

RALEIGH-DURHAM AIRPORT AUTHORITY

May 17, 2012

Vice Chairman Sanders presided. Present: members Ali; Elting; Hunt; Teer; Thompson and Weeks. Absent: member Yeargan. Also present: Airport Director Landguth; Deputy Airport Director, Operations McElvaney; Deputy Airport Director, Facility Development Powell; Deputy Airport Director, Information Services Posner, Deputy Airport Director Marketing & Customer Relations Damiano; Executive Assistant Mitchell, Staff Attorney Locklear; Attorney Tatum; other staff members and guests.

APPROVAL OF AGENDA – There were no changes to the agenda, and it was approved as submitted.

APPROVAL OF MINUTES – There were no changes to the minutes of the April 19, 2012 minutes and they were approved as submitted.

VICE CHAIRMAN'S COMMENTS – Vice Chairman Sanders commented that he attended the Quarterly Thanks to You celebration. It was a great opportunity to see the work that is being done here at the RDU. Customer Relations Manager Martin provided a summary of two particular incidences in which RDU employees were recognized for going above and beyond their job responsibilities. The Special Olympics Plane Pull was held on April 21, 2012 and the Maintenance Team placed second among 98 teams that competed. The event raised a total of \$140,000 to support Special Olympics. Congratulations to all RDU staff who participated. The renovation of Terminal 1 continues to progress. Completion date remains steady for the first quarter of 2014. More information on the project will be presented at next month's Authority meeting.

The following new hires were welcomed to the RDU Family. In Law Enforcement, Scott St. Clair and Eva Telles. In Maintenance, Terrance Combo. In Central Communications, Michelle Guardino. Charles Nolan was recognized for his recent promotion to Facilities Maintenance Supervisor.

HUB PLAN COMMITTEE REPORT – Chairman Elting reported the HUB Plan Committee met on May 17, 2012 and discussed the following item:

1. Review of accomplishments under the Authority's Historically Underutilized Business Program during the quarter January 1 – March 31, 2012. Small Business Program Officer Edwards reported that the Authority has two programs that address minority and women-owned business participation in its construction, professional services, information systems and procurement activities. The first is the Disadvantaged Business Enterprise (DBE) program for federal AIP-funded projects and the airport concessions program. The second is the Historically Underutilized Business (HUB) program for all non-federal contracts and Authority procurement. Ms. Edwards reported that the DBE goal for FY 2011-2013 is 11%. Overall goals for the HUB program are 8% minority-owned business participation (MBE) and 5% women-owned business participation (WBE) for construction, 10% for professional services, and 10% each for information systems and procurement. HUB/DBE participation in all active construction projects is 4.3% MBE and 10.3% WBE for a total of 14.7% HUB/DBE participation (\$76,628,239). HUB participation in procurement and information systems during the reporting period was \$683,469 (2.0%). HUB/DBE participation for services was 10.4% with an additional 13.3% HUB participation in the janitorial, landscaping, consulting and baggage handling services

The Authority received the report. No further action was necessary.

AIR SERVICE DEVELOPMENT COMMITTEE REPORT – Member Teer reported the Air Service Development Committee met on May 17, 2012 and discussed the following item:

1. Consideration of adoption of the Raleigh-Durham Airport Authority's Air Service Incentive Policy. Deputy Airport Director Marketing Communications Damiano reported on the proposed Air Service Incentive Policy. The Raleigh-Durham Airport Authority is committed to developing successful, mutually beneficial air services with commercial passenger airlines to support the air transportation needs of the region it serves. To this end, the Authority will work with domestic and international airlines to develop and support new, nonstop, commercial passenger service initiated between June 1, 2012 and May 31, 2014.

