

MERGERS, ALLIANCES & CONSOLIDATIONS

AN AIRPORT PERSPECTIVE



Ian Wadsworth
Chief Commercial
Officer

**Houston
Airports**

U.S. Airline Consolidation

American
TWA



American

US Airways
America West



US Airways

Delta
Northwest



Delta

United
Continental



United

Southwest
Airtran



Southwest

Airline Alliances



Challenges for Airports

Airline Merger Motivations

- Expand network breadth
- Increase market power
- Eliminate redundancies
- Leverage scale economies

Airport Motivations

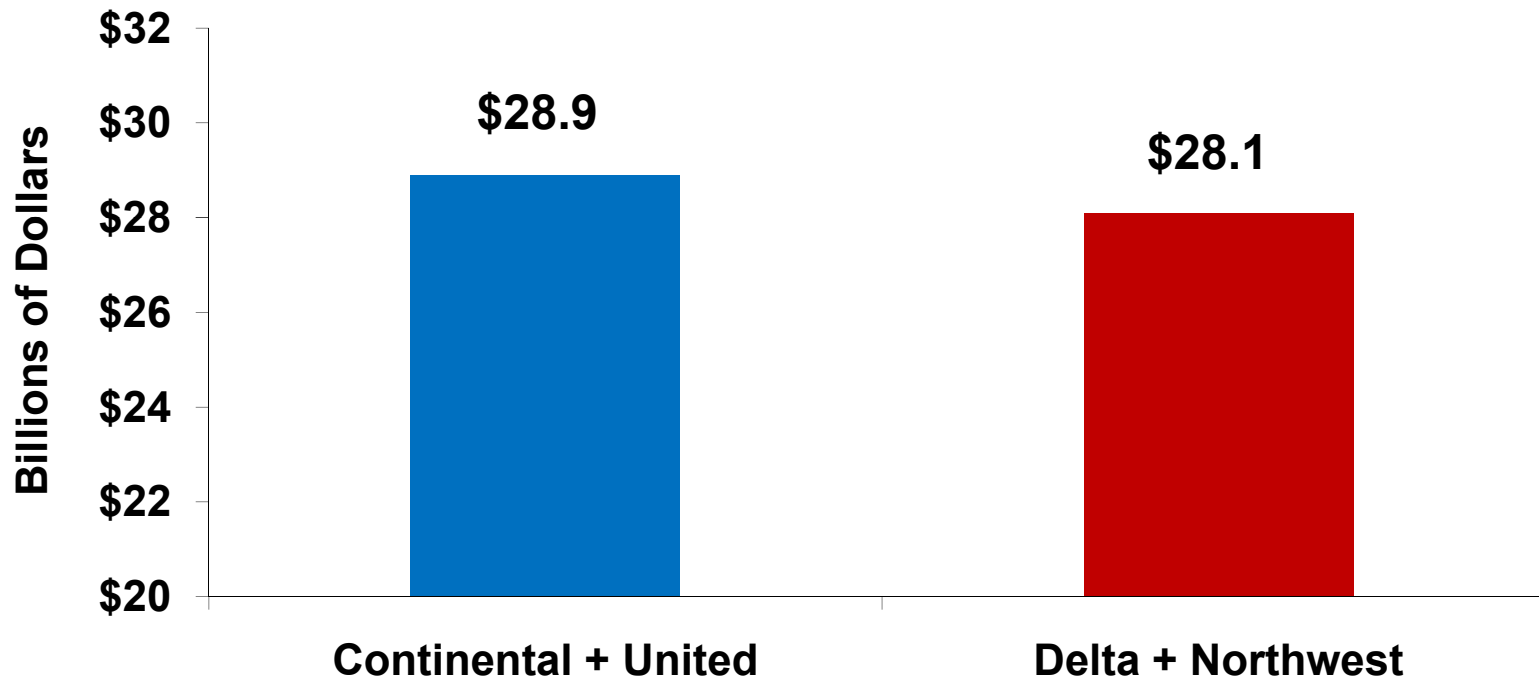
- Grow air service options
- Create competition to lower airfares and grow the market
- Diversify airline customer base
- Support long-term investment in infrastructure

