



Raleigh-Durham Airport Authority



2005: A Year of Development for the Future



Letter from the Chairman and Airport Director

A Year of Continued Growth and Challenges

At the close of 2005, the number of passengers originating or ending trips at RDU was the largest in our history.

2005 concluded to somewhat mixed reviews at RDU. On the positive side, 9.4 million airline passengers traveled to or from RDU, 120,000 tons of cargo were shipped through RDU, 248,500 aircraft flew in or out and 2 million vehicles parked in the public lots at the airport. The number of passengers starting or ending their air trips at RDU was the largest in its history by about four percent.

The dry weather during the summer and fall aided completion of several major construction projects including the redevelopment of the airport's general aviation area, and early components of our Terminal C redevelopment. Thankfully we were spared any major weather events during the winter or the fall. The TSA security screeners continued to improve their performance, even with fewer personnel, and wait times at the checkpoints rarely exceeded 10 minutes. Even the temporary closure of much of the parking garage across from Terminal C for renovation didn't greatly inconvenience our customers.

Unfortunately, 2005 was the fourth year in a row in which the U.S. airline industry suffered heavy financial losses. Among the major airlines serving RDU, two sought the protection of the bankruptcy court, one remained there and a fourth exited bankruptcy by being merged into one that managed to avoid that fate. An outgrowth of the airlines' financial problems

has been a continuing reduction in the extent of service provided by mainline (large) aircraft, transfer of many mainline routes to regional affiliates operating 37-70 passenger aircraft, and elimination of services that don't touch their hubs or major metropolitan centers by most legacy carriers in an effort to curtail costs.

What is the outlook for 2006? RDU will continue to focus on our priority areas: air service, customer service and airport development. The airport will continue to work toward adding more non-stop destinations, starting with Delta's new non-stop to Los Angeles in June 2006. RDU will reaffirm its commitment to improving the traveler experience with an airport-wide customer service initiative from our Customer Service Council. As for airport development, with a general contractor named for the Terminal C project, construction will soon begin.

The Triangle region has a great record in using the services provided by RDU. Please continue to do so and 2006 and the years thereafter will all be good ones. We appreciate that you choose to travel from RDU, and we look forward to the privilege of serving you in 2006.



Stephen Toler, Chairman
Airport Authority



John Brantley
Airport Director

A handwritten signature in black ink that reads "W. Stephens Toler".

Stephen Toler, Chairman
Airport Authority

A handwritten signature in black ink that reads "John Brantley".

John Brantley
Airport Director

RDU Airport Authority Board

About The RDU Airport Authority

The Raleigh-Durham International Airport is governed by the Raleigh-Durham Airport Authority, an eight-member board. The cities of Durham and Raleigh and the counties of Durham and Wake appoint two members each to the Authority board for two-year terms. The Airport Authority is a governmental body responsible for the development, operation and maintenance of the airport.

Airport Authority Board Members:

- W. Stephens Toler, Chairman, Durham County
- Michael A. Weeks, Vice Chairman, Wake County
- Craigie D. Sanders, Secretary, Durham County
- Terry K. Yeargan, Treasurer, Wake County
- Tonita F. Lipscomb, City of Durham
- Robert D. Teer, Jr., City of Durham
- David T. (Tim) Clancy, City of Raleigh
- Kim D. Frazier, City of Raleigh



From left to right: (bottom row) Tonita F. Lipscomb, Craigie D. Sanders, David (Tim) T. Clancy, Michael A. Weeks, W. Stephens (Steve) Toler. Top row: Kim D. Frazier, Robert D. (Robb) Teer, Terry K. Yeargan.

2005 Year In Review

RDU
experienced
an 8 percent
growth
in airline
passengers
in 2005.

