

RDU

DURHAM

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CHAPEL HILL

# UPDATE

NEWS FROM RALEIGH-DURHAM INTERNATIONAL AIRPORT

RALEIGH



*Wright on the Money!*

# From the Chairman



Bob Winston

Double-digit growth in airline passenger traffic has become the norm at Raleigh-Durham International Airport over the past several years. For the year ending December 31, 2000, our passenger traffic increased 17 percent over 1999's record 24 percent increase. That's about four times the national average and produced the more than 10.5 million passengers who used RDU last year. Our numbers last year set all-time records, eclipsing both the passenger traffic and aircraft operations levels established in 1992 during the peak of American Airlines' hub operations.

Air carriers added new destinations throughout the year and increased frequencies on several existing routes. Some airlines also added capacity by switching to larger aircraft with more seats.

Sustained growth of this magnitude presents numerous challenges and opportunities. Our biggest challenge is to continue an aggressive facility development plan to meet customer and airline demands. We are responding to that challenge.

Construction projects are underway all over the airport, and more are in the planning stages. These include work on another parking deck, a new terminal building for general aviation pilots and passengers, a new airport maintenance facility, the Terminal A Interim South Concourse and rehabilitation and expansion of Park and Ride Lots 2, 3 and 4.

Funding for all of this facility development is primarily provided by airport revenues. As part of our financing plan for the next parking deck, we recently received the highest credit ratings Fitch and Moody's have ever awarded a North Carolina

airport. Fitch rated RDU A+ with a positive outlook, and Moody's issued an equivalent A1 rating.

Through the efforts of our staff, financial advisors and consultants, attorneys and a well-balanced underwriting team, the Airport Authority recently completed a very successful sale of revenue bonds to finance the next parking deck and associated improvements. More than \$204 million in general airport revenue bonds were sold to investors. Because of the airport's strong financial condition and excellent credit ratings, these bonds sold very quickly. The end result was a very competitive 5.008 percent true interest cost for this debt. The Authority also was able to save \$688,000 by refinancing, as part of that sale, its existing parking revenue bonds, some of which were used to build the first new parking deck. The Authority's strong financial position is a tribute to the leadership and direction provided by the members of the Authority and the staff over the years.

Bob Winston, Chairman  
Raleigh-Durham Airport Authority

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On the cover:

The recently released North Carolina quarter features the First Flight in 1789 of Orville and Wilbur Wright at Kitty Hawk, NC.

# Where Does the Money Come From?

One of the most frequently asked questions of the Airport Authority is "Where does your funding come from?" Like most questions about the airport and its operations, there isn't a short, simple answer. Most of the funding to maintain, operate and expand RDU comes from revenues generated at the airport. The three largest revenue producers are public parking, car rental and airline aircraft landing fees. For the fiscal year April 1, 2000 through March 31, 2001, public parking fees generated approximately \$21.5 million in revenue. Fees paid by the rental car companies produced an additional \$10.8 million and revenues from aircraft landing fees brought in around \$8 million. Revenue also is derived from concession contracts, office and other building space and land rentals, and other user-based fees.

The Authority's operating revenue budget for fiscal year 2001-2002 stands at approximately \$58 million. Of that amount, only \$50,000 comes from direct taxpayer contributions. Each of the airport's four owning local governments (the Cities of Raleigh & Durham and the Counties of Wake & Durham) contributes \$12,500 annually. As these numbers

illustrate, the Authority generates the overwhelming majority of its operating revenues.

Funding for airport facility improvements comes from net operating revenues (revenues less operating expenses), federal and state grants, and the sale of airport revenue bonds (which must be repaid from operating revenues). The Federal Airport Improvement Program will provide about \$7 million and the State of North Carolina another \$500,000 in grant funds, which can be used only for capital improvements.

Construction of the parking decks between the terminals is an excellent example of how the sale of bonds works. The first deck, which opened last year with 2,700 spaces at a cost of approximately \$40 million, was financed by the sale of four "bank-qualified" revenue bonds of \$10 million each, one being sold in each of four consecutive years. The Authority sold bonds to be repaid from revenues to be provided by fees from public parking to three local banks to generate the funds needed to build the deck.

