

THANKS AND WELCOME

Thank you Andy for that introduction...

Good afternoon everyone. There is so much to report to you. 2012 has been such a phenomenal year. I'm going to be outlining several areas where we've enjoyed tremendous success—success which would not have been possible but for the Mayor Anise Parker's support and commitment. Time and time again she has played a key role in making that success possible and so I want to take a moment to personally thank her.

And the same can be said for members of our Houston City Council, many of whom are joining us here this afternoon and, of course Andy Icken, Chief Development Officer. We've asked you on several occasions to join us in turning our visions into realities and your support has been unwavering. So, many thanks to all of you as well.

INTRO:

Two phrases have dominated the conversation within the Houston Airport System over the past year and they both consist of two very simple words....the first is "Unleashing Creativity"; the second is "Go Global."

"Unleashing Creativity" has to do with the fact that collectively we have now risen through the economic storm.... the wings have evened out, even if only temporarily.... and it's now time to shift our focus to a wider view. We have these amazing assets: George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport. We have a collection of 1,400 talented employees within the Houston Airport System and we have an incredibly supportive

community. And just as we used our collective creativity to solve the problems that got us into the Great Recession, we now need to unleash that potential in a different direction, at different problems, confront new opportunities, take advantage of what is possible by thinking in new ways, encouraging every one of our 1,400 talented Airport system associates to engage in the process of generating, assessing and implementing new ideas that are useful and create value—otherwise known as innovation. As William Blake once wrote in a poem, and I would paraphrase: **“To be *able* to see the world in a grain of sand; to see heaven in a flower; to hold infinity in the palm of your hand, and eternity in an hour”**..... That’s powerful; that’s creativity!

If we are to remain competitive with the top-ranked cities across the nation; if we are to deal with the new set of challenges flowing from our nation’s capital; if we are to strengthen our relationships to the peoples of foreign cultures and foreign lands, we must learn to channel this collective energy, this creative force in a positive direction. This effort requires us all to unleash our creativity.

INT’L SERVICE

The second phrase represents the cornerstone of one of our strategies: “Go Global.” Over the past year we’ve used those words not just as a goal but as a mindset....and I have to tell you that the level of buy-in and the results have both been incredible. We have accomplished every one of the goals we set about to achieve under the strategic initiative, “Go Global”.

It is important to keep in mind the mission for the Houston Airport System: Houston Airports exist is to connect the people, the businesses, the cultures, and the economies of the world to Houston.

A little over a month ago, the Mayor and I stood together with the Council General of China and key representatives from Air China, the national carrier of the People's Republic of China, as we collectively announced plans to connect Houston and Beijing with non-stop air-service.

It had been more than three decades since Air China had established operations in a new U.S. city, but what they saw in Houston convinced them that this was an opportunity they couldn't pass up. They recognized the energy that's driving the Houston economy forward at a pace unrivaled anywhere in the United States and they recognized the fact that the Houston Airport System is firmly committed to expanding that energy on a global scale.

This is what convinced Turkish Airlines to come to Houston and establish non-stop air-service to Istanbul commencing next month After many trips and meetings in Turkey and in the United States, after working with a tireless and enthusiastic Turkish community here in Houston, we were able to convince the leadership of Turkish Airlines that connecting one of the most powerful hubs in western Europe with an equally powerful hub in the Southern United States, centered in Houston was a winning formula for continued success. Turkish Airlines agreed, and a new connection was established to the people of yet another culture and foreign land; a new and growing economy, offering tremendous new opportunities for our businesses here to grow.

This is what brought Lufthansa's A-380 aircraft to George Bush Intercontinental Airport last year....the first A-380 flight for any airport that is not located on the eastern or western seaboard of the United States.

And this is the same energy that convinced United Airlines to choose Houston as the site to launch its first commercial flight utilizing the Boeing 787 Dreamliner aircraft.

Spirit Airlines arrived in Houston in September of last year with a non-stop flight to Dallas....within six months, they've either started or announced non-stop flights to Chicago, Las Vegas, Los Angeles and Orlando.... Flights with potential connections to dozens of destinations in Latin America and the Caribbean. And as of today they have announced further flights beginning next week to Denver and Detroit.

These airlines....and others operating around the world....are beginning to have a deeper understanding of, and appreciation for, just how many amazing opportunities exist in the Houston market....and here's the best news of all....there is no sign of this momentum slowing down anytime soon.

