-02-19

2010 Federal Reserve Bank of St. Louis: research.stlouisfed.org



U.S. Consumer Sentiment

1981 – 2010



*Through January 2010.

Source: University of Michigan, Delta Associates; February 2010.

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Airport Infrastructure needs: How it is Done How Much and When?

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Financing Aviation Infrastructure 1950-2001

- Aviation infrastructure development supported by enplanement growth
- Increased activity generated revenue to pay the related debt
- Since 2001, aviation growth been limited

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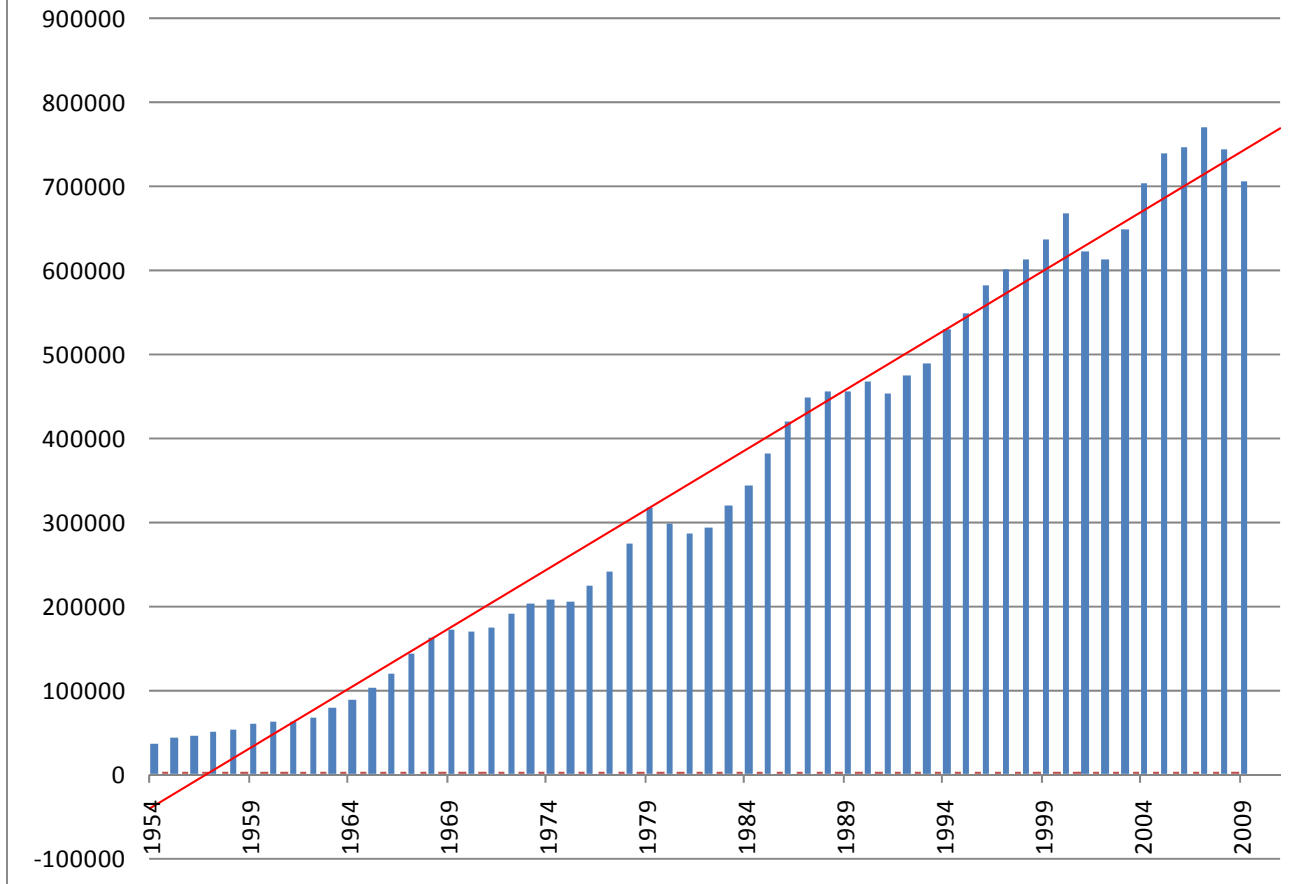
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U.S. Enplanements 1954 to 2009