Houston – A Case Study



“New” United - The World’s Largest Airline

CY 2009 Total Operating Revenues



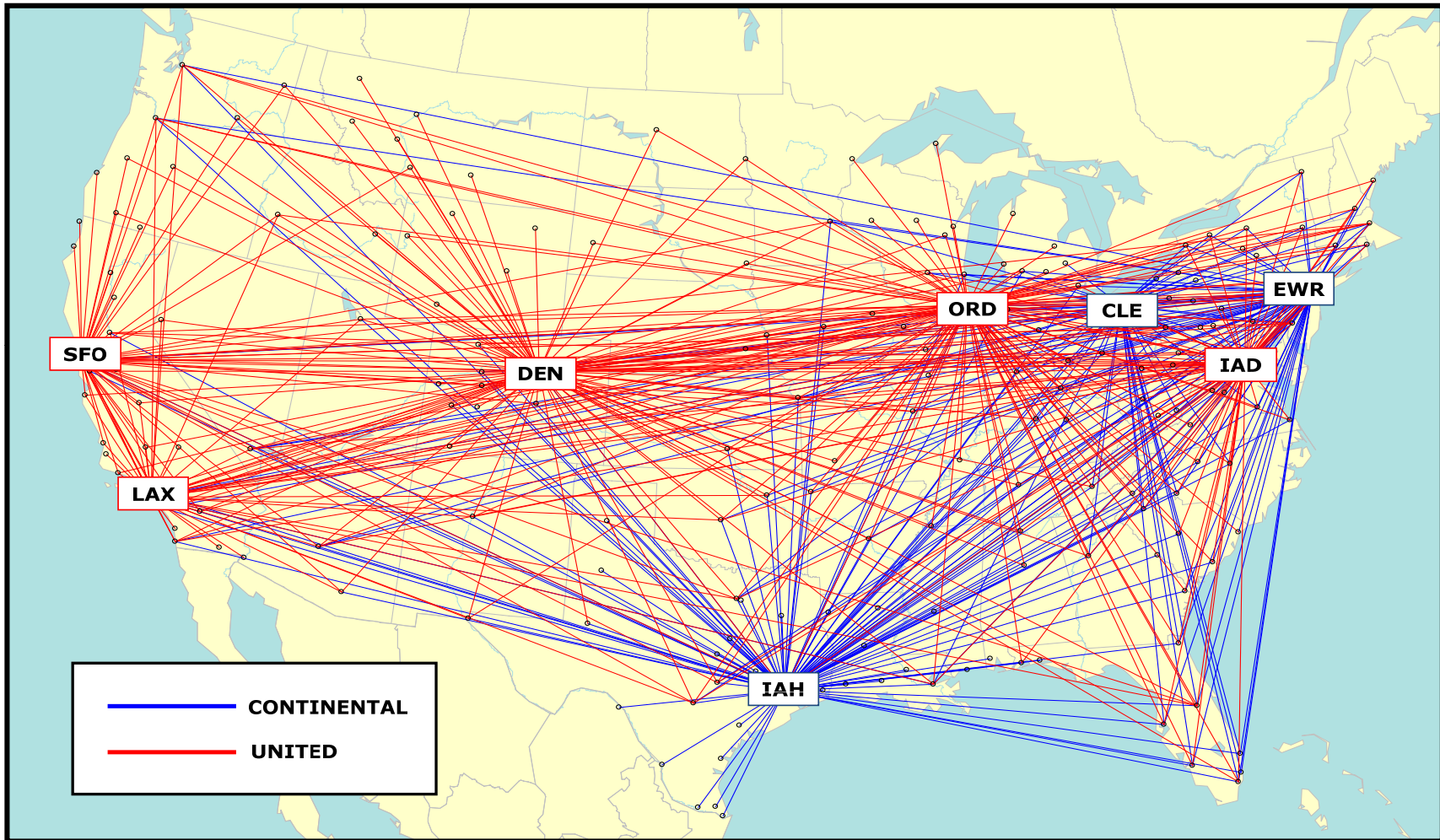
Source: Airline Press Releases



The Promise of the Combined Carriers ...

- **Two of the most complementary networks of any U.S. carriers, with minimal domestic and no international route overlaps**
- **A global network accessible from multiple well-placed hubs**
- **Continued service to all of the communities served by each carrier**
- **The most modern, fuel-efficient fleet and the best new aircraft order book among major U.S. network carriers**
- **Vast opportunities for frequent flyer customers to earn and redeem miles, including on Star Alliance partners**
- **Improved long-term career opportunities and enhanced job stability for employees**