In 2012 George Bush Intercontinental Airport handled more international passengers than at any other time in its 43-year history... almost 9 million international passengers. To put that into context, consider this: If the international traffic at IAH was handled by one single airport, that airport would be busier than Pittsburgh, busier than New Orleans, and busier than San Antonio.

Over the past ten years we've added more than 3-million international passengers at Intercontinental Airport, an increase of more than 54-percent... That's why I can tell you today without hesitation that the phrase "Go Global" has moved from a direction to a reality within the Houston Airport System.

HOBBY INT'L

And we still have the exciting news coming from Hobby Airport, where thanks to our strong partnership with Southwest Airlines, the support of City Council, and the Houston Community, international travel is set to begin in 2015. Houston already enjoys greater connectivity with Mexico than any other city in the United States and we firmly believe that establishing international service at Hobby Airport is going to make that connection to Mexico and Latin America even stronger. In 2016 alone we expect at least a one million passenger increase at Hobby, representing a full 10% passenger increase overall.

Over the past decade we've seen the traffic between Houston and Mexico increase by more than 30 percent; the cultural and economic ties between Houston and Latin America will get stronger in the 21st Century and the commercial airports in Houston must play a key role in maximizing that potential by strengthening those connections.

SERVE THE CUSTOMER

This is why the phrase “Go Global” will always be part of the dialogue that exists within the Houston Airport System. But as we pivot to a new list of strategic priorities heading into 2013, we're also making room for another key message.....Serve the Customer.

It's not enough that we fill the map with destination Today's passengers have come to expect a certain level of service from their chosen airports and they're connected well enough to bypass our airports if we're not living up to that obligation.

That's why we took so many steps in 2012 that were designed to improve the overall customer experience at our airport facilities...and that's why we have so many more planned for the coming year.

At Bush Intercontinental, we launched a fleet of passenger courtesy shuttles. These are oversized carts—big enough to handle eleven passengers and their luggage—that simply drive around the parking garages looking for passengers to pick up and make their trek to the elevator a little bit easier.

At Bush and Hobby Airport we set up valet parking service where drivers can simply drop off their keys at a convenient location and immediately start their walk to the ticket counter or the security checkpoint. They don't have to worry about finding a parking space at all....they don't have to remember where they parked, and their vehicle is brought right to them once they arrive on their return flight.

And if their car needs a little cleaning while they're gone, we even offer a waterless car-wash service that ranges from a simple cleaning to a complete detail.

Once they get inside the terminal facility, they're not caught off guard by the line at the security check-point because they've already logged on to the Houston Airport Web site: ***Fly2houston.com*** and found real-time data telling them how long it's likely going to take to make their way through the security checkpoint, and which checkpoint might save them critical time. And just to make sure the information is relevant, we use signals captured from passengers' Bluetooth devices to update the information every 15 minutes.

We've increased the number of electronic charging stations, we've brought in new and exciting food and retail options, and we are aggressively recruiting new volunteer ambassadors to man the information booths, since they're often the ones who create that human connection that leads to a memorable flight experience.

These are the kinds of steps that passengers have come to expect in their travel experience and we're doing everything we can to make sure they find them here in Houston.

OPENING DAY FRESH

Of course what they expect more than anything else is an efficient and effective operation. They want to feel like they're walking into an atmosphere that not only promises a warm welcome but also a comfortable experience and an on-time departure. We look to meet this expectation with another strategic priority called "Opening Day Fresh."

"Opening Day Fresh" has led us to invest more than \$350 million at William P. Hobby Airport, bringing in a new lobby, a new ticket counter and a new baggage claim area. We've brought in new terrazzo flooring, we've created a more open feel for the passengers by removing some of the wall space that was there before and we literally brightened the atmosphere by implementing new and improved lighting. And we'll be adding to that investment when Southwest Airlines completes the new international concourse, a 280,000 square foot facility, valued at nearly \$150 Million.

Adopting a spirit of "Opening Day Fresh" makes perfect sense at Hobby Airport. It makes sense because not only are we seeing record passenger totals but we're also seeing new destinations open up to non-stop flights on a regular basis. In 2012, new non-stop flights were either established or announced to Austin, Branson, Charlotte, Chicago's Midway Airport, Kansas City, Pittsburgh, Raleigh-Durham, San Antonio and Seattle. Hobby also added frequencies to key locations such as Midway, Denver, Orlando and Philadelphia.

