Fitch Affirms Rating on
New Orleans Aviation Board $144M Bond Series 2009

FOR IMMEDIATE RELEASE – June 25, 2010, New Orleans – Yesterday Fitch Ratings affirm an 'A-' rating on approximately $144.3 million New Orleans Aviation Board revenue refunding bonds series 2009. The general airport revenue bonds are secured by a pledge of general revenues collected at Louis Armstrong New Orleans International Airport with a Stable Outlook.

"We're pleased that Fitch affirmed the A- rating with the stable outlook," stated Iftikhar Ahmad, Director of Aviation at Armstrong International. "We continue to grow our air service and this rating shows their confidence in New Orleans and our city's leadership."

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Fitch Affirms New Orleans Aviation Board's $144MM Series 2009 Revs

NEW YORK--(BUSINESS WIRE)--Fitch Ratings affirms the New Orleans Aviation Board's (NOAB) approximately $144.3 million revenue refunding bonds series 2009 at 'A-'. The bonds are secured by a pledge of general revenues collected at Louis Armstrong New Orleans International Airport (the airport), after payment of operating and maintenance expenses, on a first lien pari passu basis. The Rating Outlook on the series 2009 bonds is Stable. Fitch currently rates NOAB's stand alone passenger facility charge revenue bonds 'A-' with a Negative Outlook.

The 'A-' rating reflects the airport's diverse carrier base and commitment of both legacy and low cost airlines to servicing Louis Armstrong New Orleans International Airport, the lack of significant competing facilities within the air service area, the significant recovery in airline traffic since hurricane Katrina hit New Orleans in 2005, a healthy balance sheet with adequate liquidity and moderate leverage levels, and management's demonstrated control of airline cost structure throughout the past five years. Principal credit concerns include the region's exposure to event risk namely tropical storms and flooding, the exposure to discretionary business travel, and possible volatility associated with the significant tourism and convention business industries in the local economy.

The region's significantly reduced population and economy in the aftermath of Katrina resulted in a dramatic decline in passenger traffic, with passenger volume decreasing by 20% in each of fiscal years 2005 and 2006 to a low of 3.1 million enplanements. This reduction represents a drop of 958,100 and 795,800 enplanements for 2005 and 2006 respectively. However, significant service gains allowed for a strong recovery in 2007 and 2008 with enplanements growing at 21.1% and 5.9% respectively reaching approximately 4 million in 2008. Fiscal 2009 ended with a 2.1% decrease in enplaned passengers due to the effects of the economic recession and reduced airline activity. Management expects enplanements to increase in 2010 by 3.3%, although year-to-date enplanements as of April are only 0.8% higher than the same period in fiscal 2009. A 4% growth rate is forecast by Management for the period 2010 to 2013 which Fitch views as having the potential to be optimistic given the recent traffic volatility the airport has been experiencing.

The airport has managed to retain a diverse mix of airlines despite the decline in enplanements. An increase in activity by Southwest Airlines (Southwest; Issuer Default Rating 'BBB'; Outlook Negative) brought its share of total enplanements to 1.1 million or 30.3% in 2009 from 24.2% in 2006. Other carriers with a significant presence at the airport include Delta and Continental Airlines accounting for 13.9% and 13.1% of enplanements respectively. Additional carrier service of one daily flight by Midwest Airlines to Kansas City took effect in May 2010 while Frontier resumed a daily flight service to Denver International as of June 2010. Southwest also increased its Baltimore service and started service to St. Louis earlier this year. Southwest, the primary carrier at New Orleans airport will have scheduled non-stop service to 13 cities with an average of 39 daily departures compared to 57 daily non-stops pre-Katrina. Additions in service, new routes and upgrades in aircraft size are necessary catalysts for improving traffic activity going forward. Fitch views solid enplanement levels and consistent growth favorably as key drivers to greater financial flexibility and a more controlled airline cost structure.

In the face of significant passenger declines as of 2005, the airport managed to control its cost structure by setting rates and charges by resolution helping to hold airline costs flat, to levels historically experienced by carriers at the airport, at an average cost per enplanement (CPE) of $9.38 for the period 2005 to 2009. The recent renewal of the Airline Use and Lease Agreement, executed in January 2009, demonstrates a solid commitment of signatory carriers to the airport and the New Orleans market, despite the challenges that have impacted the air service area. The renewal of this five-year term agreement helped boost airline revenues by 5.3% in 2009, although still resulting in a CPE of $10.30. The 9.2% increase in CPE over 2009 is due to the drop in enplanements that same year. Over the past five years, operating revenues outperformed operating expenses at a compounded annual growth rate of 5% versus -0.7%. Despite the historical volatility in revenues, the last three years recorded strong airline revenue growth of 19.9%, 7.2% and 5.3% for 2007, 2008 and 2009 respectively due to the significant rebound in enplanements (in 2007 and 2008) and the newly negotiated airline-airport agreement in 2009. The airport maintains a healthy liquidity position giving its greater flexibility and security in managing operations and debt obligations. Unrestricted funds as of fiscal 2009 stood at $81.8 million representing 5.6 times (x) the annual debt service obligation or 646 days cash on hand. The airport generated coverage results ranging from 1.29x to 1.85x over the five-year period with 2009 showing a 1.52x coverage. The NOAB budgets an increase of 7.6% in operating revenues (10% airline revenue and 3% non-airline revenue) and an increase of 6.9% in operating expenses for fiscal 2010. Under various Fitch scenarios that contemplate a more conservative growth in enplanements than management, there is the potential for CPE costs to rise into the $13.00 range should traffic activity not grow over the next three years as per management projections. Such CPE levels could constrain financial flexibility and pressure ratings.

The airport's current five-year capital improvement plan totals $318 million over the next several years and will fund a mix of airfield and terminal side modernization and rehabilitation projects. These capital projects are being or will be funded from federal and state grants, PFCs, third-party funding, and other available funds of the Board. At this time, the NOAB does not expect to issue any new debt in the short term.

Although the New Orleans airspace has seen significant recovery, traffic will continue to be challenged to reach pre-Katrina levels. Although the New Orleans area continues to benefit from the rebuilding funds coming in for housing reconstruction, levee work, infrastructure projects, the convention business and tourism industries have weakened due to the recession. The local unemployment rate, while up slightly from last year (7.2% for April 2010), remains below the national average. Fitch notes that while some New Orleans area businesses have been negatively affected by the British Petroleum (BP) oil spill in the Gulf of Mexico, it is too early to determine the long-term economic impact on the city. New leadership at the airport and in the city government and the possibility for airport privatization, all have the potential for near-term changes in governance and airport operations. Fitch will continue to monitor any changes that may affect the credit as these events unfold. New Orleans, a destination city, will remain vulnerable to external shocks resulting from weather events (hurricanes and flooding) and the performance of the U.S. national economy.

Applicable criteria available on Fitch's web site at 'www.fitchratings.com' include:

--'Rating Criteria for Infrastructure and Project Finance' (Sept. 29, 2009);

--'Airports Rating Criteria Handbook for General Airport Revenue, PFC and Letter of Intent Bonds' (March 12, 2007).

Additional information is available at 'www.fitchratings.com'.

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