

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis - Major Trends

1. Total Passengers Decrease

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The Department of Legislative Services (DLS) recommends that the Maryland Aviation Administration (MAA) should comment on whether the decline in fuel prices or other factors could drive an increase in passengers at BWI Marshall Airport.

MDOT Response:

While fuel is a large component in the total costs at airlines, other factors also drive the ability of carriers to change service patterns. For example, most carriers “hedge” their fuel costs ahead of time, in essence locking in rates months in advance. In the case of Southwest, while the price of aviation fuel declined 32% in the 4th quarter of CY14, Southwest said its spending for fuel declined just 15% because of its hedging contracts.

In addition, many of the carriers are taking advantage of the current state of the airline industry to acquire new aircraft which increase the capital expenditures for the airlines. In many cases, these aircraft are replacing 25 to 30 year-old aircraft, rather than providing increased capacity for the airline.

Carriers are also concerned that the current lower price of fuel may not be a realistic figure to use for their planning for CY15 and CY16. The current price of fuel does make long-haul flying more appealing to carriers, as evidenced by Southwest’s new year-round service to Oakland and Seattle, as well as its new international service to San Jose, Costa Rica and San Jose del Cabo, Mexico.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis - Major Trends (Continued)

2. Passenger Market Share Flat

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The Department of Legislative Services (DLS) recommends that MAA discuss the competitive landscape and what the coming years may hold for airports in the region. MAA should also discuss the impact of the growth in international service at BWI Marshall Airport.

MDOT Response:

The Washington/Baltimore region is the 4th largest travel market in the United States and is large enough to support three airports. The competitive dynamics in the region have changed recently with the addition of service at Reagan National Airport by carriers such as JetBlue, Southwest and Virgin America due to the slot divestiture from the American/US Airways merger. While there is no increase in the number of total departures at Reagan National, there is an increase in seats as the new carriers are using larger aircraft than American/US Airways had been operating. In addition, the recent change in revenue sharing between Reagan National and Dulles Airport could change the cost dynamics in the region.

However, the goal of the MAA to increase service from BWI Marshall Airport should not be impacted by either issue. The MAA continues to discuss the possibility of enhanced or new service with both existing and potential new carriers for the Airport and the region.

Southwest's CEO Gary Kelly has been quoted extensively recently about the importance of BWI Marshall to the international growth strategy of Southwest Airlines. "International is the growth opportunity ahead and BWI will be a big part of that," "BWI will be front and center of that international opportunity," and "Our substantial presence at Baltimore/Washington is a natural place to do that by bringing nonstop access to new international markets" are just a few of the positive things that Mr. Kelly has said about BWI Marshall. The growth is great news for the regional economy as international passengers tend to stay longer periods of time and spend more money than domestic visitors.

Other carriers are also growing their international operations at BWI Marshall. Condor Airlines, a German carrier, recently announced that it would increase its summer 2015 schedule from two to three weekly flights from BWI Marshall. WOW air, an Icelandic ultra low cost carrier, has announced that BWI Marshall will be one of only two airports in the US that it serves beginning in May of 2015. Delta Air Lines recently announced that it would start weekly service between BWI and Cancun, Mexico starting in June of 2015.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis - Major Trends (Continued)

Passenger Market Share Flat

(Page 7)

The Department of Legislative Services (DLS) recommends that MAA discuss the competitive landscape and what the coming years may hold for airports in the region. MAA should also discuss the impact of the growth in international service at BWI Marshall Airport.

MDOT Response (Continued):

The additional service is one of the reasons that the MAA has recently begun construction on a new D/E connector and security screening checkpoint. In addition to providing significant life safety and customer service enhancements, the project will also give BWI Marshall two additional gates with access to the international arrivals area for passengers to clear Customs and Border Protection screening upon entering the United States. In addition, the MAA is also studying the addition of more gates at the end of Concourse E in anticipation of further growth in the international service.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis - Issues

1. Plans for BWI Hotel Progress

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The Department of Legislative Services (DLS) recommends that the agency discuss its plan for a new hotel and why maintaining ownership and entering a long-term lease for operation of the hotel, rather than selling the property, is more beneficial to MAA.