Airline Passengers:	9,409,924 passengers 25,490 passengers per day 8 percent growth rate
Aircraft Operations:	248,511 takeoffs/landings 681 operations per day <i>(includes air carrier, general aviation and military operations)</i> <small>*Amount unchanged from 2004</small>
Air Cargo:	118,884 tons 326 tons/652,000 pounds per day 1.4 percent growth
Public parking:	1,987,656 vehicles 5,445 vehicles per day
Outbound taxi trips:	201,631 trips 552 trips per day 9.1 percent growth

Total Airline Ticket Revenue: \$1.09 billion

Average One-Way Fare: \$139

Average One-way Trip: 897 miles

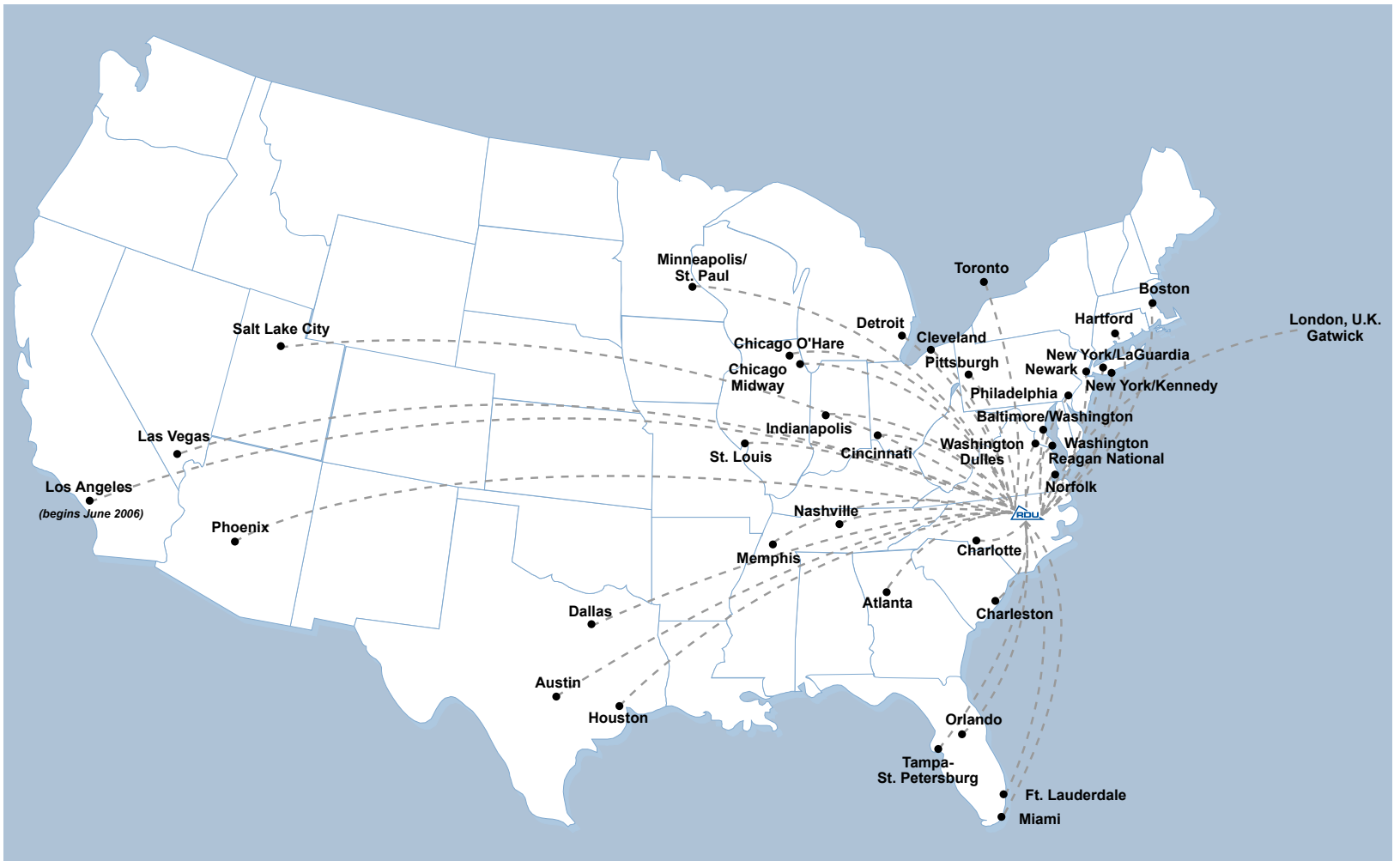
RDU Employees: 4,500

2005 Airline Service Top 10 RDU Markets: Atlanta, Philadelphia, Dallas-Fort Worth, Chicago O'Hare, Charlotte, New York-LaGuardia, Baltimore, Nashville, Washington Dulles, Newark