The amount of funding needed for the next parking deck, which is a

much larger, more expensive project, exceeded the Authority's ability to finance this project through the periodic sale of small issue bonds, which are limited to \$10 million per year. As a result, the Authority's finance team assembled and recently completed a very successful public bond sale that generated more than \$156 million in new capital to fund the massive parking improvement project.

A tremendous amount of time and effort was expended to carry out this successful bond sale. First, the Authority had to seek credit ratings from several of the major rating agencies. These ratings were crucial in making the bonds attractive to potential investors and for obtaining the lowest possible interest rate on the debt. Among other things, this involved providing detailed information about the airport's overall operations and making presentations about RDU's capital development plans to the ratings agencies. The hard work paid off, however, in the highest ratings of any North Carolina airport being received from both Fitch and Moody's. Fitch awarded RDU an A+ rating with a positive outlook, and Moody's rated it A1. It is rare that a

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# Midway Begins Denver, Providence and Birmingham

**M**idway Airlines continues to support the business and leisure travel demands of the Triangle region with new non-stop service between RDU and Denver, Miami, Providence and Birmingham. Midway initiated two daily roundtrips between RDU and Denver on February 14, making it the first carrier to serve that market. On the same day, Midway began Miami service adding three daily frequencies to the two currently offered by American Airlines.

"Midway seized an excellent opportunity in electing to serve Denver. The market is a prime example of the westbound routes whose service is being demanded by the region's air travelers," said Teresa Damiano, RDU's Marketing Director. "Cities west of the Mississippi River have shown the fastest rates of growth over the last several years in terms of the number of passengers flying between RDU and places like San Jose, Austin, San Diego, Phoenix, Los Angeles and Denver," she said. San Jose and San Diego via Austin were new destinations added last year by Midway and Southwest, respectively.

Passenger travel between RDU and Denver amounts to approximately 117,000 passengers per year, making Denver the 19<sup>th</sup> largest origination/destination (O&D) market for RDU in 1999, the most recent year for which data is available from the U.S. Department of Transportation.

A majority of that activity is business-oriented, with IBM, Nortel, GlaxoSmithKline, SAS, Cisco, Aventis and other top corporations in the Triangle region having significant affiliations with Denver. Denver also offers ski-resort leisure opportunities attractive to the RDU leisure travel market. The Denver route is flown by 120-seat Boeing 737-700 aircraft.

Passenger travel between RDU and Providence is approximately 53,000 annual passengers. The market previously was served by American Airlines and briefly by Midway Airlines after it relocated to RDU. The close proximity of Providence to Boston offers passengers easy access to that popular metropolitan area, which has strong higher education and high technology ties to Raleigh-Durham. Boston was RDU's 9<sup>th</sup> largest O&D market in 1999 with nearly 250,000 passengers per year. Providence service begins on April 18<sup>th</sup> with three daily flights.

Photos courtesy of Providence Warwick Convention & Visitors Bureau

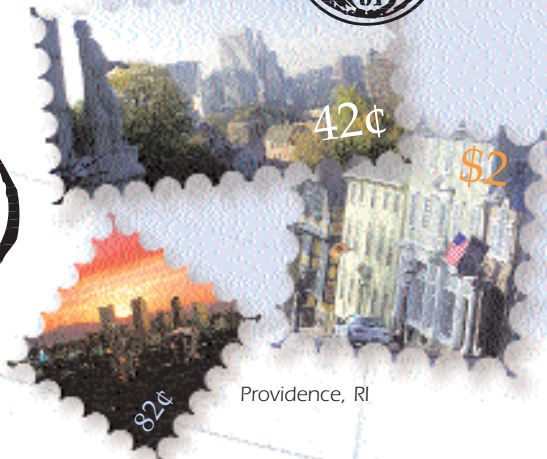


Photo courtesy of Greater Miami Convention & Visitors Bureau



Miami, FL

# Miami, Birmingham Service

Midway also recently announced the addition of non-stop service to Birmingham, Alabama. The airline will begin service May 1 with three daily departures. More than 35,000 passengers travel between RDU and Birmingham annually. This represents RDU's first and only non-stop service to Birmingham.