“New” United After Merger

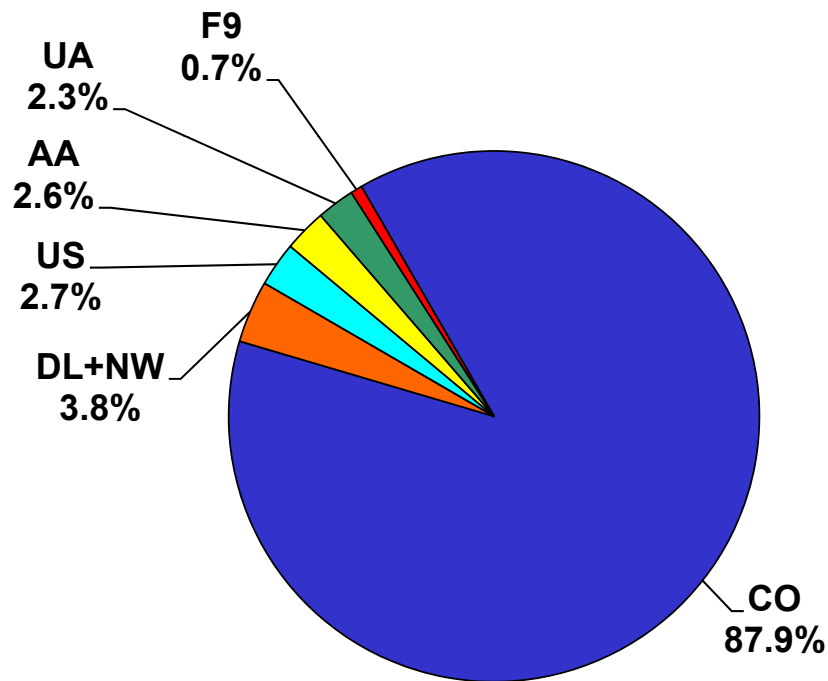


Source: April 2010 OAG

In Houston ... Combination of IAH's 1st & 5th Largest Airlines

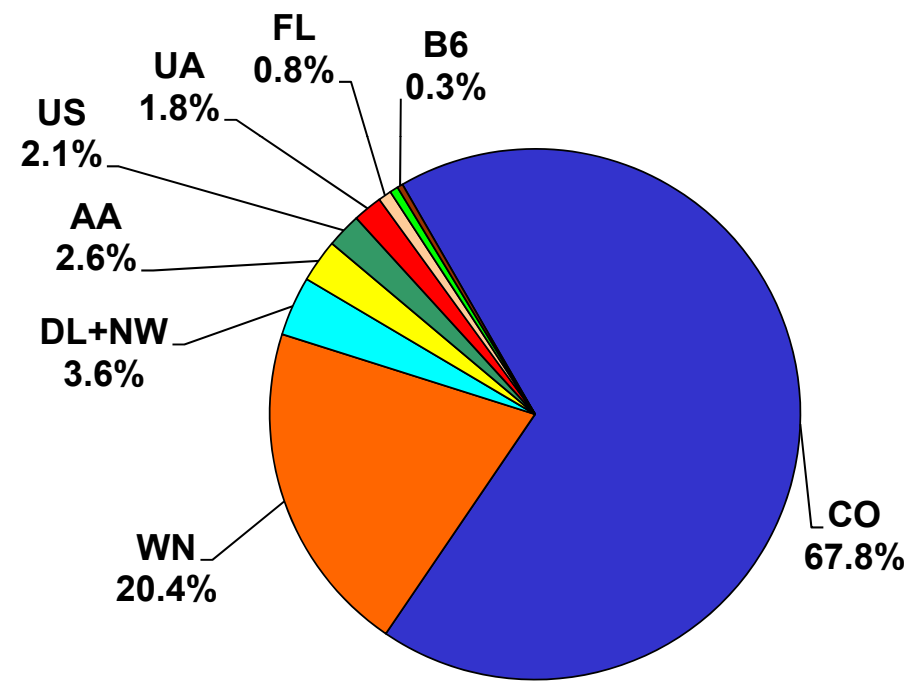
IAH Carrier Market Share

By Total Domestic Onboard Passengers – YE 3Q 2009



IAH + HOU Carrier Market Share

By Total Domestic Onboard Passengers – YE 3Q 2009

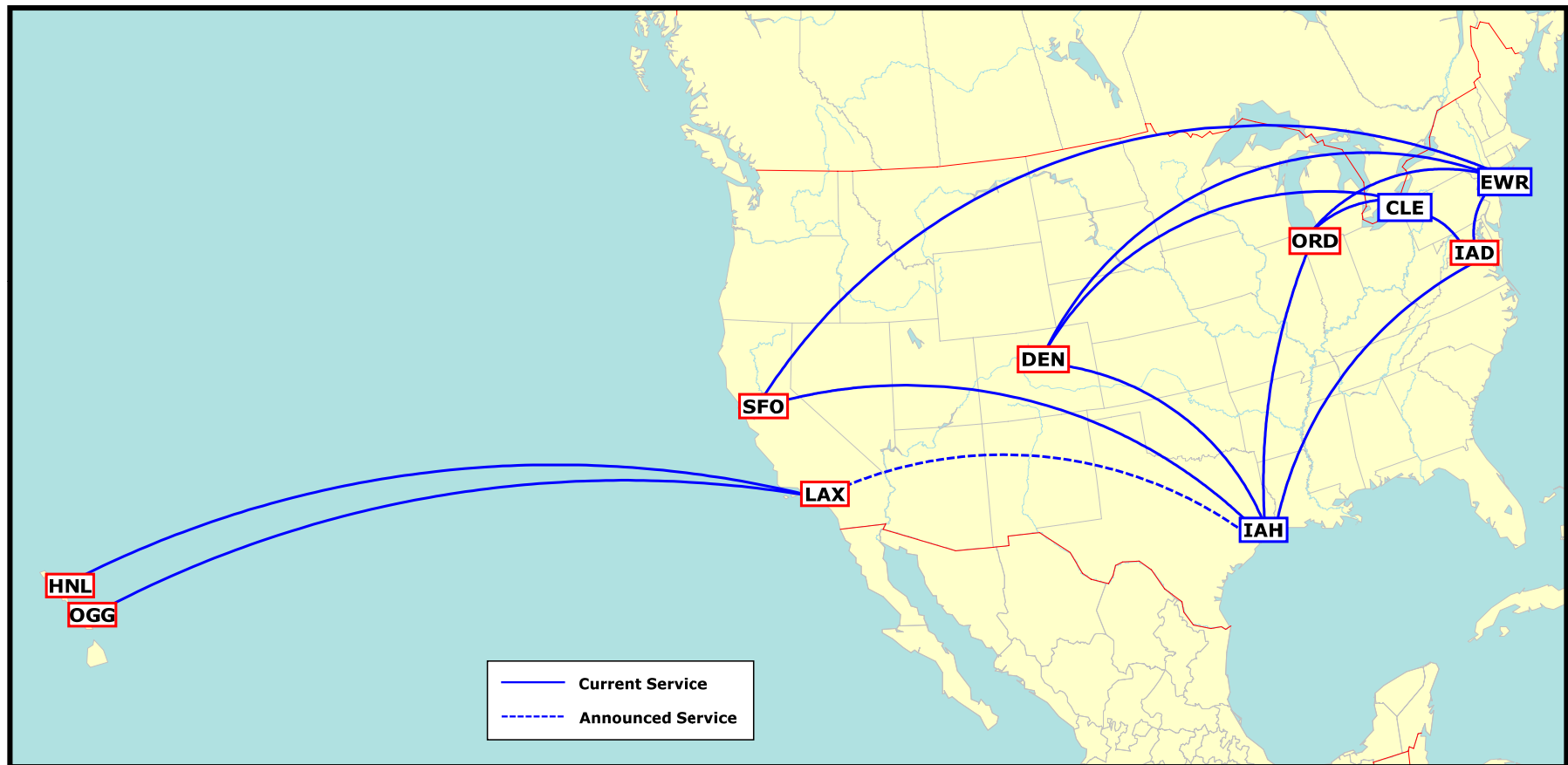


Source: U.S. DOT T-100 Database



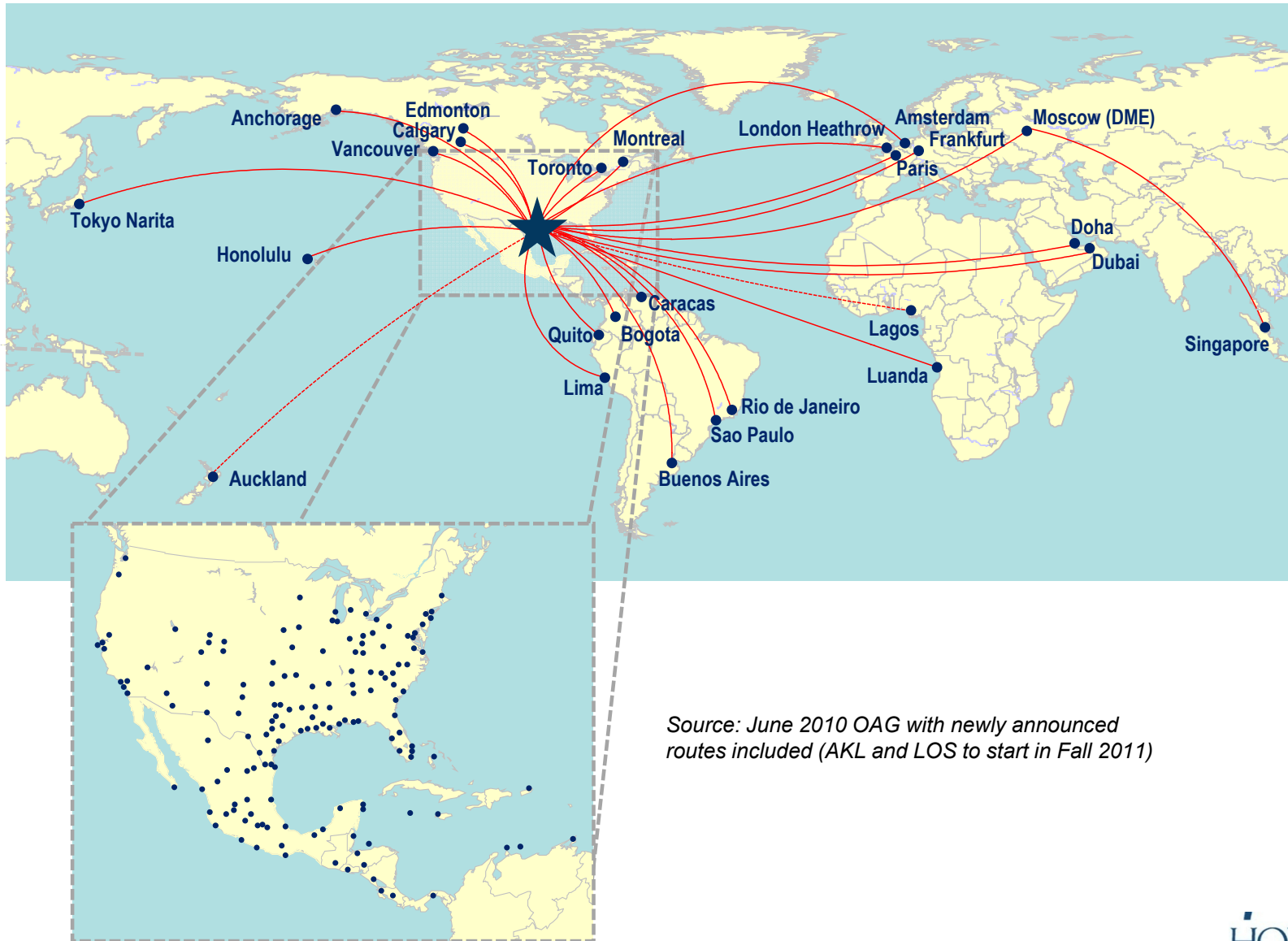
Only 14 Overlapping Routes ...

- Most Are Hub-To-Hub And All Are Domestic



Source: April 2010 OAG

Nonstop International Service At The IAH Hub



Source: June 2010 OAG with newly announced routes included (AKL and LOS to start in Fall 2011)

IAH Will Have 29% Of All International Services

Based On June 2010 Nonstop Schedules

Nonstop International Destinations Served By Hub And By Region						
Hub	Transatlantic	Transpacific	South America	Mexico/Central America/Caribbean	Canada	All Regions
Newark (EWR)	28	4	3	22	8	65
Houston Bush (IAH)	5	2	7	46	4	64
Chicago O'Hare (ORD)	7	4	1	6	12	30
Washington Dulles (IAD)	13	2	2	4	5	26
San Francisco (SFO)	2	7	0	4	5	18
Denver (DEN)	1	0	0	3	8	12
Los Angeles (LAX)	1	2	0	4	1	8
Cleveland (CLE)	0	0	0	2	3	5
Total	57	21	13	91	46	228

Source: June 2010 OAG, Services include only the hub carrier services, no code share operations, Includes 2011 starts of Auckland and Lagos