Airline Market Share:

American and American Eagle:	23.0 percent
Delta and Delta Connection:	19.0 percent
Southwest:	18.0 percent
US Airways and US Airways Express:	14.5 percent
Continental, Continental Express and Northwest:	12.5 percent
United Express:	5.0 percent
AirTran:	3.0 percent
America West (now US Airways):	2.0 percent
Air Canada:	1.0 percent

*Salt Lake City
was introduced
as a new,
west-bound
non-stop
destination in
June 2005.
RDU-LAX
will begin in
June 2006.*



Customer Service at RDU

*Now it's
easier than
ever to find
what you
need at
www.rdu.com*

RDU Redesigns Web Site

What's new at RDU? Is my flight delayed? RDU's new Web site features easy-to-find links such as flight schedules, new service announcements, detailed maps and directions, restaurant and shop guide, traveler advisories and updates on airport projects such as the new Terminal C redevelopment. The site received an award from the Airports Council International (ACI) for its design. Check out www.rdu.com before your next trip!

RDU's USO Celebrates First Year Anniversary

After one year of amazing success, the USO Center at RDU celebrated its anniversary with an open house and live music by country singer Hank Brake. The USO Center welcomed more than 21,000 visitors in its first year, and extended its hours to 24 hours a day, seven days a week in order to better serve traveling military personnel. The USO Center, which is staffed mostly by volunteers, is located on the second floor of Terminal A, and offers military service members and their families a place to rest and relax while waiting for a flight or transportation to a military base. RDU's is North Carolina's first airport-based USO Center.

RDU Hosts MDA Art Exhibit

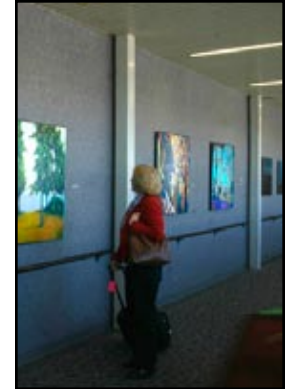
RDU's public art program dedicated several months to a Muscular Dystrophy Association exhibit titled "Transcending Barriers: Selections from the MDA Art Collection." The collection featured artwork from both young and adult artists across the country, including four works by North Carolina artists. The goals of the art program are to enhance the airport travel experience for passengers while reflecting the unique characteristics of the Raleigh-Durham region.

RDU Approves Aviation Station to Open 2006

Negotiations moved forward in 2005 with Sheetz Inc. to develop a gas station, restaurant and convenience store as part of the development of Aviation Station, which will be located on the corner of Aviation Parkway and National Guard Drive.

The new station will be an additional convenience for travelers to make a quick stop for food or gas near one of the main entrances to RDU. The Sheetz store will be open 24 hours a day, 365 days a year, and is expected to open in the fall of 2006.

The plans for Aviation Station also include developing six acres of airport-owned land with a fast food facility and a casual dining restaurant.



Passengers can take a break from travel stress by viewing RDU's art displays.

RDU Fast Fact:
An average
of 3,000
people per day
ride RDU
shuttle buses.

New Café Opens for Holiday Rush

A café offering food and beverage choices for customers in Terminal A near the Southwest and AirTran ticketing counters opened just prior to the 2005 holiday travel season. “The Corner” fulfills customer requests for a pre-security food concession and offers a selection of books, magazines and newspapers.

New Buses Offer Smoother Ride

RDU transports an average of 3,000 riders a day on its buses, more than any of the other bus systems in the Research Triangle area. To better serve travelers, RDU acquired two new Blue Bird buses (three more will arrive in late 2006). The new buses offer an air ride system for a smoother ride, wider aisles and steps for easy entering, exiting and luggage handling. They also feature sound barrier ceilings and plush seating for a quieter and more comfortable ride.

Also, this year RDU installed a “talking” announcement system on its entire fleet of buses. Passengers can hear (and see, on a LED display panel) announcements at each stop, including a list of the airlines located at each terminal and safety announcements.