MDOT Response:

The former Sheraton Four Points hotel is currently being demolished. That site is being reserved for future airport use as indicated in BWI Marshall's master plan. To replace this facility the MAA is seeking to enhance the Airport with a first-class, full service hotel which connects to the existing airport terminal building. The 2.5 acre site is adjacent to the terminal directly behind the existing hourly garage and would connect to the terminal through the airports skywalk system. The MAA is seeking a qualified firm for the design, development, financing, construction, management/operation and maintenance of the hotel, and will provide a minimum monthly guarantee for lease payments as well as a percentage of annual gross revenue to the airport. Nationally, large commercial airports like BWI Marshall enter into similar long-term lease and concession agreements with hotel developers. Long-term hotel leases can be observed at Dulles, Philadelphia, Newark Liberty, and Chicago O'Hare to name a few.

Given its key central location to the terminal building the MAA would not want to sell the property, but rather retain ownership of the property for future airport use.

Also, pursuant to federal law and certain grant assurances MAA has made to the Federal Aviation Administration (FAA), MAA has identified this property on its FAA required Airport Layout Plan (i.e. its short and long term development plan) and therefore it cannot take any action that may deprive it of its rights and powers to direct and control airport development of this property without the FAA's consent. Furthermore, should MAA decide to sell this or any airport property in the future, MAA would be required to comply with the FAA's procedures which would require the reinvestment of the proceeds into other airport projects or for airport use.

J00I00 – MDOT – Maryland Aviation Administration

MDOT RESPONSE TO DLS ANALYSIS

Operating Budget Recommended Actions

1. Concur with the Governor's allowance.

MDOT Response:

MAA respectfully concurs with the recommendation.

PAYGO Budget Recommended Actions

1. Concur with the Governor's allowance.

MDOT Response:

MAA respectfully concurs with the recommendation.

Maryland Aviation Administration

February 13, 2015

Pete Rahn
Acting Secretary
Maryland Department of Transportation

Paul J. Wiedefeld
Executive Director/CEO
Maryland Aviation Administration



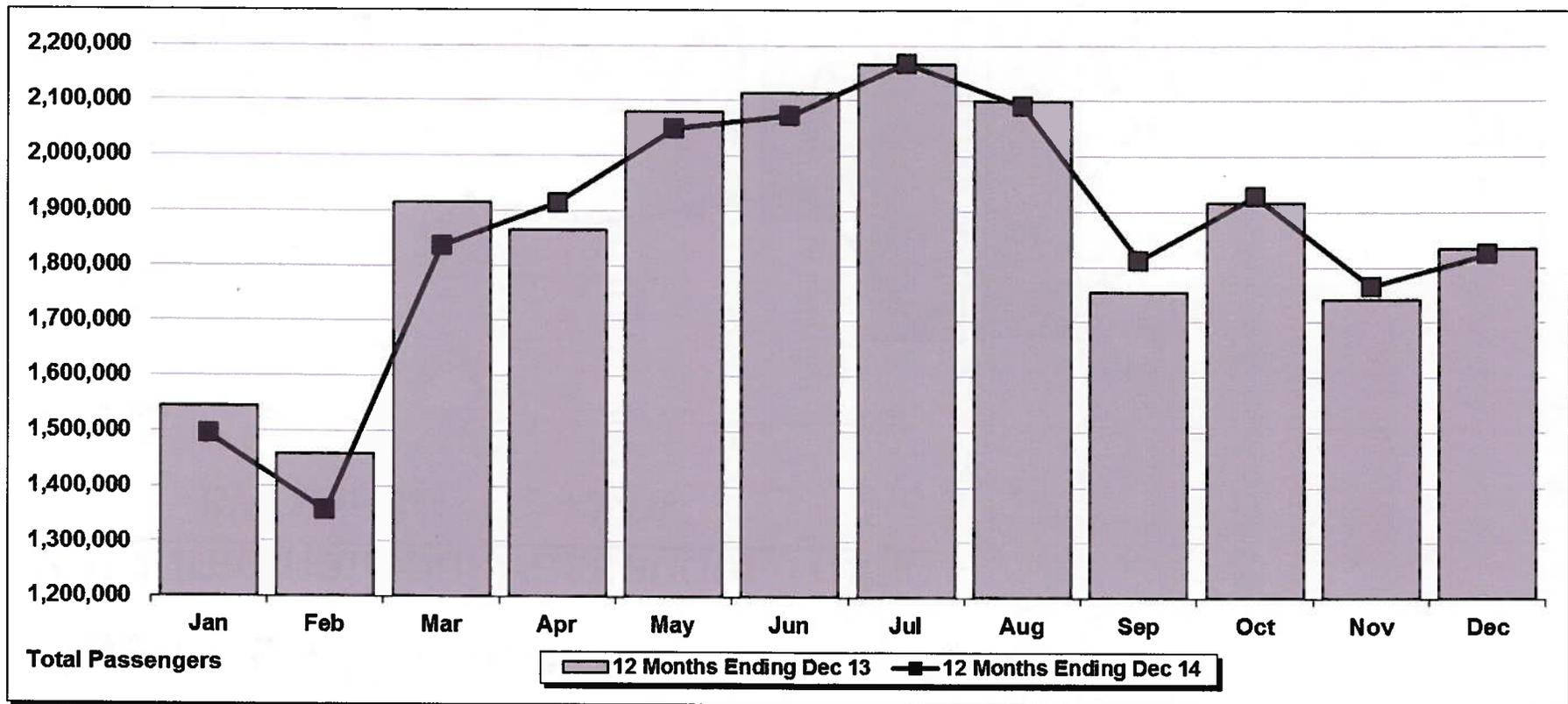
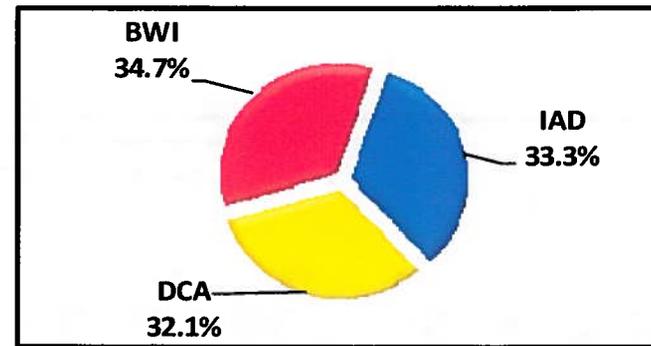
Business Update