At Bush Airport, the goal of “Opening Day Fresh” is leading to dramatic changes at various sites across the facility. At Terminal B, we’ve partnered with United Airlines to create a brand new concourse along the southern end of that facility. It’s a \$160 million project that’s going to bring passengers a better customer experience and bring United Airlines greater flexibility in regards to the types of aircraft they can use at Terminal B. Within the next month phase I of the project will open to the public, and by year’s end the entire project will have been completed. The new concourse will be four-times the size of the previous facility, covering more than 225,000 square feet. Passengers are going to find spacious lounge areas with windows reaching 28 feet high and they’ll enjoy a 500 percent increase in the number of food and retail options. So this is what we envision when we use the phrase “Opening Day Fresh.”

And beginning this April all of the roadway signs at Bush Intercontinental will be replaced with modern, attractive and well-engineered signs. New monument signs will be erected at the two entrances, and every roadway sign will be replaced. This project will be completed by year’s end transforming completely the look and ease of navigation at Bush Intercontinental.

At Terminal D, we’ve already seen several improvements unfold and even greater changes are well on their way. When I mentioned the arrival of the A-380 aircraft earlier, there was quite a bit that I left out. You have to realize that this is a plane capable of carrying 526 passengers, so in many respects, this is like a two-story hotel taxiing across your airport facility.

And when Lufthansa decided they wanted to come to Houston they had a very aggressive timeline in mind...It didn’t give us much time to make the necessary changes. But our team accepted the challenge

without hesitation and they met every single goal we set in front of them. We outfitted Terminal D with the a new dual-service Jet-bridge. We added two jet fuel double hydrants inside the apron itself and we made countless electrical updates to that portion of the facility. And on August 1 we had the flawless inaugural flight and Lufthansa has been doing incredibly well with the service ever since.

Now we look to bring that same sense of possibility to the rest of the Terminal D facility. We've made some cosmetic changes already but when we're talking about the primary international gateway for the Houston Airport System....which Terminal D certainly is.... we have to view it as a strategic asset. Terminal D is in very dire need of attention. It is functionally obsolete, with failing infrastructure, and capacity limitations that must be addressed.

This is our front door to the world....We have to make sure it creates a positive reflection for the city. So we've already started a detailed dialogue on how to make that happen and we'll certainly be sharing details with you as we move forward in the new year.

OUTREACH & PARTNERSHIPS

We want to make sure that you're aware of the direction we're heading. The Houston Airport System operates more efficiently and is capable of accomplishing more when it builds partnerships and develops key relationships.

We've seen the results through partnerships with Customs and Border Protection, where we've worked together in several programs, each of them designed to expedite the international arrivals clearance process. Working with Customs and Boarder Protection management we have

been able to steadily improve the processing time through the Federal Inspection Services. Today we can say that on average we are clearing close to 75% of all arriving passengers within 30 minutes, and if you use as the metric the International Civil Aviation Organization (ICAO), 45 minute index, we can proudly say we are clearing over 90% of international arriving passengers in that timeframe. And this information will soon be available on our website, updated every 15 minutes, using the same technology we deployed for the security checkpoints.

We've worked together with C-B-P officials to aggressively promote the Global Entry program, where arriving international passengers use a self-serve kiosk to clear Customs, rather than wait to meet with an officer. In fact, just last month we opened a satellite enrollment center inside Houston City Hall to make the application process even easier for those interested in the program, and to those of you in this audience who do a fair amount of international traveling, I strongly urge each and every one of you to sign up for Global Entry. Do it today!

Our partnership with the Transportation Security Administration has led to some of the most efficient security checkpoints of any major hub airport in the U.S. Time and time again, the T-S-A has chosen Houston as the site for new pilot programs and new equipment to be tested, primarily because they know that they're going to find a leadership team that is completely open to new ideas and approaches. At Hobby Airport over the last several months we have been able to achieve a record of processing over 95% of all passengers through the security checkpoint in 15 minutes or less. We have achieved similar results at most of the checkpoints at Intercontinental as well. Recognizing that the interlining checkpoint allowing international passengers to make connections to domestic flights, was crucial to supporting our Go Global initiative, we

focused our efforts to bring the same level of processing efficiency to that checkpoint we had achieved at Hobby, and we have succeeded.

We've worked hand-in-hand with members of the Federal Aviation Administration in exploring the possibilities that come along with a program called NextGen, which is designed to update the country's aging aviation-navigation system.