The policy is outlined as follows:

Transcontinental Air Service

- a. *Transcontinental service refers to new, nonstop, commercial passenger service between Raleigh-Durham International Airport (RDU) and San Francisco International (SFO), Los Angeles International (LAX), and Seattle-Tacoma International (SEA).*
- b. *The Authority will offer to waive all landing fees applying to the qualifying transcontinental service for one (1) year following the inauguration of service provided that the flight operates not less than six (6) days per week, year-round.*
- c. *There will be no waiver during any period in which the frequency of scheduled service is less than that specified.*
- d. *The Authority will manage and offer to expend Two Hundred and Fifty Thousand Dollars (\$250,000) to market qualifying transcontinental service within the air service catchment area of Raleigh-Durham International Airport (RDU) and engage in marketing activities of its choice during the first twenty-four (24) months following the inauguration date of the service.*
- e. *The total maximum amount available for marketing incentives for qualifying transcontinental air service is Five Hundred Thousand Dollars (\$500,000).*

Transatlantic Air Service

- a. *Transatlantic service refers to new, nonstop, commercial passenger service between Raleigh-Durham International Airport (RDU) and Charles de Gaulle International (CDG), and Frankfurt International, (FRA).*
- b. *The Authority will offer to waive all of the landing fees applying to the qualifying transatlantic service for one (1) year following the inauguration of service provided that the flight operates not less than five (5) days per week, year-round.*
- c. *There will be no waiver during any period in which the frequency of scheduled service is less than that specified.*
- d. *The Authority will manage and offer to expend Five Hundred Thousand Dollars (\$500,000) to market qualifying transatlantic service within the air service catchment area of Raleigh-Durham International Airport (RDU) and engage in*

marketing activities of its choice during the first twenty-four (24) months following the inauguration date of the service.

The total maximum amount available for marketing incentives for qualifying transatlantic air service is One Million Dollars (\$1,000,000)

The Committee recommended the Authority approve the Air Service Incentive Policy. Adopted.

Member Teer made a motion, seconded by member Ali, to approve the recommendations of the Air Service Development Committee. Adopted.

MEMBER COMMENTS – Member Teer commented that Airport Director Landguth gave a presentation at the Council for Entrepreneurial Development last evening and the response was overwhelmingly positive. The audience was particularly excited about the new San Francisco flight. Member Teer also reported that the USO would be conducting a survey in June 2012 to assess its services to our country's servicemen. No doubt RDU will receive the highest rating of chartered USO facilities in the country. Member Teer recognized Deputy Airport Director, Information Services Posner and his contributions to the Authority. Member Ali also thanked Mr. Posner for his efforts. Members Thompson and Elting echoed best wishes to Mr. Posner and his family on their return to Minnesota.

GENERAL COUNSEL'S REPORT – Attorney Tatum had no comments at this time.

AIRPORT DIRECTOR'S REPORT –

- Enplaned passengers for April 2012 totaled 394,240 versus 385,934 for April 2011 for a 2.2% increase. Year-to-date 2012 passenger enplanements totaled 1,407,265 versus 1,370,855 for year-to-date 2011 for a 2.7% increase.
- Deplaned passengers for April 2012 totaled 396,116 versus 384,679 for April 2011 for a 3.0% increase. Year-to-date 2012 passenger deplanements totaled 1,415,569 versus 1,391,356 for year-to-date 2011 for a 1.7% increase.
- Enplaned air cargo for April 2012 totaled 4,988,878 lbs. versus 6,420,467 lbs. for April 2011 for a 22.3% decrease. Year-to-date 2012 enplaned air cargo totaled 21,623,387 versus 26,621,946 for year-to-date 2011 for an 18.8% decrease.
- Deplaned air cargo for April 2012 totaled 6,785,322 lbs. versus 8,519,055 lbs. for April 2011 for a 20.4% decrease. Year-to-date 2012 deplaned air cargo totaled 28,807,507 versus 33,823,455 for year-to-date 2011 for a 14.8% decrease.
- Aircraft operations for April 2012 totaled 16,138 versus 15,970 for April 2011 for a 1.1% increase. Year-to-date 2012 aircraft operations totaled 63,672 versus 61,968 for year-to-date 2011 for a 2.7% increase.
- The number of vehicles exiting the terminal area public parking lots during April 2012 totaled 139,619 versus 146,147 for April 2011 for a 4.5% decrease. Year-to-date 2012 number of vehicles exiting the terminal area public parking lots totaled 522,942 versus 537,283 for year-to-date 2011 for a 2.7% decrease.
- The number of taxicab trips taken during April 2012 totaled 27,826 versus 24,774 for April 2011

for a 12.3% increase. Year-to-date 2012 taxicab trips totaled 104,985 versus 93,150 for year-to-date 2011 for a 12.7% increase.