Which Comes First? Growth or Infrastructure

- To improve the airport experience and provide for economic growth, infrastructure is needed
- To pay for infrastructure, growth is needed
- Resulting in new and old ways to Finance the Infrastructure:
 - Stimulus – government stepping in for shovel ready projects
 - PFC increase – legislative effort
 - Public Private Partnerships



ACI-NA Airport Capital Needs

(Millions of Current Year Dollars)

	2009	2010	2011	2012	2013	Total	%
Large	11,099	11,951	11,052	10,193	10,977	55,273	58.6%
Medium	3,523	2,869	2,859	1,821	2,201	13,273	14.1%
Small	1,384	1,509	1,233	918	754	5,800	6.1%
Non-hub*	1,036	1,051	1,067	1,083	1,099	5,335	5.6%
Commercial Service*	201	204	207	210	213	1,035	1.1%
Reliever*	706	716	727	738	749	3,636	3.9%
GA*	1,932	1,961	1,990	2,020	2,050	9,953	10.6%
Total	19,880	20,262	19,136	16,983	18,045	94,305	100%

Note: Assumes a 1.5% annual increase in construction cost escalation.

Source ACI-NA Capital Needs Study

*FAA NPIAS data.



Capital Construction Program

2010 Budget

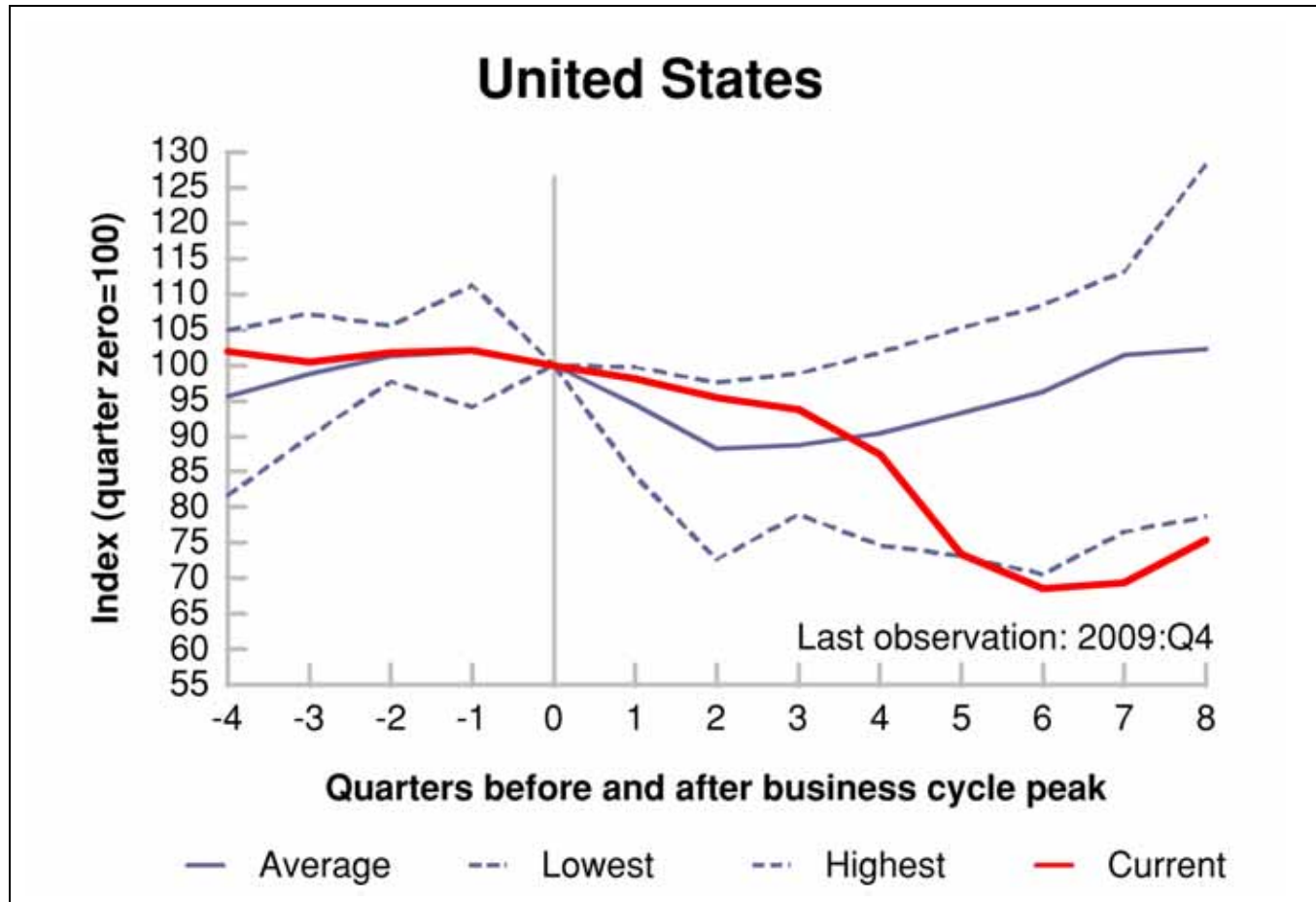
Metropolitan Washington Airports Authority