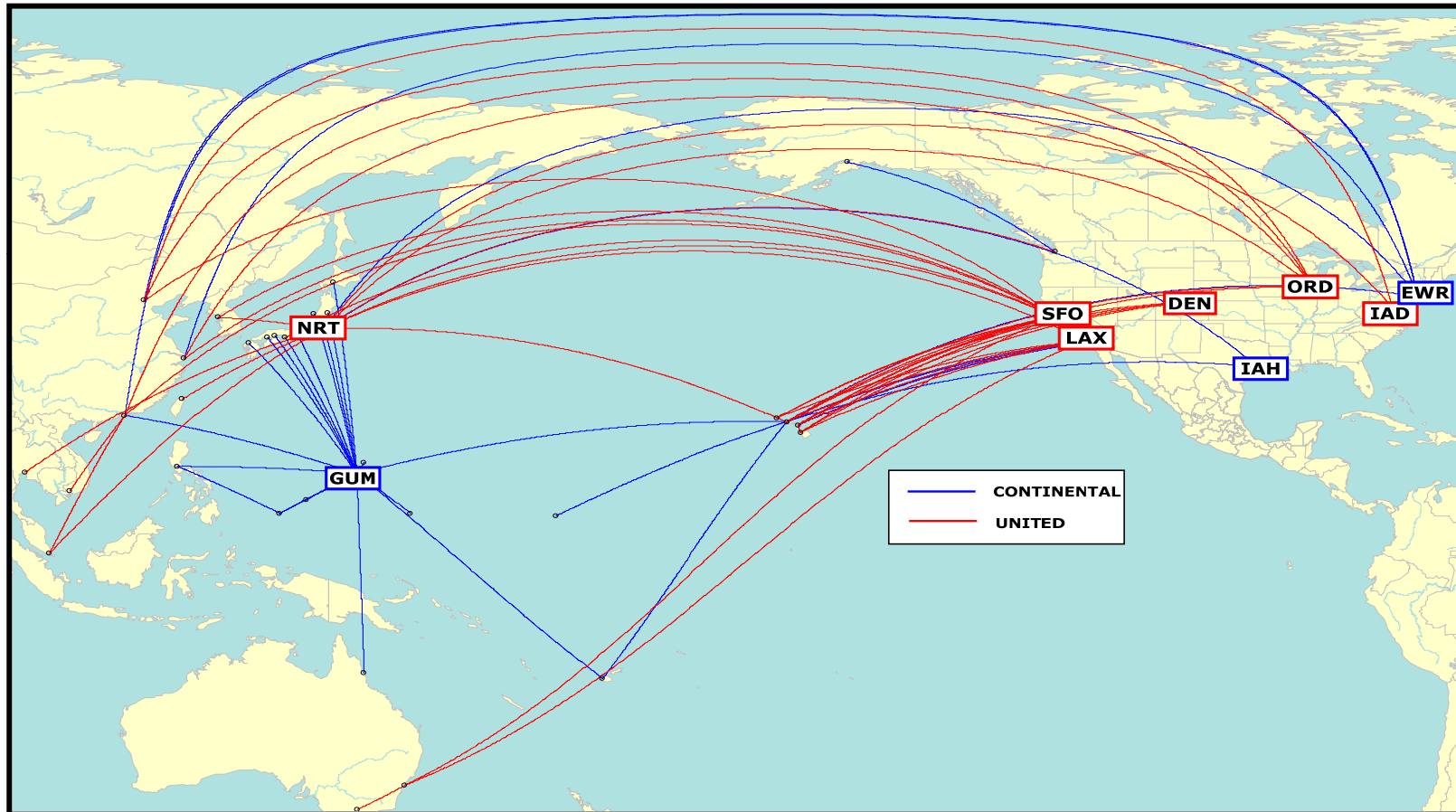


Changes in Flow Traffic Favorable to Houston

Pre-Merger	Post-Merger
United sells Los Angeles – Sao Paulo over Washington or Chicago	United sells that passenger over Houston
United sells Washington National – Oklahoma City over Chicago	United sells that passenger over Houston
United sells Detroit – Mexico City over Washington Dulles	United sells that passenger over Houston
United sells Orlando – Tokyo Narita over Washington Dulles and Chicago	United now can sell that passenger over Houston
Continental sells Pittsburgh – Sacramento over Houston	United sells that passenger over Denver or Chicago
Continental sells Nashville – Vancouver over Houston	United sells that passenger over Denver

New United Becomes the Largest U.S. Transpacific Airline

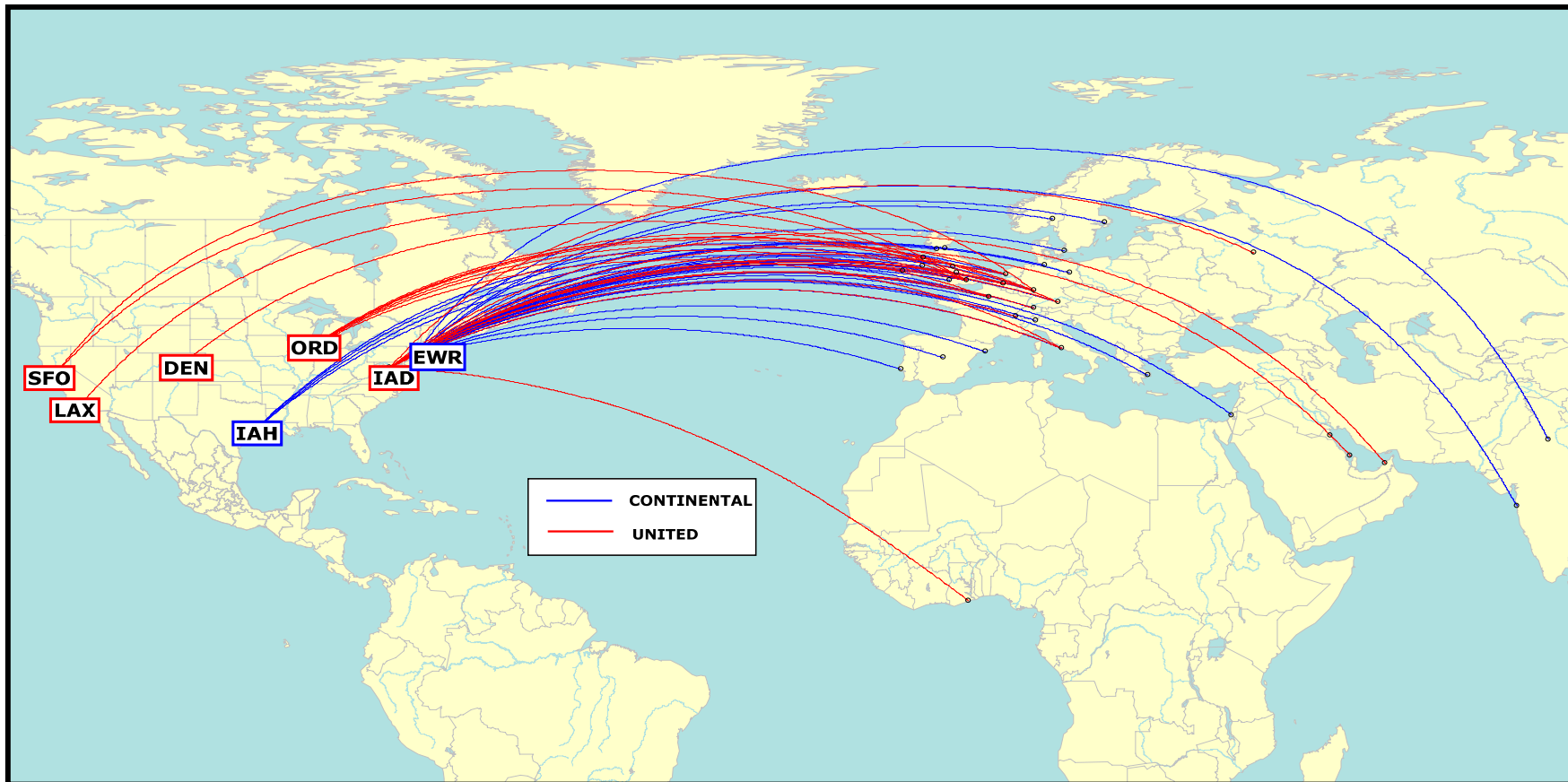
- West coast hubs better suited than Houston for expansion to Asia



