

Questions raised by CM Laster relating to International Service at Hobby

i. IAH: Terminals D & E / FIS

• Terminal D:

i. How many gates are available in Terminal D?

Terminal D has 12 gates: six gates can accommodate wide-body aircraft (B747, B777, A380 type aircraft), the remaining six can only accommodate narrow-body aircraft (B737, A320, regional jets). The gates at Terminal D are not leased to any airline exclusively. All gates are available to any airline to operate from on a common-use basis, with international operations (specifically international arrivals) taking precedence over all other operations.

ii. How many gates are currently vacant/open for use in Terminal D?

Terminal D is a common-use international terminal and thus functions very differently than a domestic terminal. As an international terminal, flight departures and arrivals times are a function of the world region to which the service is operated. For Western Europe, the prevailing hours are 13:00 to 22:00 (the peak operating period). Currently at Terminal D there are no gates available between the hours of 13:00 and 17:00 for wide-body operations and between the hours of 13:00 and 16:00 there are no gates available at all. Gates are available for operations throughout the remainder of the day.

It should be noted that Terminal D is in need of more wide-body capacity to support future growth of long-range operations, which will likely require reducing many of the narrow-body gates. We are challenged today to accommodate the next international airline seeking to operate from IAH, since we would not have a suitable gate to accommodate an additional wide-body operation between the hours of 13:00 to 17:00. In addition, a complete renovation is needed to avoid major problems with the building's systems in the very near future. Terminal D is very badly in need of a complete

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renovation to address functional, capacity, system and operational deterioration and constraints.

- iii. How many gates are used by other airlines at D?

See answer above.

- Terminal E:

- i. How many gates are used by United at E?

United has 23 private, exclusive use gates at Terminal E.

- ii. How many gates are currently vacant/open for use?

All gates are exclusively held by United as Terminal E is a private United terminal, since the building was constructed by Continental, now United. As such United determines who may or may not operate from Terminal E.

- iii. How many gates are used by other airlines at E?

No other airlines use E, as United built that terminal for its exclusive use.

- ii. HOU:

- How many gates are located at HOU?

There are 25 gates at HOU. All gates at HOU are operated on a common-use basis, with preferential rights in some cases. Preferential rights refers to an airline's scheduling rights ahead of other airlines in return for a long-term commitment made by the carrier.

- How many gates are used by SWA?

18 (including Air Tran which is merging with SWA)

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- How many gates are currently vacant/open for use?

There are 5 un-leased gates; however, 3 are being used regularly on a common-use basis. The remaining 2 are open for use by any airline at any time on a common use basis.

- How many gates are used by other airlines?

There are 2 gates preferentially leased to Delta and American and 3 gates that are used on a common-use basis.

iii. SWA:

- Why, specifically, would it cost \$1.5 billion to move Southwest operations from HOU to IAH?

There are not sufficient gates to accommodate Southwest's total operations at IAH, so a new terminal building would need to be constructed, along with ancillary facilities such as cargo building, maintenance facilities, expanded fuel farm, roadways to and from the new terminal, parking garage, connection to the Federal Inspection Facility, and people mover system.

- Explain the terms of the current lease and use agreement with Southwest.

Southwest leases gates on a preferential use basis, as well as aircraft ramp space. Under this arrangement, the City may allow another airline to use the gate if Southwest is not using it for that time period. Southwest also exclusively leases office, ticketing and support space.

- How has Southwest's expansion of its domestic markets affected the economic viability of IAH?

Air Service at IAH has grown steadily over the 41 years since Southwest began operations at Hobby in 1970, even while Southwest has expanded domestically. Since October 2010, the close of the United/Continental merger, United has added 12 new destinations from IAH and 1,908 daily seat departures.

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iv. United:

- Explain the terms of the current lease and use agreement with United.

There are five separate use or lease agreements with United, which are specific to each terminal. Basically, United has private use of all gates in Terminals B, and Terminal E, and exclusive use of all gates in terminal C. It has preferential use of its gates in Terminal A and uses gates in Terminal D in common with other carriers.

- How has the merger between United/Continental affected the operations of IAH?

Since October 2010, the close of the United/Continental merger, United has added 12 new destinations from IAH and 1,908 daily seat departures.

- Is it economically still feasible for United to expand Terminal B if HOU is used for international flights.

Yes. United, along with the other long-haul carriers operating at IAH will need additional wide-body gates to continue flight operations to world regions beyond the range of aircraft operating from Hobby today and after international flights were to begin. How many gates United will need will depend on how aggressively it decides to compete if international flight operations at Hobby were to commence.

v. HAS Bond System:

- What types of Bonds are currently issued by the HAS?