Exit Express Takes Off

More than 70% of travelers paid for garage parking by using Exit Express pay stations in 2005. The customer convenience was introduced in late 2004 and allows customers to pay for parking before exiting the garage. It eliminates the need to stop at a cashier. The Authority continues to explore additional parking services to enhance the customer experience.

RDU Volunteer Jim Van Strien Honored, Meets President Bush

Jim Van Strien, who joined RDU as a volunteer ambassador in 2001, was honored for his many service efforts in the past year by President George W. Bush, who was in Raleigh for a town hall meeting. Van Strien worked to start the USO at RDU, the first airport-based USO in North Carolina, and President Bush singled him out during the town hall meeting to receive the President’s Volunteer Service Award. Van Strien greeted the President when he arrived on Air Force One and rode in the motorcade to the town hall event.

Van Strien received another honor in 2005 as well — he was named a Community Champion by the MetLife Foundation at the National Older Volunteers Enrich America awards.



Jim Van Strien (right) counts meeting President George W. Bush as one of his honors in 2005.

RDU's Volunteers Enrich Customer Experience

RDU's volunteer ambassadors are on the front lines of a customer's experience at RDU. These 33 loyal volunteers, many of whom have been with RDU for several years, donated 8,971 hours of their time in 2005, with an average of 16 hours of service per volunteer per month. Volunteers staff the information desks, rove the terminals to assist passengers, meet and greet visitors, and perform other customer service activities.

New Operations Building Opens

A new Authority Operations facility opened in 2005 housing staff in the Operations, Communications, Information Technology, Ground Transportation, Law Enforcement, Security/ID Badging and Parking units. The new building features a state-of-the-art communications center and is located adjacent to the parking exit plaza.

Travelers Enjoy Holiday Extras

RDU continued its tradition of helping make the holidays a little easier for customers with holiday musical performances on the ticketing level combined with seasonal specials and events offered by concessionaires on the concourse.

Extra Authority personnel worked early bird and late-night shifts to assist customers during peak travel days as part of a traditional Holiday Operations Team (HOT) customer service initiative.



Music filled the halls of the terminals during the 2005 holiday season.

Air Service at RDU

RDU study shows demand could support non-stop service to Los Angeles, San Francisco Bay area and Denver

RDU Travelers Want To Go West

The RDU Airport Authority, in conjunction with the Research Triangle Regional Partnership and the Research Triangle Foundation, pursued the results of a May 2005 air service study which identified cities where additional service is in high demand.

The study's primary results for domestic service showed that RDU travelers can support non-stop service between RDU and West Coast cities such as Los Angeles, the San Francisco Bay area (including San Jose) and Denver. The total annual travelers between RDU's service area and each of those areas amount to 375,000, 255,000 and 170,000, respectively. (Delta Airlines plans service between RDU and Los Angeles beginning in June 2006).

RDU draws from a 5.3 million population base that stretches from Southern Virginia to the NC coast.

The study documented that annually 1.5 million people travel between the RDU service area and various international destinations. Transatlantic travel makes up nearly 55 percent of the total international traffic, with European destinations accounting for half of that segment. The study showed that

a primary international target is a second daily Transatlantic flight in addition to the successful daily RDU-London Gatwick service offered since 1994. Frankfurt, Germany was identified as the international destination with the best potential for additional service in the future.

In 2006 and beyond, the Authority will continue to work toward improving and expanding air service opportunities for customers using RDU.

Delta Begins Non-stop Flights to Salt Lake City

On June 1, Delta began offering a daily non-stop flight from RDU to Salt Lake City, Utah, marking the first non-stop flight by Delta between the two cities. Almost 70,000 people travel between RDU and Salt Lake City each year, and in the last five years, the market has grown more than 70 percent. The new flight also helps business travelers whose final stops are on the West Coast get closer to their destination more quickly.

Southwest Expands Service

Southwest continued to see RDU as a place to grow, and added several flights over the last year, including additional service to Philadelphia, Chicago-Midway, Orlando and Baltimore-Washington.



Salt Lake City became RDU's newest non-stop destination in June 2005.