Source: April 2010 OAG

New United Becomes the 2nd Largest U.S. Transatlantic Airline

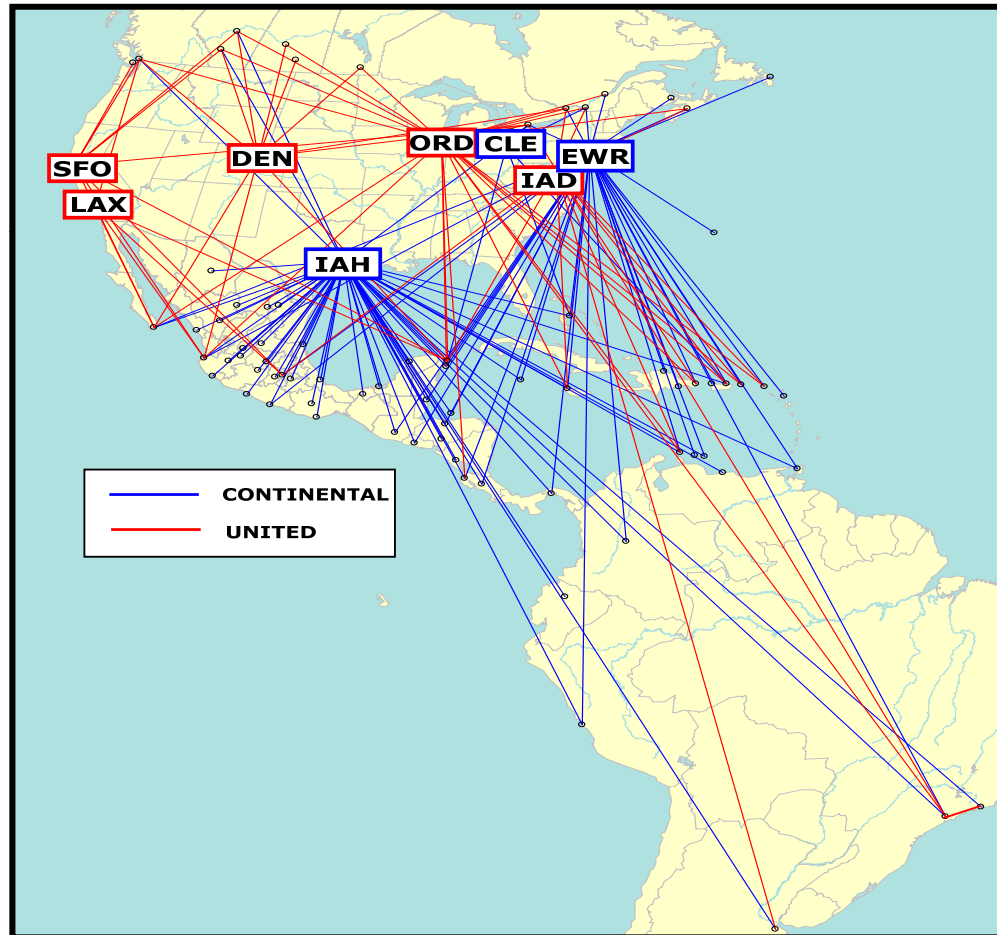
- East coast hubs better suited than Houston for expansion to Europe