The partnership in Houston has been so strong, last year the F-A-A launched a \$4.8 million program called "Houston Metroplex Airspace Initiative," which will install Next-Generation technology at Houston Airports on a permanent basis. Within the next few weeks we will be bringing to Council an agreement with the Federal Aviation Administration, United Airlines, and Honeywell for the startup of global positioning flight approaches to the runways at Intercontinental that will streamline the process and improve significantly the arrival and departure capacity for the Airport.

And I definitely have to take a moment to mention the partnership we've established with our elected leaders. The federal and state delegations from the Houston area have been tireless in promoting Houston for these types of advance programs and they've been a true partner in listening to our concerns and advancing the proposed changes that we think make sense for all three airports within the Houston Airport System.

That partnership became even more important last week as sequester cuts in federal funding were officially put into place. We are obviously going to be working closely with members of our federal delegation to minimize any potential negative impacts but I also want to assure you that we're taking some pre-emptive steps ourselves in dealing with the situation. First, we're going to be utilizing our Web site in new and creative ways to let passengers know exactly how the traffic is flowing

at Bush and Hobby Airports. As I mentioned earlier, we already make this information available in regards to the T-S-A security checkpoints but we're going to be expanding that data-base to cover other vital areas of our operation and we're going to be making the interface even more user-friendly and time-efficient.

We're going to be bringing in additional Customer Service representatives to make sure that passengers feel like they have a partner in navigating their way through the process when and if delays and cancellations occur.... And we're going to be utilizing a group that was fortunately put together well before the word Sequester started making headlines....and that group is called the Texas Commercial Airports Association.

The Texas Commercial Airports Association is a coalition that's open to all 25 commercial passenger airports in the state. T-C-A-A was formed in part to present a unified voice to our elected leaders when discussing concerns that may impact commercial airports in Texas. I'm proud to serve as the Board Chairman for that group and I'm even more proud to say that the response from our delegations in Austin and Washington, D.C. has been overwhelmingly positive.

We've taken that spirit of partnership directly to the community in efforts like our new Aviation Club, where we work directly with area High Schools to expose students to possible career paths in the fields of aerospace and aviation. Groups like NASA, Embry-Riddle Aeronautical University, Texas Southern University, San Jacinto College, Lone Star College and the Houston Independent School District have already joined us in this effort because they've come to the same conclusion as we....the entire Houston region benefits when we work together to form partnerships between today's business leaders and members of tomorrow's work force.

ELLINGTON

As for Ellington Airport, well it represents a unique compilation of all the things I've been talking about.

The community involvement was overwhelming when 30,000 citizens turned out to watch the Shuttle Endeavour pass through Houston.

Green initiatives are a key part of the new regional headquarters facility being built by the United States Coast Guard. It's an 117,000 square foot facility that will house approximately 300 employees and serve as the Houston-Galveston command center for years to come.

And as for "Going Global"....Well, that takes on a whole new meaning when you apply it to the possible future of Ellington Airport. Last year, we completed a feasibility study to look at the possibility of establishing Ellington Airport as a licensed Spaceport, and it is definitely doable. Because you see, Space is not the last frontier, it just happens to be our next destination.

We are proceeding now to apply for licensing of Ellington as a Space Port. And what exactly do we have in mind? Well I would start off by assuring the community we are not interested in vertical, heavy lift rockets, like the Falcon 9 or Delta or Saturn vehicles. What we do mean is to create an environment where a cluster of aviation and aerospace companies can flourish and where Houston can again step forward to lead the nation in the transition from a federal to a commercial space program. We will do this by supporting small reusable space vehicles similar to the ones Virgin Galactic will be using to introduce space tourism to the public, and we will create facilities where companies can integrate all of the new and exciting advances in aeronautical engineering to produce aircraft (spacecraft) that can travel at altitudes above 80,000 feet, at speeds of Mach 3 to Mach 4, and connect Houston

in the future with places like Singapore in under 3 hours. Our goal is to establish Houston as an aerospace brand that like Silicon Valley, which comes to mind when you think of computer chips or applications, Houston comes to mind when you think of Aerospace.

CLOSE

So, hopefully this gives you a sense of why there's so much excitement within the Houston Airport System these days. We have an incredible opportunity sitting right in front of us....a chance to combine the fourth largest airport system in the country with one of the most dynamic economies anywhere in the world. And if we can do that ...if we can tie those two together....then "Going Global" and "Unleashing Creativity" won't be remembered as simple phrases mentioned at a luncheon.....they'll be remembered as our lasting contributions.

Thank you and have a great day!