Terminal C: Progress Continues in 2005

In order to provide an appropriate gateway to the thriving Research Triangle region and provide for improved services, RDU is developing a new Terminal C that features contemporary architecture and spacious interiors.

Plans originally called for redeveloping Terminal A, but at a much higher cost and customer inconvenience. When the Authority acquired American Airlines' lease of Terminal C in 2002, planning turned to redevelopment of the hub facility.



The new Terminal C will feature an intuitive travel layout for passengers.

When it opened in 1987, Terminal C supported a majority of passengers connecting from one airline gate to another. Today, over 95 percent of passengers begin or end their trip at RDU, requiring the need for expanded ticketing, security checkpoint, concourse and baggage processing areas.

Work on the project moved forward in several areas in 2005 with demolition of the north concourse, laying foundations and beginning work on a central energy plant. The majority of the work is being done with minimal inconvenience to passengers since the north concourse was closed when Midway Airlines ceased operations in 2002.

By late in the year, Atlanta-based Archer Western Contractors was selected as the general contractor for the project.

The north concourse and one-half of the main terminal are expected to be complete in mid-2008. The remaining areas will open in 2009 and 2010. Additional work on the south concourse, not currently included in the project's scope, is planned to coincide with the latter phases. The complete Terminal C redevelopment project is estimated to cost approximately \$550 million in 2006 dollars.



In the early stages of demolition, Terminal C interior building materials were removed and piled for sorting and recycling.



The new North Concourse will feature more gates and boarding bridges to accommodate a variety of aircraft sizes.

Special Features of the New Terminal C

When the entire project is completed in 2010, Terminal C will become RDU's primary terminal. Features include:

- An open, central atrium lobby
- Easy check-in at airline ticketing islands
- A design supporting smooth passenger flow from curbside to gate
- An expanded security checkpoint area
- A wider concourse with moving walkways
- A new, expanded international arrivals and departures area
- Behind-the-scenes baggage screening systems
- Gates and boarding bridges to accommodate a variety of aircraft sizes

Terminal C Timeline

Phase 1: Fall 2004–Summer 2006

Demolish North Concourse of Terminal C and north end of ticketing and baggage claim levels and start building Central Energy Plant.

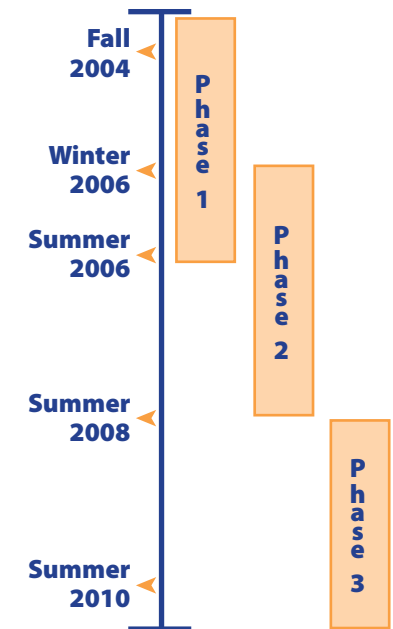
Phase 2: Spring 2006–Summer 2008

Build new North Concourse and majority of ticketing, baggage claim and security checkpoint

Phase 3: Summer 2008–Summer 2010

Build central part of concourse and remaining ticketing, baggage claim and security areas

Additional work on the South Concourse is planned for the latter phases leading up to 2010.



Taxiway D project

The expansion of the new Terminal C to the north required the expansion of the aircraft parking apron and the relocation of Taxiway D. In addition to shifting the taxiway to the north, the project included constructing a vehicle service road bridge and an aircraft taxiway bridge.

Southern Jet Ranks High in National Surveys

Southern Jet, one of RDU's two fixed-base operators, earned praise from two different sources in 2005. Professional Pilot magazine ranked them second in their PRASE survey results, which stands for Preference Regarding Aviation Services and Equipment. They were also named to the number two slot in a survey by Aviation International News (AIN). In the AIN survey, Southern Jet missed the number one spot by only 0.076 of a point, leaping 79 positions from last year's scores.