SUMMARY BY FUNDING SOURCES/REQUIREMENTS

DESCRIPTION	EXPENDITURES				
	2009	2010	2011	2012-2016	Unscheduled
Ronald Reagan Washington National Airport	\$52,363,000	\$53,963,000	\$78,175,000	\$75,456,000	\$119,575,000
Washington Dulles International Airport	\$282,816,000	\$205,679,000	\$138,345,000	\$490,230,000	\$2,635,343,000
Total	\$335,179,000	\$259,642,000	\$216,520,000	\$565,686,000	\$2,754,918,000

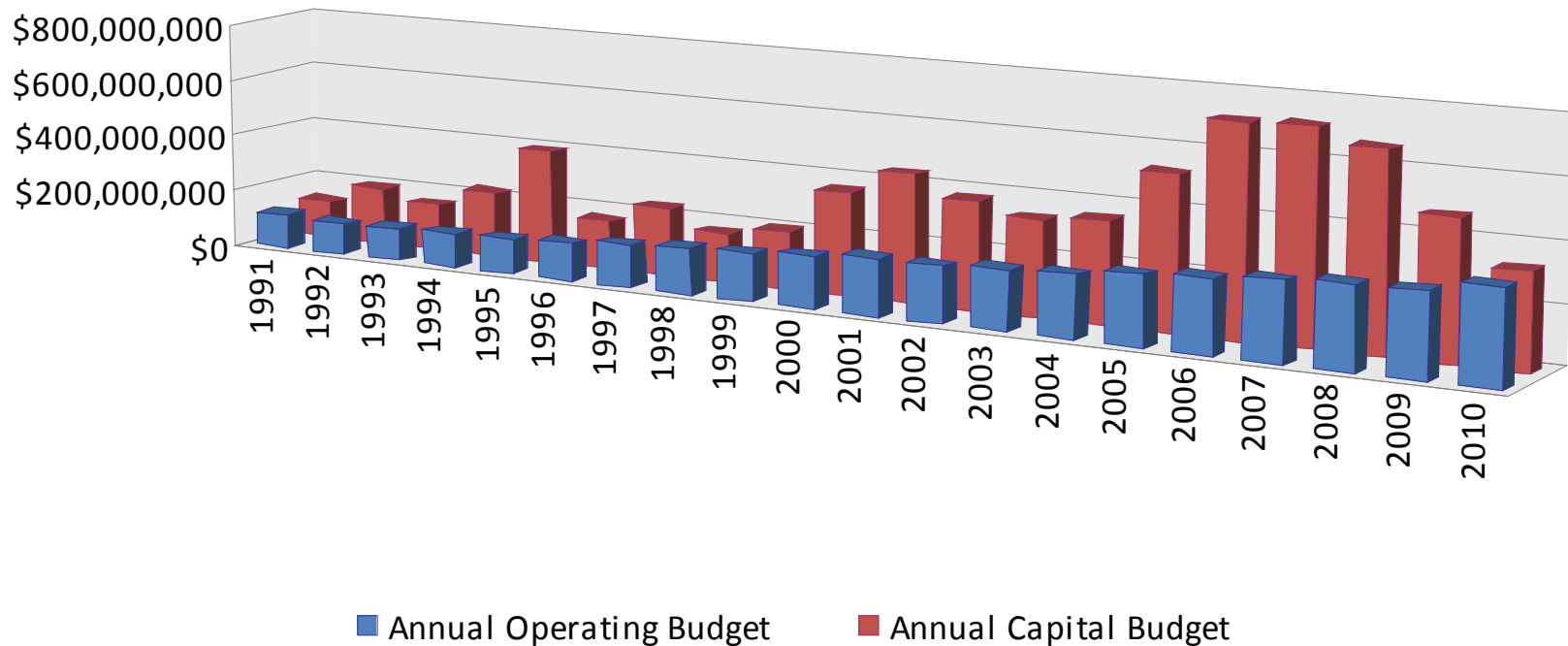


Real Investment





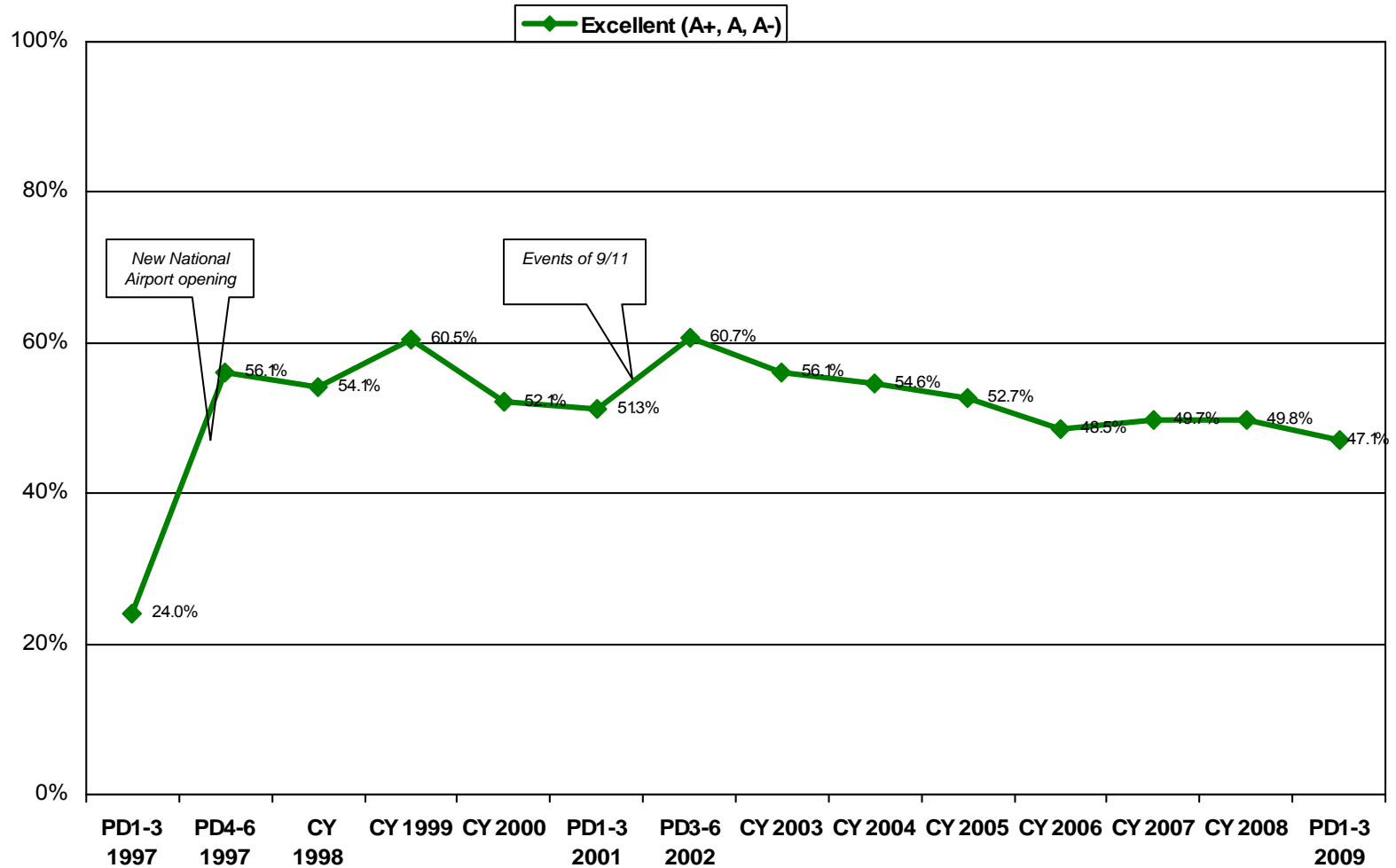
Metropolitan Washington Airports Authority Comparison of Growth in Annual Spend





Overall Rating of National Airport

Overall Passenger Satisfaction Rating of National Airport





Traditional Methods of Airport Infrastructure Financing

Bonds:

62%



Leverage defers payment to users of facilities

Passenger charges:

25%



Current users of facilities pay “toll” for pay-go or leverage payments

Grants:

13%



Government participates in infrastructure development by providing a form of equity capital

Revenue:



Airport operator contributes equity to lower cost or accomplish other goals

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How will Airport Operators Accomplish Needed Infrastructure Development in the Current Economic Climate?