Airport Generated Economic Activity

BWI Airport Generated Jobs	23,419
Visitor Generated Jobs	77,318
TOTAL JOBS	97,737
TOTAL BUSINESS REVENUE	\$7.0 billion

Business Update

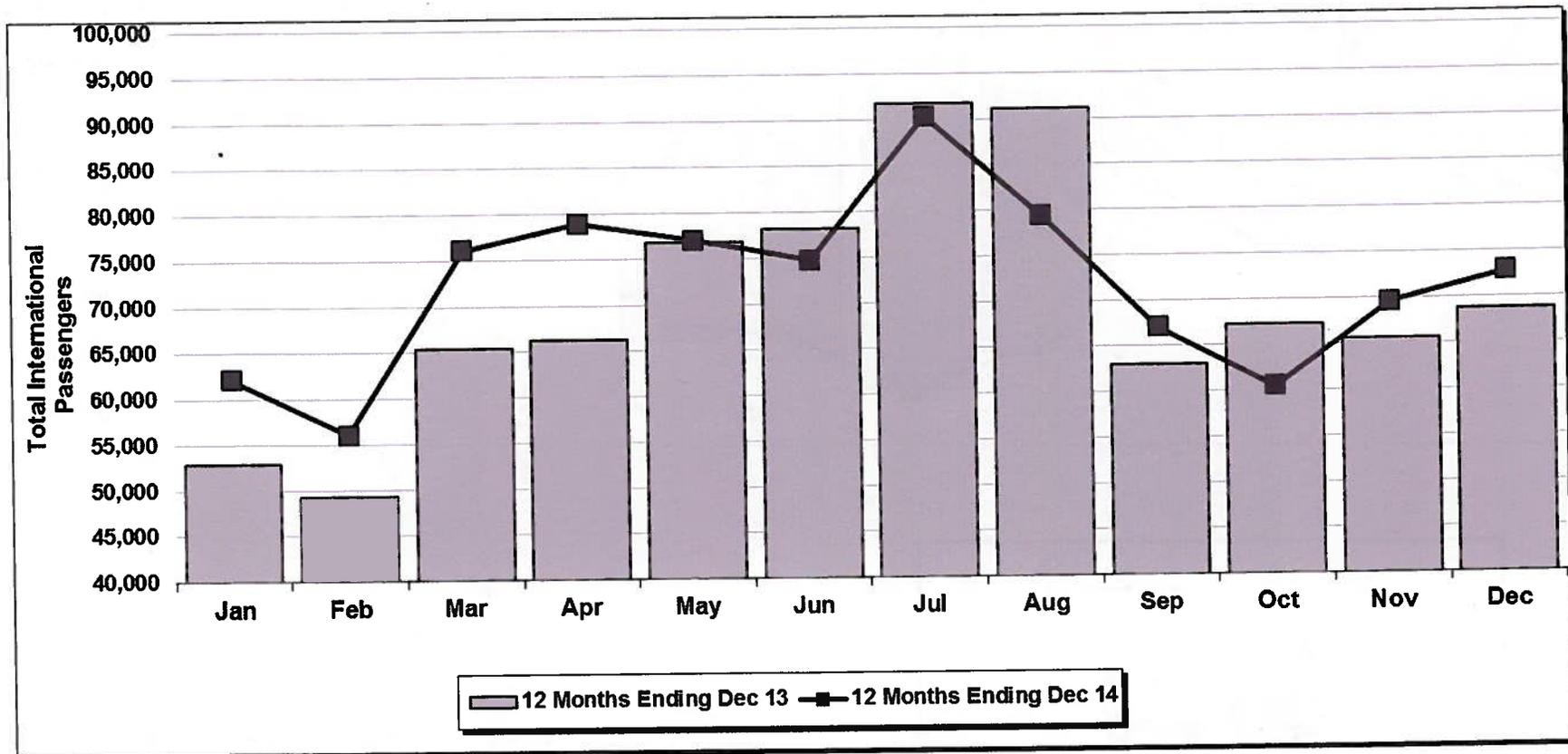
Passenger Trends



Business Update

2014 International Passenger Traffic

BWI Marshall +3.4%



Business Update

New and Expanded International Service

– WOW Air

- Reykjavik, Iceland (May 2015)



– Delta

- Cancun, Mexico (June 2015)



– Condor

- Frankfurt, Germany (increased service June 2015)



– New Southwest International Service

- San Jose, Costa Rica (March 2015)
- San Jose de Cabo, Mexico (June 2015)

– Expanded Southwest International Service

- Aruba (January 2015)
- Punta Cana (April 2015)



Business Update

New and Expanded Domestic Service

– Alaska Airlines



- Seattle, Washington (September 2014)

– Spirit

- Minneapolis/St. Paul (May 2014)
- Chicago – O'Hare (June 2014)
- Houston Intercontinental (March 2015)



– Southwest Domestic

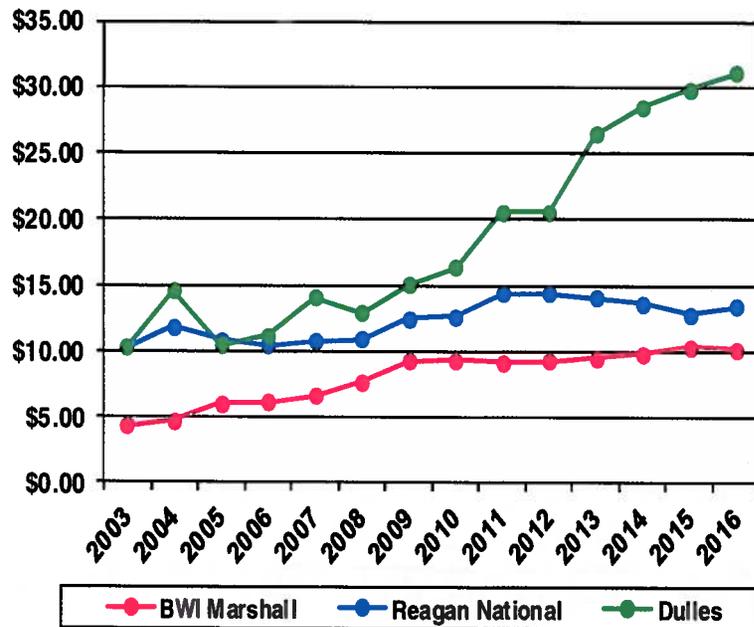
- Oakland (seasonal June 2014)
- Portland, Oregon (June 2014)
- Dallas Love Field (October 2014)
- Oakland (converted to year-round January 2015)
- Seattle, Washington (converts to year-round March 2015)