RDU Paradies Shops, Manager Win Top Honors

At The Paradies Shops national convention, the RDU team won awards for Public Relations, Best Presentation and a Nuts and Bolts award. Eleven of the retail venues at RDU are run by The Paradies Shops, a leader in the airport concession industry. The Paradies Shops operates more than 400 stores in 60 airports and hotels across the United States and Canada.

In addition, Sam Willhite was recognized as Manager of the Year for Division 1 Airports and also won an Innovation Award.

Runway Safety Area Extension Built

In order to meet current FAA standards, the runway safety area for the runway closest to Terminal A was upgraded. The terrain, which extends 1,000 feet beyond each end of the 7,500-foot runway, had varying topography and elevations and has been leveled. The project involved constructing an embankment off each end of the runway, to include relocation of existing FAA navigational aids.



Southern Jet, one of RDU's two fixed-base operators, was recognized by two different publications in 2005.

General Aviation Redevelopment Finished

While most of the General Aviation Redevelopment project, which began nearly 10 years ago, was open for business in the beginning of 2005, a few items in the last phase of the project were completed in the summer of 2005. The final phase included paving the aircraft parking area, which now encompasses 860,000 square feet. Work this year also involved paving part of the new Taxiway J, installing signs and finishing electrical work.

RDU learned that the complex's design received a 2006 Honors Award for Engineering Excellence in Transportation by the American Council of Engineering Companies of North Carolina (ACECNC).

The total redevelopment cost over \$55 million and established one of the most extensive and modern General Aviation facilities on the East Coast.

Cargo Operations Continue to Increase

A growing economy helped cargo operators at RDU continue to see growth over their 2004 numbers, with a 1.4 percent increase. Over 9,800 tons of cargo are imported and exported from RDU each month. Major operators serving the Triangle area are Airborne Express (ABX), BAX Global, DHL, Menlo Worldwide Forwarding, Federal Express, and United Parcel Service (UPS).



RDU's General Aviation Terminal features a striking design.

RDU Financial Report

The Authority operates and develops RDU with revenue generated by business activity.

The Raleigh-Durham Airport Authority is a local governmental unit with the mission of developing, operating and maintaining the Raleigh-Durham International Airport.

The cities of Raleigh and Durham, and the counties of Durham and Wake each contribute \$12,500 per year to the Authority, the only local funds received by the Authority.

All revenue to the Authority is derived from rentals and fees for the use of airport facilities and services. Any revenue earned that exceeds annual operating and debt service (payment of bonds) expenses is reinvested in airport facilities.

In FY 2005-2006 (April 1, 2005 to March 31, 2006), the Authority anticipated total revenues of \$116.8 million. Of that amount, \$71.3 million is budgeted as operating revenue and \$45.5 million is designated as non-operating revenue. Non-operating revenue consists of federal and state grants, passenger facility charges collected and interest on investments.

On the expense side, \$32.5 million is budgeted for operating expenses during this fiscal year. Bond debt service is budgeted at \$23.5 million.