Air travel at Raleigh-Durham was strong throughout 2000. In addition to growth in destinations, the average load factor of the major carriers was 66%. "This means that two of every three seats were filled last year," Damiano said. "Raleigh-Durham continues to offer an excellent opportunity for airlines to successfully do business here."

"We anticipate the late spring and summer bringing more air service additions," said Damiano. "The June opening of five new gates on the interim south concourse of Terminal A will relieve cramped operating space for some carriers and allow others to grow," she said.

## NONSTOP SERVICE TO THE MILE HIGH CITY

The famed "Mile High City" is now within easy reach of Triangle area residents thanks to Midway Airlines' launch of two new daily non-stop flights between RDU and Denver.

Contrary to popular belief, Denver is not in the mountains as its nickname might suggest. The foothills of the Rocky Mountains start to rise approximately 15 miles west of Denver and continue soaring to heights above 14,000 feet near the Continental Divide. Its nickname, however, comes from the fact that the 15<sup>th</sup> step on the West Side of the State Capitol building is exactly 5,280 feet (one mile) above sea level. Denver also is located within 346 miles of the exact center of the continental United States.

Denver International Airport (DIA) opened in February 1995 at a cost of \$4.3 billion, covers 53 square miles and is currently the sixth busiest airport in the United States. Served by twenty-two airlines offering 1,200 flights a day, DIA consists of five full-service runways and a 1.4 million square-foot terminal. The terminal has quickly become one of Denver's most distinctive architectural landmarks with its Teflon coated roof shaped into 34 different peaks symbolizing the Rocky Mountains.

Denver has a vibrant downtown area that includes a convention and performing arts complex, shops, department stores, restaurants and nightspots. Within easy walking distance of downtown are several of the city's top attractions including the U.S. Mint, Denver Art Museum and Colorado History Museum. Midway's new non-stop Denver service is yet another step forward in meeting the Triangle's demand for more westward service.



Denver, CO



Photo courtesy of Greater Birmingham Convention & Visitors Bureau

Birmingham, AL



# The Truth About Air

**RDU's Carriers 82%**

**Y**ou get in your car and drive to the airport. You even leave early as recommended. You easily find a parking space and take a bus to the terminal.

When you get to the ticket counter, you have more than an hour before your flight and end up at your gate in plenty of time to buy a cup of coffee. Everything is going as planned

Then the announcement is made. You've heard it before and dread it every time. Your flight has been delayed. During the next several hours, you wait, hoping for the best.

This seems to be an all too familiar scenario in air travel today. Whether it's a thunderstorm in Chicago or an aircraft maintenance problem at RDU, delays are inevitable when flying.

## Delay Statistics

Despite the fact that air travel delays seem pervasive, the airlines do better than most people might think. Statistics from the U.S. Department of Transportation (DOT) show that the 10 busiest airlines meet their scheduled arrival times an average of 75 percent of the time.

Airlines that fly into Raleigh-Durham International Airport arrive on time above the national average and depart from RDU on-time 82 percent of the time.

A flight is counted as "on-time" if it arrives at the gate no more than 15 minutes after its scheduled arrival time.

Canceled and diverted flights are counted as late, but not listed separately in the DOT report.

The reports are listed by month and are posted at [www.dot.gov/airconsumer](http://www.dot.gov/airconsumer) or [www.bts.gov/oai](http://www.bts.gov/oai).

## Airline Delays

The U.S. Department of Transportation tracks the frequency, not the cause, of flight delays. The causes for aircraft delays range from things within an airline's control, such as aircraft maintenance or personnel scheduling, to items that are completely out of an airline's control, such as adverse weather or air traffic congestion.

Airlines meticulously coordinate the scheduling of aircraft, passengers, crew, fuel, food and airport slots in order to minimize delays, but unanticipated developments can wreak havoc even with the best scheduling efforts. Weather forecasts are not perfect, and mechanical problems can turn out to be more complex than initially expected.