Business Update

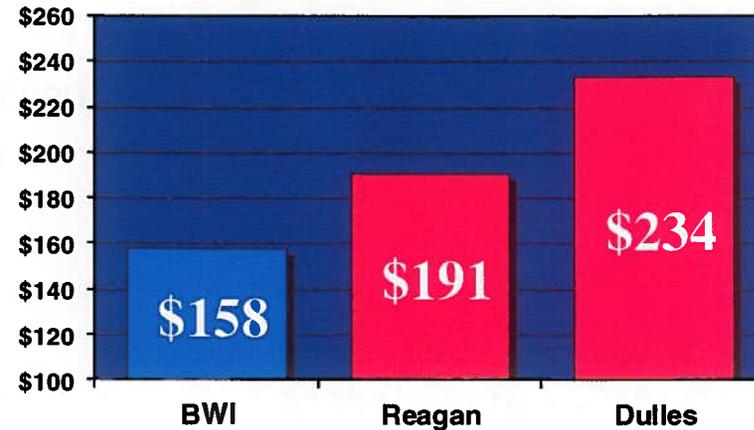
Remaining Competitive

- Cost per Enplaned Passenger
- Average Passenger Airfare



Average Fare at BWI, Reagan and Dulles

12 months ending June 30, 2014



Fares do not include any ancillary revenues such as checked baggage, seat assignment or change fees. BWI's largest carrier, Southwest does not charge any of these fees.