- The number of passengers transported from RDU by SuperShuttle during April 2012 totaled 0 versus 3,206 for April 2011 for a 100% decrease. Year-to-date 2012 passengers transported totaled 5,552 versus 13,424 for year-to-date 2011 for a 58.6% decrease.
- While the industry as a whole is still hesitant about growth over the next several years, we are seeing some positive signs here at RDU with airlines investing in new service and passengers flying in growing numbers. At RDU, we have seen capacity cuts, but demand remains high. As a result, the number of passengers traveling through RDU has grown each month this year.
- In addition to the growth in passengers, airlines are adding service. BahamasAir will begin service from RDU to Grand Bahama Island on May 18, 2012. The twice weekly, nonstop service will be operated by a contracted carrier for the next few months. In the fall, the airline will begin operating its own aircraft, and with it RDU will have its second foreign flag carrier.
- United Airlines is ramping up for its new service to San Francisco in August. It has begun selling tickets for its nonstop flight to San Francisco which begins on August 15. The flight from RDU arrives at SFO at approximately 10:00 am. PST. In the 11 o'clock hour, passengers will be able to connect to popular Asian cities including Beijing, Hong Kong, Osaka, Seoul and Tokyo.
- There has been a lot of activity over the last few weeks as talks of a US Airways and American Airlines merger were revived, and Delta Air Lines made two major announcements. We continue to monitor the American Airlines bankruptcy. In recent weeks American Airlines went before the bankruptcy court to dismiss its nine union contracts. At the same time, US Airways continued to publicly express its interest in merging with American Airlines. It recently received a boost from American's unions, which in a letter to American's board of directors encouraged a merger with US Airways. American Airlines dismissed the letter. At this time, it is too soon to speculate on what, if any, impact American Airlines' bankruptcy and/or merger with US Airways would mean to RDU flights, but we will continue to monitor the situation and provide updates as needed.
- It is not news that the airline industry continues to change. Every airline is looking for ways it can maximize revenues. This has meant capacity cuts. Delta Air Lines is one example of an airline that has cut capacity. Several months ago, Delta announced capacity cuts on its transatlantic flights. As a result revenue surged 22% in the first quarter of this year. The airline attributes the revenue increase to cutting unused capacity, improvements to its aircraft seating and strong corporate bookings. Delta's increased revenues could encourage even more capacity cuts by other airlines.
- Delta also continues to look for innovative ways to remain cost competitive. The airline, through one of its wholly-owned subsidiaries, purchased an oil refinery in Trainer, Pennsylvania. The airline will now exchange gasoline, diesel and other refined products for 80 percent of its jet fuel needs. Analysts say this investment could give it a fuel cost advantage of at least 20 cents per gallon. With this purchase, the airline expects to save \$300 million a year on fuel costs. We will continue to see airlines looking for creative ways to save money and increase revenues.
- Airport Director Landguth has been elected to the American Association of Airport Executives board of directors. The organization is a leading advocate for airports across the country.

- Airport Director Landguth wished Deputy Airport Director, Information Services Posner well as this is Mr. Posner's last Authority meeting. Mr. Posner will leave the Authority in late May to assume the position of Vice President for Information Technology Services at Bethel University in St. Paul, Minnesota. Mr. Posner has been a tremendous asset to the Authority in the development of the IS division and in the development of the information technology backbone in Terminal 2 and throughout the airport campus. The Authority is making plans to fill this vacancy, and in the interim, Airport Director Landguth has appointed Duane Legan as the Interim Deputy Airport Director of Information Services. This will allow Mr. Legan to work with Mr. Posner in order to ensure a smooth transition for the organization.

Member Ali made a motion, seconded by member Hunt, to adjourn the meeting. Adopted.

Respectfully submitted,

Tommy Hunt, Secretary

CORRECT ATTEST:

Craigie D. Sanders, Vice Chairman