FY 2005–2006 Budget Summary

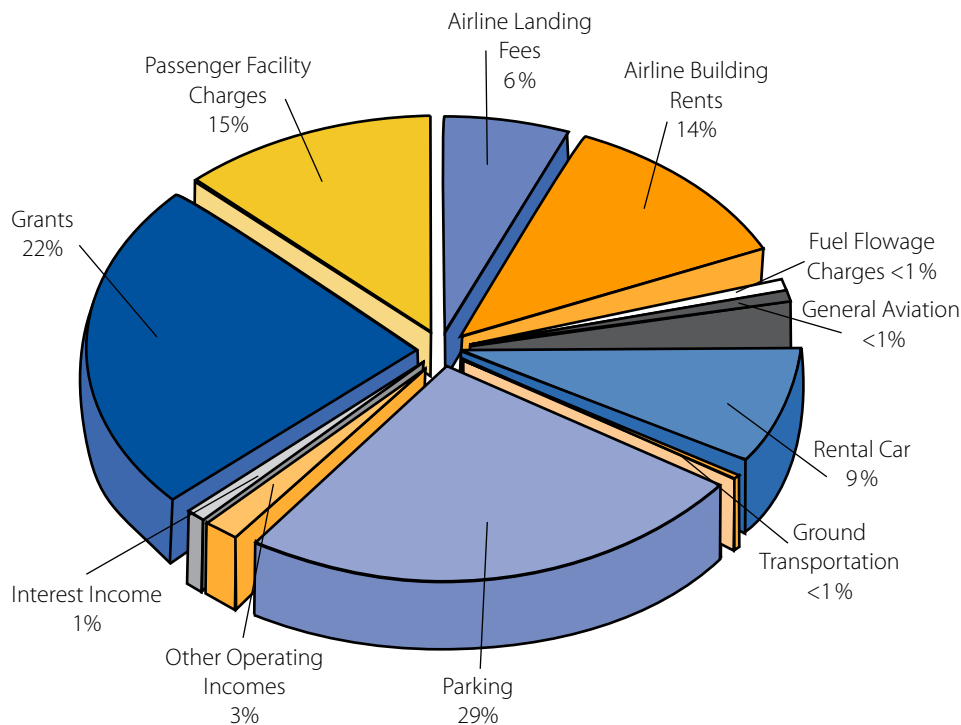
Revenues

Airfield	\$6,979,585
General Aviation	\$947,463
Building and Grounds	\$63,394,870
Interest Income	\$1,600,000
Federal Grants	\$24,164,736
State Grants	\$1,000,000
TSA Security Grants	\$687,000
Local Grants	\$50,000
PFC Revenues	\$18,000,000
Total	\$116,823,654

Expenditures

Airport Operating Expenses	\$32,513,762
Debt Service — Interest	\$13,846,580
Debt Service — Principal	\$9,690,000
Cost Transfers to Capital Construction	\$60,773,312
Total	\$116,823,654

Total 2005–2006 Revenues: Operating and Non-Operating



The largest source of Authority revenue is derived from airline landing fees and building rents, public parking fees and concession fees charged to businesses operating on the airport.

Airline landing fees are calculated according to a cost compensatory methodology and charged to the individual carriers on the basis of aircraft landed weight. For FY 2005-2006, landing fees of \$0.97 per 1,000 pounds of landed weight are expected to generate \$6.6 million, or 6 percent of total operating revenue.

The Authority operates more than 20,000 public parking spaces. For the fiscal year ending March 31, 2006, parking revenues are budgeted at \$33.5 million, representing 29 percent of the total revenue.

Seven automobile rental companies provide service to RDU. In FY 2005-2006, \$10.2 million is budgeted as rental car operating revenue, representing 9 percent of total annual operating revenue.

Contractual relationships with concessionaires for food, beverage, merchandise, advertising and various other services generate additional airport operating revenue.

RDU At A Glance

General Information

- Location:** Wake County, North Carolina, USA;
11 miles northwest of Raleigh, 10.5 miles
southeast of Durham and 17 miles
east-southeast of Chapel Hill
- Property:** 5,100 acres
- Elevation:** 436 feet above mean sea level
- Latitude:** N35° 52' **Longitude:** W78° 47'

Facilities

- Garage Parking:** 10,115 public spaces
- Park & Ride Parking:** 9,700 public spaces
- Terminal A:** Main concourse opened 1982;
North concourse extension, 1986 and 1998;
South concourse extension, 2001;
296,000 square feet; 22 gates
- Terminal C:** Opened June 1987; 352,300 square feet
being redeveloped to 890,000 square feet;
13 gates (south concourse only)
- Runway 5L-23R:** Length 10,000 feet x 150 feet wide
- Runway 5R-23L:** Length 7,500 feet x 150 feet wide
- Runway 14-32:** Length 3,550 feet x 100 feet wide
- Observation Park:** Opened 1987; renovated in 1996

Business

- Flights** 424 daily arrivals and departures
- Destinations** 36 destinations served
with non-stop flights
- Airlines** 8 major airlines; 16 regional airlines
- Passengers** 9.4 million passengers
- Cargo** 118,884 tons

Key Expansion

- Terminal A** Begin exploring redevelopment options
in 2006
- Terminal C** Facility redevelopment through 2010
- General Aviation** Redevelopment completed Summer 2005