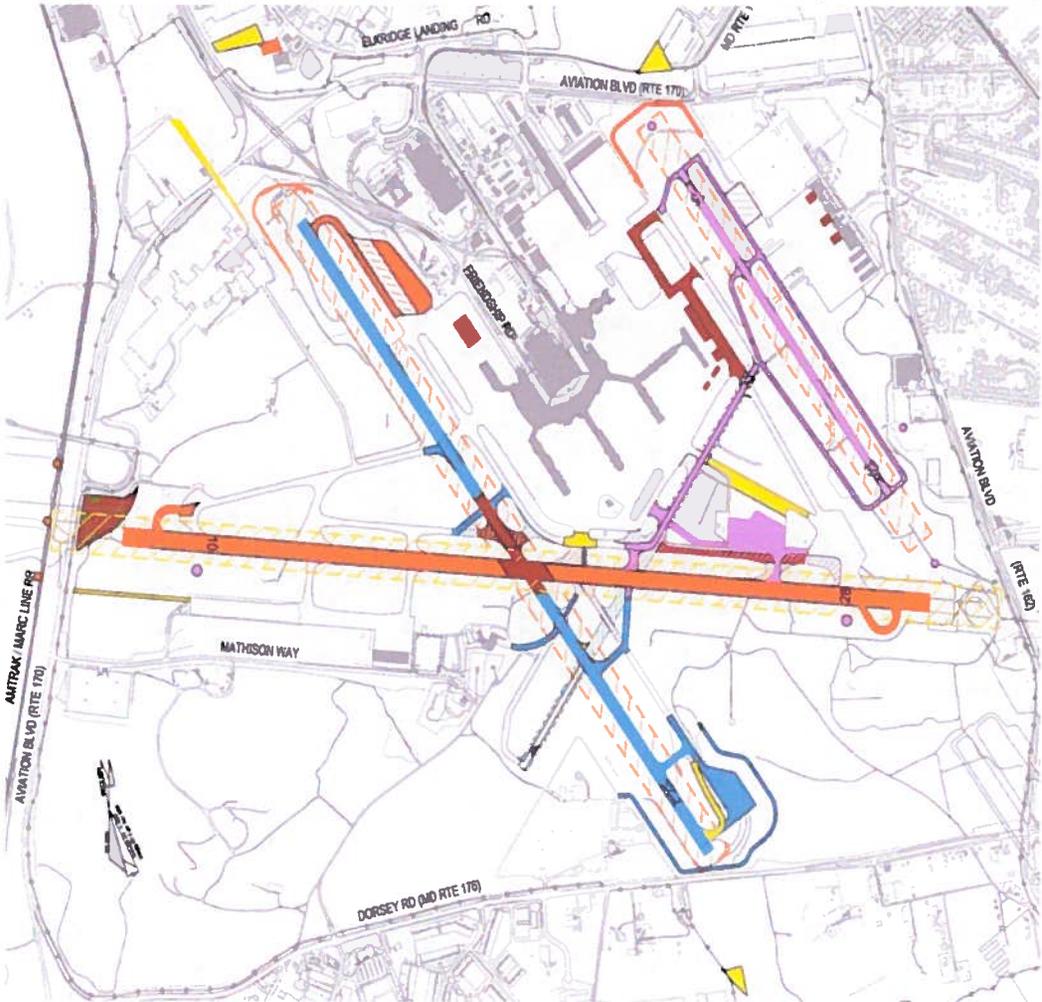
Construction Update

Major Construction Projects

– RSA, Pavement Management & Standards	\$362M	2011 – 2017
– D/E Connector	\$126M	2013 – 2017
– B/C Connector	\$113M	2011 – 2015
– Parking Revenue Control System	\$ 10M	2012 – 2016
– Loading Bridge Replacement Program	\$ 12M	2014 – 2017
– International Checked Baggage Inspection System	\$ 16M	2013 – 2017