When one portion of an airline's schedule is impacted by adverse weather or other unforeseen situations, delays begin to mount throughout the carrier's system.

A snowstorm at one airport can quickly delay flights throughout the country. This process is similar to a row of dominos being lined up. When one falls, they all fall.

This domino effect is especially evident at hub airports where passengers must change planes.

For example, a snowstorm in Chicago might delay flights at O'Hare International Airport.

Because O'Hare is a hub for two major airlines, many aircraft and crewmembers may be unable to reach their final destinations.



# Traffic Delays

## On Time

During holidays and peak travel times, delays are especially noticeable because of the huge numbers of passengers. The airlines have a more difficult time re-booking passengers, so the inconveniences appear to be magnified.

### Tips for Minimizing Delay Inconveniences

Here are some things you can do to minimize the effects delays have on your travel plans.

#### Planning Your Trip

1. When booking your flight, remember that a departure early in the day is less likely to be delayed than a later flight, due to "ripple" effect throughout the day. If you book the last flight of the day, you could get stuck overnight.
2. When possible, book a nonstop flight to avoid the possibility of a missed connection.
3. If you must choose a flight with a stop or connection, check the amount of time between flights. If it's not enough time for you, then find a connection that allows more time.
4. Review your travel options before going to the airport. Know what other flights are available in case your flight is canceled.

#### Before You Leave

5. Before leaving for the airport, call the airline to confirm the departure time of your flight.
6. Bring entertainment for you and your children. A good book or entertaining computer game can help make the waiting more tolerable.
7. Pack light snacks in case the airport's stores are closed late at night.
8. Pack medicine, toiletries, and at least a few personal items in a carry-on bag in case you must stay overnight.

#### At the Airport

9. If your flight is delayed, don't leave the gate area for long periods of time. The plane may leave without you.
10. When a flight has been canceled, it may be quicker to call the reservation center to re-book rather than waiting in line at the ticket counter.
11. If you are using an electronic ticket, you will probably have to get paper documentation issued before it can be endorsed for use on another airline.

And finally, accept that air traffic delays are inevitable. Allowing yourself to get stressed out over situations you cannot change has no positive end result.



Continued from page 1: **RDU FAQ**

U.S. airport receives a higher credit rating than the ones awarded RDU since airports cannot levy taxes to provide additional debt security.

In announcing its ratings report, officials with Fitch cited the Authority's strong financial performance during the last five years, its success in holding down costs, and its solid liquidity as very positive factors in providing the extremely favorable rating. Fitch also credited the airport's "highly experienced management team" as a substantial factor in its rating decision.

As a result of these ratings, the Airport Authority was able to quickly sell \$204,545,000 in general airport revenue bonds to a variety of investors. Private investors in North Carolina purchased nearly \$50 million of these bonds. This sent a strong signal to other potential investors about local confidence in RDU's future. Of the total sale amount, approximately \$47,570,000 went toward refinancing the bonds sold previously to finance the first parking deck. This refinancing saved the Authority \$688,000 in present value interest expense.

With a major terminal area expansion plan expected to cost more than \$1 billion now being formalized, additional bond sales are likely as part of the funding mix. In addition, the Authority is looking at all other revenue and financing streams, including a passenger facility charge to further develop the airport to meet both current and projected customer demand. Current projections indicate that RDU will likely spend more on facility development over the next 10 years than has been spent on the airport during its entire 58-year history.

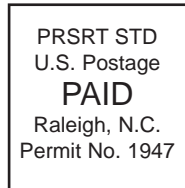
## February Activity and Numbers

	2001	2000	Change
<b>Passenger Traffic:</b>	748,445	723,692	3.5%
<b>Operations:</b>	23,274	23,989	(3%)
<b>Taxis:</b>	10,620	11,371	(6.6%)
<b>Parking:</b>	167,617	147,023	11.3%

VISIT THE NEW EXPANDED WEBSITE FOR RDU AT [WWW.RDU.COM](http://WWW.RDU.COM)



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