

BACKGROUND AND OVERVIEW

The concept of having a facility that would provide a link for quick access across the border to U.S. based passengers interested in flying out of the Tijuana International Airport (TIJ) has been entertained in the San Diego Region for many years.

The South County Economic Development Council commissioned, in October 1998, one of the first studies aimed at establishing the feasibility of a “Cross-Border Air Passenger Terminal Facility” that would provide direct access to U.S. based passengers to the TIJ passenger terminal. The study assessed relevant technical, legal, market and infrastructure issues on both sides of the U.S. - Mexican border in an effort to determine the feasibility of such a facility. The study concluded that even though serious legal and bi-national hurdles would need to be resolved, the demand, interest and economic impact of such a facility would greatly benefit the region.

In late 2006, the San Diego County Regional Airport Authority (SDCRAA) retained the firm of SH&E to conduct a preliminary feasibility analysis concerning the potential development and use of a facility that would connect the U.S. with TIJ and provide direct access across the border to U.S. based passengers flying in and out of TIJ. Similar to the conclusions reached in the 1998 study, this study concluded that there are no insurmountable obstacles to bringing the cross-border terminal concept forward toward potential implementation. However, the study highlighted various regulatory, political, economic and logistical concerns that would have to be resolved prior to implementation including a high-degree of bi-national consultation, cooperation and negotiations between project proponents on both sides of the U.S. – Mexico border and the governments of the United States and Mexico.

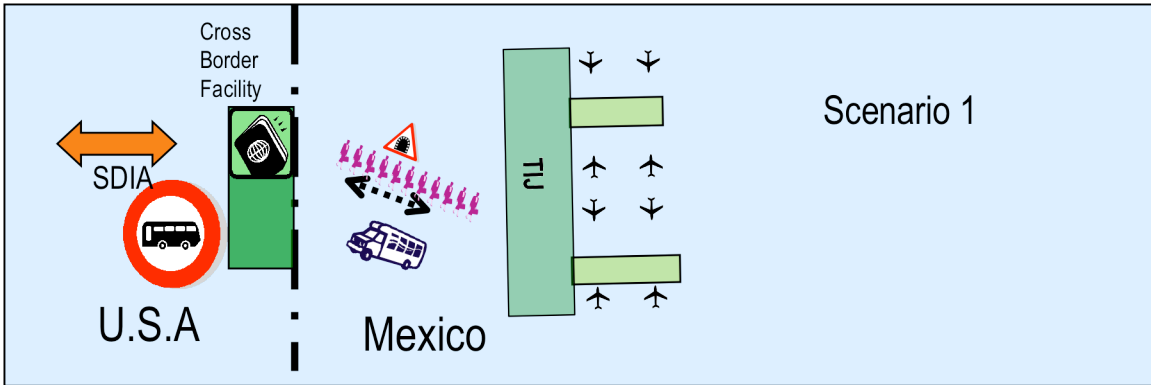
The SH&E study also recommended an action plan that included further analysis and studies of the cross-border terminal concept, including the development of a market demand study. The objective of the market demand study would be to establish the size and type of demand for a cross-border facility connecting the U.S directly with the TIJ for the exclusive use of U.S based passenger wanting to fly in and out of TIJ. The study would also determine the impact that this demand would have on San Diego International Airport (SDIA) and on TIJ.

As a continuation of the SH&E study, the SDCRAA retained, in August of 2007, the team of Infrastructure Management Group, Inc., Oliver Wyman, Pacific Gateway Group and Competitive Edge (“the IMG Team”) to conduct the Market Demand Study.

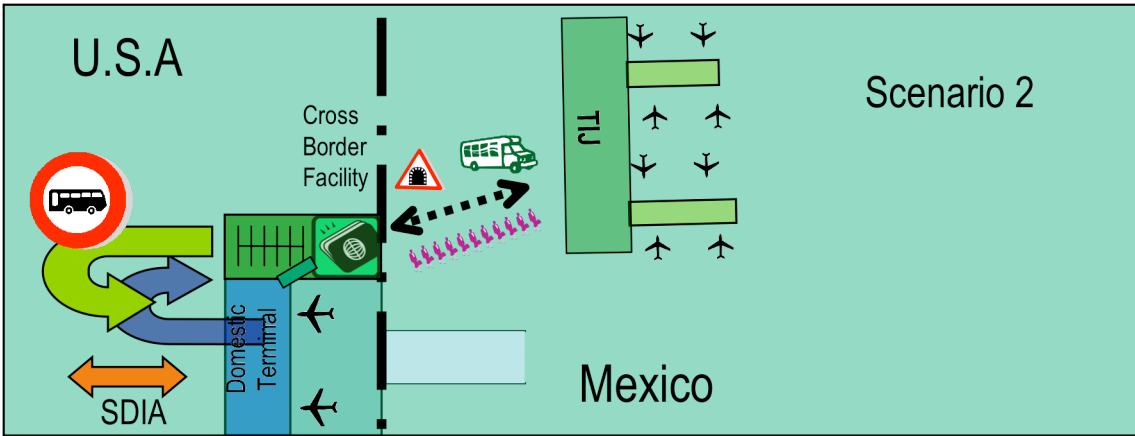
CONCEPT OF THE CBT

Several scenarios have been entertained during the years with the aim of satisfying the incipient underserved demand due to the fast economic growth of the region. Based on the results of the market demand study, the following two scenarios have been identified as the most suitable:

- 1. **Port of Entry Type Facility.** Under this concept the cross-border facility would operate similarly to the pedestrian ports of entry between the U.S. and Mexico, albeit with a significant difference: the cross-border facility would be for exclusive use of air passengers. It would only process passengers entering from the U.S. into Mexico that are flying out of TIJ, and passengers coming from TIJ passenger terminals into the U.S.



- 2. **U.S. Domestic Passenger Terminal and Point of Entry Facility:** Under this concept the cross-border facility would be built as a U.S. domestic passenger terminal building on the U.S. side of the border, but the arriving and departing aircraft would use TIJ's airfield. The terminal would be used only by aircraft flying to and from U.S. airports. The building would also house a port of entry facility identical to the one described above, allowing passengers to cross the border to use TIJ.



ORGANIZATION OF THE STUDY

Based on the objectives and scope the study is presented in the following five chapters:

- Chapter 1. Socio-Economic Data:** Discusses socio-economic data that generally influences air travel within the area of interest for the study.
- Chapter 2. Assessment of Existing Airport Facilities:** Evaluates the existing TIJ and SDIA airports and their capacity, in an effort to identify issues and concerns that could impact, positively or negatively, the expected demand of a CBT.
- Chapter 3. Assessment of Current and Past Trends of Border Crossing:** Examines current cross border travel practices of residents of San Diego and neighboring counties that have used TIJ for travel.
- Chapter 4. Field Research Analysis:** Examines the results of an extensive field research effort to identify issues and concerns from potential users of a cross-border terminal that could influence the demand for such a facility. The research included focus group sessions, telephone interviews of San Diego and Imperial Counties residents, airport passenger surveys at SDIA and TIJ, and interviews with U.S and Mexican based airport user groups.
- Chapter 5. Impact the CBT May Have on SDIA and on TIJ Passenger Growth Rates:** Discusses the results of the analysis of the potential demand for a CBT and the impact it could have on air traffic travel at SDIA and TIJ. The analysis also addresses variations in the potential demand caused by changes in critical elements, such as limiting international flights at TIJ. This chapter also includes a preliminary high-level economic impact assessment of a CBT in the region.