Construction Update

Runway Safety Area, Pavement Management and Standards Compliance Program



	2011 PROGRAM ELEMENTS
	2012 PROGRAM ELEMENTS
	2013 PROGRAM ELEMENTS
	2014 PROGRAM ELEMENTS
	2015 PROGRAM ELEMENTS

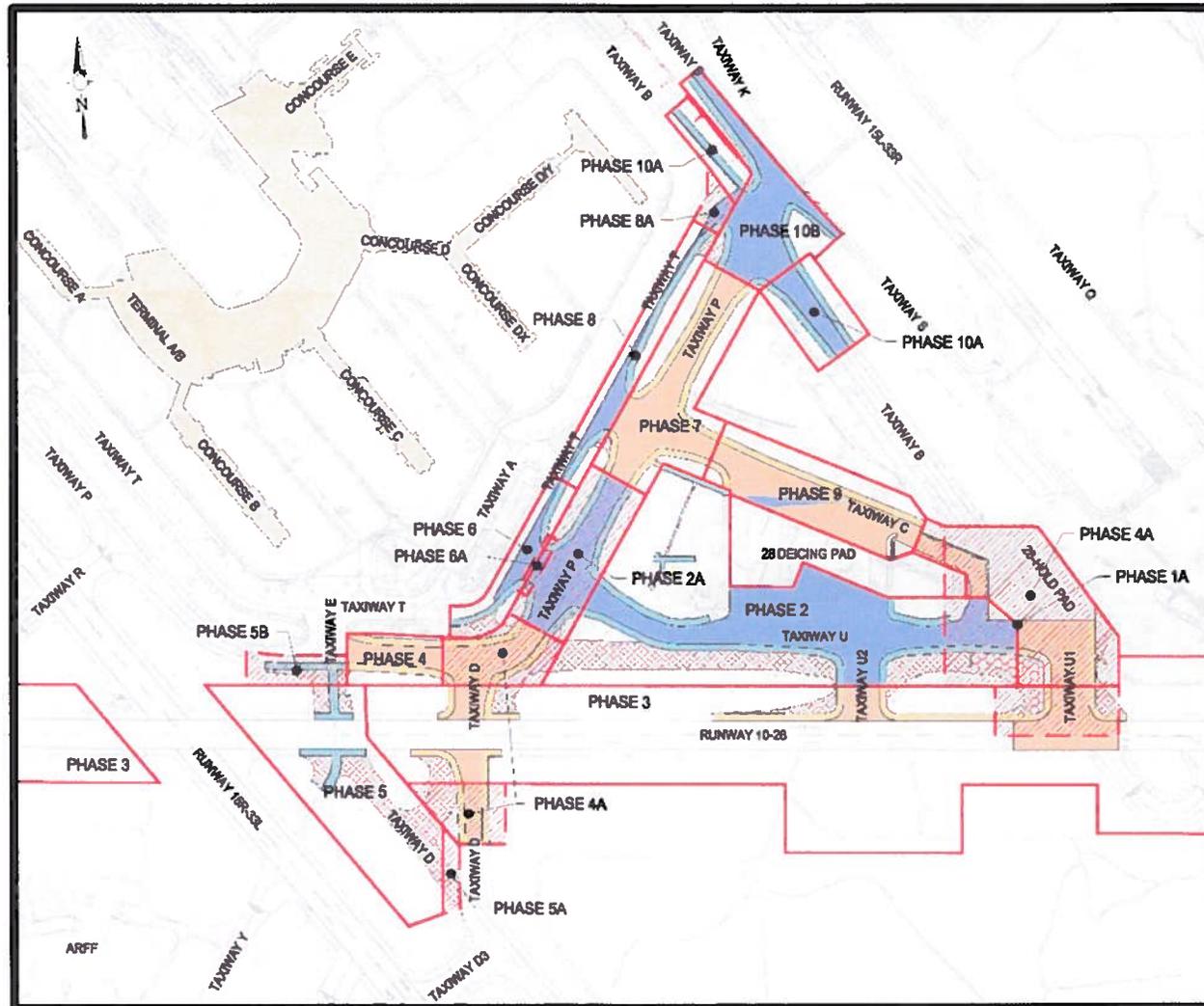
Construction Update

Runway 15R-33L



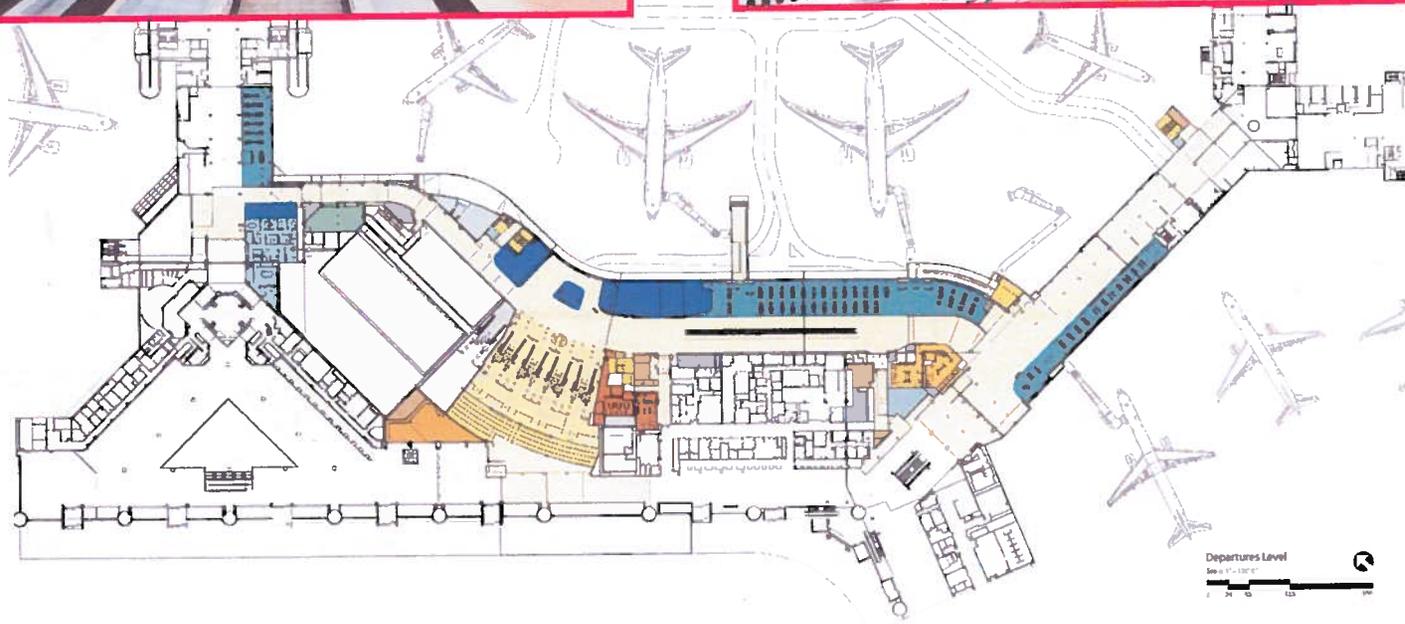
Construction Update

Runway 10-28/Parallel Taxiway



Construction Update

D/E Connector



Construction Update

D/E Connector

Views Of Existing D Security Checkpoint



Renderings Of New D/E Security Checkpoint



FY 2015/FY 2016 Outlook

Potential Issues and Opportunities

- **Security Incidents/Changes in Protocols**
- **Federal Funding Uncertainty**
- **Fuel Costs–Airlines/BWI Marshall**
- **Additional Flights at Reagan National Airport**
- **Southwest International Service**
- **Low-Fare International Service**
- **New Airport Hotel**
- **New Air Traffic Control Tower**
- **Rail Station and Service Improvements**
- **Cyber-Command Center**
- **FBI Headquarters**

Thank You for Your Continuing Support of BWI