Similar to other airports, the City of Houston issues General Airport Revenue Bonds (GARB). The City of Houston has also issued Special Facility Revenue Bonds (SFRB) to support specific capital projects for third parties such as Continental/United Airlines. Unlike GARB debt, SFRB debt is not payable from the general revenues produced by the Houston Airport System and is “non-recourse” to the City of Houston.

- Amount of Debt

i. What is the current amount of bond indebtedness?

The Houston Airport System as an enterprise fund has \$2,331,230,000 GARB debt outstanding. It also has \$32,895,000 of subordinate lien debt that was assumed from Continental.

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- ii. Is there a cap on the total amount of bond indebtedness that may be issued at:
 1. IAH: Yes. See Bonds test below
 2. HOU: Same as above

The constraint on the issuance of new bonds is determined by the new bonds test under the City Bond Ordinance for the Houston Airport System, which requires demonstration that HAS can repay the total obligation on existing debt plus the debt on the new bonds issued. HAS does not issue bonds separately for each of the airports. Rather HAS issues consolidated debt for the airport system in total (see attachment).

- Bonds attributed to IAH:
 - i. Issue date:
 - ii. Face Value Amount:
 - iii. Date of Maturity:
 - iv. Total Cost of Bonds (plus interest and fees) at Maturity:
- Bond attributed to HOU:
 - i. Issue date:
 - ii. Face Value Amount:
 - iii. Date of Maturity:
 - iv. Total Cost of Bonds (plus interest and fees) at Maturity:
- What is the dollar amount of capital investments that have been made by Continental/United at IAH (not paid for my bonds or fees)?
- What is the dollar amount of capital investments that have been made by Southwest at HOU (not paid for my bonds or fees)?

The Houston Airport System does not keep track of individual airline investments as these investments are debt of the particular airline making the investment and therefore recorded on the books of that airline. However, the City of Houston has issued on behalf of Continental/United Airlines certain SFRB for various capital improvement projects at Bush Intercontinental. Currently \$515.5 million of these special facilities revenue bonds are outstanding and as mentioned earlier are “non-recourse” to the City of Houston.

- vi. HOU Parking:
 - How many parking spaces are currently on campus at HOU?

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4,360 (3,438 in the garage, 566 in ecopark 1 and 356 in ecopark 2)

- How many parking spaces are needed on campus at HOU?

We are typically at full capacity 3 to 4 days a week at one or all of the three parking facilities. Therefore additional parking spaces will be needed independent of any potential international service. Based on traffic projections there is a need for a logical increment of approximately 2,500 spaces to accommodate unfulfilled current demand and future domestic passenger growth. We also believe these spaces will accommodate the needs of International travel proposed by Southwest.

- What is the estimated cost of construction to build addition parking at HOU? (total cost and cost per parking space)

Industry standards for a new 2,500 space garage put costs between \$35 million to \$50 million or \$14,000–20,000/space. The actual cost will be determined by the final design of a HOU garage and will vary within this range based upon things such as site issues and the level of technology (electronic guidance systems, etc.) that are used. We believe revenues received from their parking facilities will fully pay for this facility.

- One estimate cited a need for up to 3000 spaces. If so, what is the cost per parking space for that size of facility?

Please see above.

vii. Airport Boulevard:

- What is the cost to repair/replace Airport Blvd to accommodate additional service at HOU?

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The 2003 Master Plan identified the need to expand Airport Blvd by one lane in each direction to satisfy increased traffic demand associated with passenger traffic projections. Between 2003 and 2005 TxDOT expanded Airport Blvd by one lane in each direction, and so has satisfied demand capacity for this arterial roadway.

- How long has this item been on the CIP list?

This item would not appear on the airport CIP since it is off-airport, but in any case it has been completed.

- When is this project scheduled for construction?

Project is complete.

viii. Broadway Boulevard:

- What is the cost to repair/replace Broadway Blvd to accommodate additional service at HOU?

There is no need to expand Broadway Boulevard to accommodate additional service at HOU per the 2003 Master Plan but it has been on the “need list” of District I for a considerable period of time.

- How long has this item been on the CIP list?

If a project were needed, it would have to be coordinated with the entity having jurisdictional control over Broadway Blvd.

- When is this project scheduled for construction?

The current FY 13 capital budget includes the reconstruction of Broadway.

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ix. Monroe – Assuming repairs will be needed for Monroe:

- What is the cost to repair/replace Monroe to accommodate additional service at HOU?

There is no need to expand Monroe to accommodate additional service at HOU per the 2003 Master Plan.

- How long has this item been on the CIP list?

If a project were needed, it would have to be coordinated with the entity having jurisdictional control over Monroe and that will be considered by Rebuild Houston.

- When is this project scheduled for construction?

Any improvements planned for Monroe will be incorporated by Rebuild Houston.