Unit Terminals

Airports lease land to airlines for terminal development

JFK
LGA
Newark
Boston
Chicago
Houston

Airlines construct and maintain facilities under long term lease

Airports lose control over facilities and have competing terminals on airport

Use of grants and PFC limited
Airline bankruptcy further complicates arrangements

Airline have limited ability to finance terminals



Private Methods of Financing Airports

→ Privatized Airports

- Argentina, Australia, Austria, Bahamas, Bolivia, Cambodia, Canada, Chile, China, Colombia, Denmark, Dominican Republic, Germany, Hungary, Italy, Japan, Malaysia, Mexico, New Zealand, Singapore, South Africa and Switzerland.

→ Current activity in privatized airport investments

- Private Equity to Leverage required: 50/50 formerly 20/80
 - Both Available Equity and Leverage in limited supply
- Chicago Midway
 - Investors pulled out of privatization paying a \$126 million penalty to the City.
 - Chicago to repackage the plan
- Gatwick
 - BAA sold Gatwick to Ferrovial
 - Ferrovial sold Gatwick for £1.5BN to GIP, 25% less than plan, a £142m charge
 - GIP promised to upgrade services at Gatwick with IPOs

→ Previous IPOs

- Vienna
- Schiphol

→ Concession Agreement

- Third party contract with airport to build terminal
 - Terminal 4 at JFK

Airport Management can be in multiple forms



Current Private Interest in Airport Development

- Hochtief Airport
- TAV Airports Holding Company
- Skonto Buve
- Aecon Concessions
- Africa Israel Investments
- Morgan Stanley Infrastructure Partners
- Global Infrastructure Partners (GIP),(GE and Credit Suisse)
 - GIP owns London City Airport
- Citigroup Infrastructure Investors,
- Vancouver Airport Services
- Babcock and Brown
- Borealis Infrastructure;
- Venice Airport
- Macquarie Capital Group



Private Airport Development in the U.S has been limited

- ➔ US Airports have limited results with privatization.
 - Indianapolis
 - BAA returned the airport to government management
 - Stewart Airport
 - In 2007 PANYNJ acquired remaining 93 years of concession from National Express Group
- ➔ Airports in the US enjoy low cost infrastructure financing
 - Tax exempt bonds provide low cost financing
 - Grants, PFCs provide equity contributions
- ➔ Airport communities have a strong interest in airport management
 - Airports viewed as economic engines to community
 - Airlines have strong presence in airport communities



To Move Forward a Combination of Old And New Methods of Infrastructure Development is Required

- Private concession opportunities
- Airport provide the airfield, utility, transportation connections
- Concession develops terminal gates and contract with directly with airline
- Negotiate variance on the theme to make it work.



Conclusion

- ➔ There is no single best method to improve the Airport Experience
- ➔ The model of infrastructure Development based on continuing growth and healthy airlines is changing
- ➔ Airports need to be creative in finding new solutions to age old issues of facility investment



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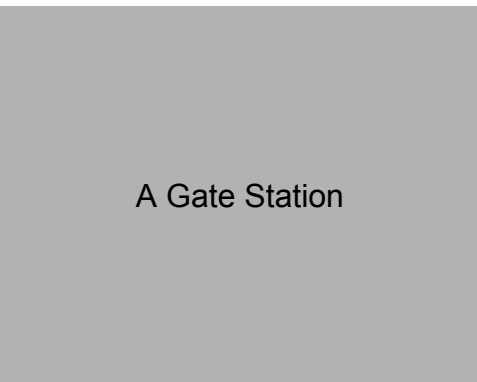
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Main Terminal station



B Gate station



A Gate Station



C Gate Station



Security Checkpoints



AeroTrain



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Concourse B expansion



4th Runway



International Arrivals Building
Expansion



Dulles Corridor Metrorail
Project

Dulles Toll Road



New Airport Traffic Control
Tower





Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



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