Source: June 2010 OAG

New United Becomes The 2nd Largest Airline In The Americas

- IAH is ideally situated as United's primary gateway to Latin America

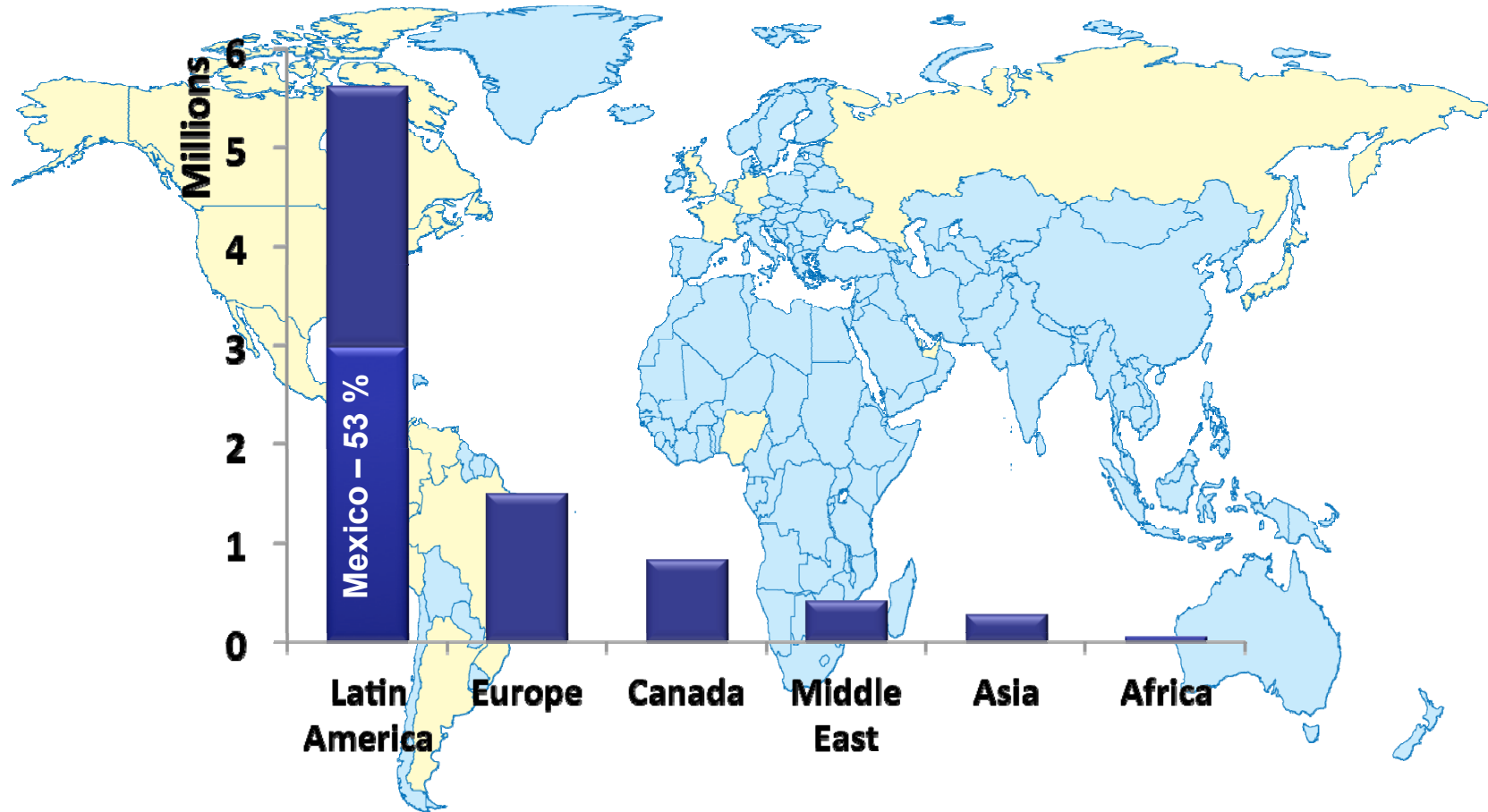


Source: April 2010 OAG



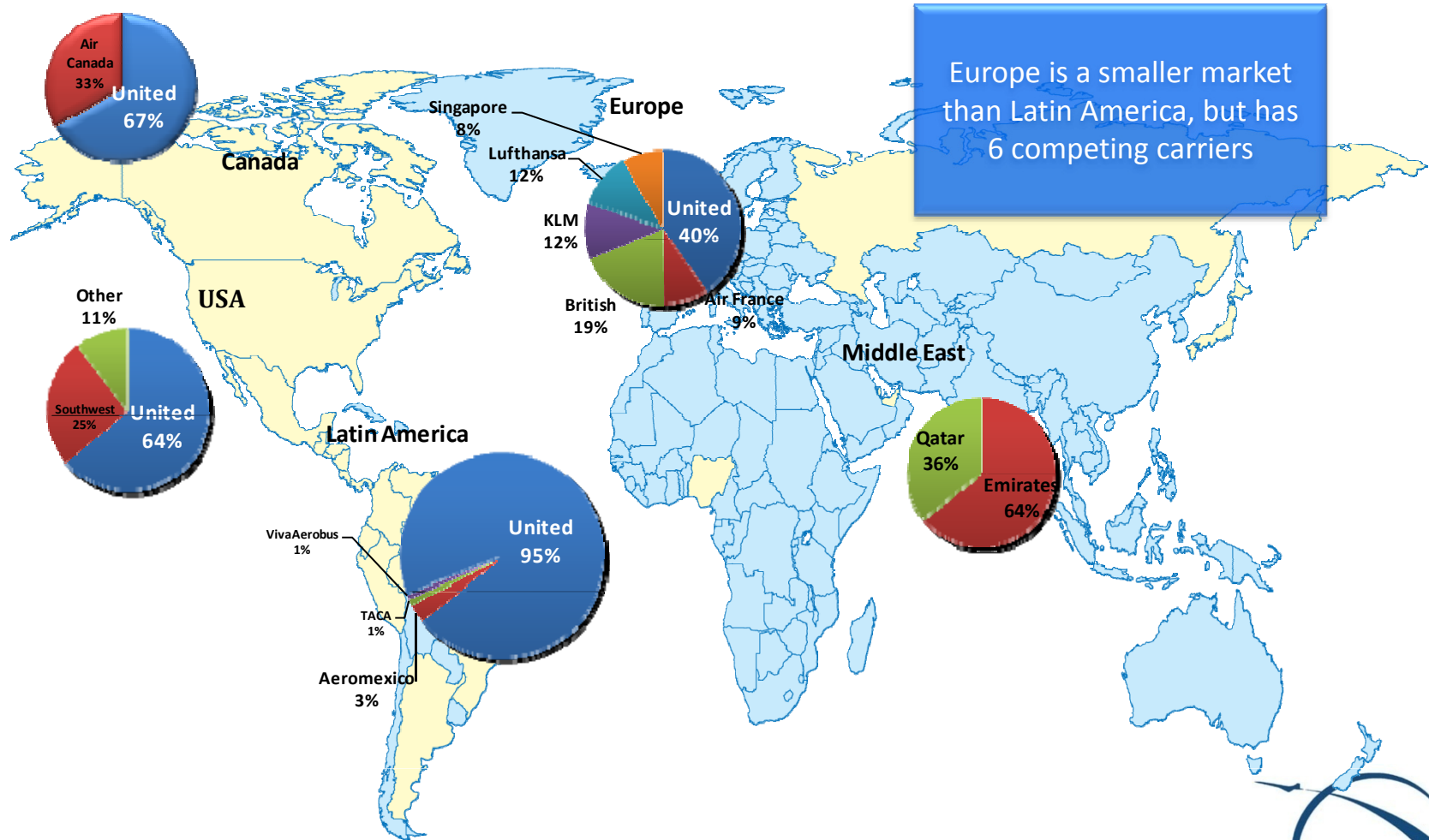
Houston's International Passenger Mix

➤ Latin America is 65% of all international traffic



United Market Concentration

Houston Air Carriers, Departure Seats by Market



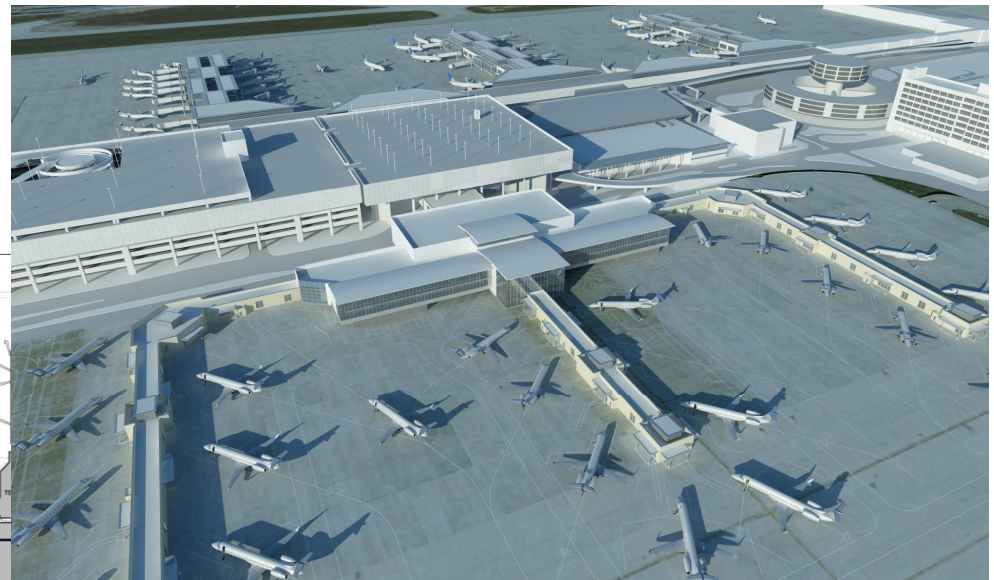
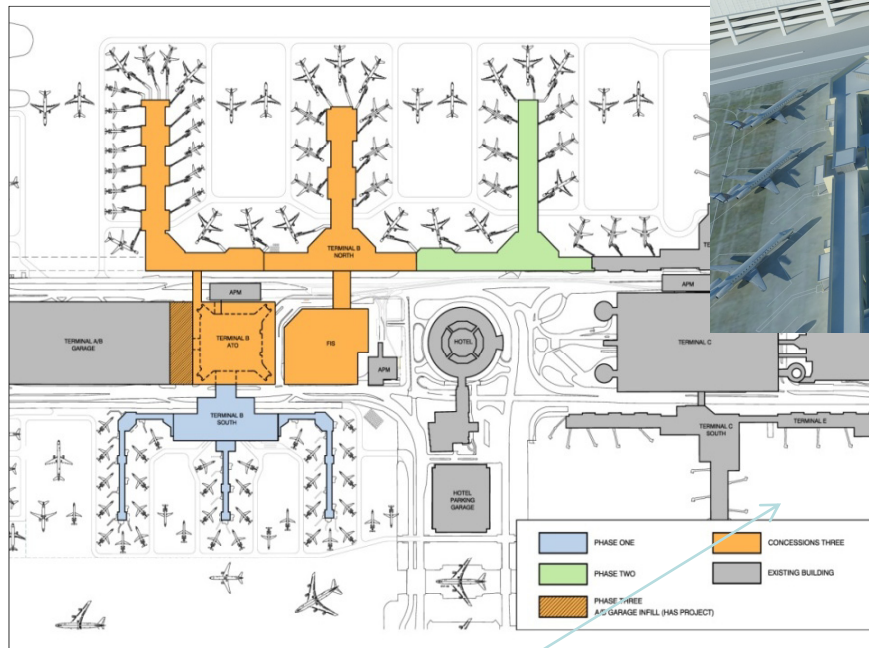
Merger with Southwest and AirTran

- Southwest has proposed international service from Hobby airport



United's \$1 Billion Terminal B Redevelopment

- United to fund terminal/concourses with \$700 MM of SFRBs
- Houston Airports to fund ramp and airfield infrastructure with \$300 MM of PFCs



Strategies for Airport Sustainability

- **At the local level, Airports can:**
 - Focus air service development efforts on foreign flag carriers
 - Work to attract “New Entrant” carriers, such as: Southwest, Jet Blue, Spirit, and Virgin America in the U.S., and RyanAir, Volaris, Air Asia, and others, elsewhere
 - Share investment risk with airlines

- **At the national and international levels, we need to:**
 - Strengthen government competition policies/oversight to ensure open and fair access to airport facilities
 - Continue progress towards liberalized international air service agreements

Thank you

