

AN ORDINANCE 2007-12-13-1332

AMENDING THE SAN ANTONIO INTERNATIONAL AIRPORT AIR SERVICE INCENTIVE PROGRAM TO PROVIDE FOR AN INCREASE IN THE ADVERTISING REIMBURSEMENT AMOUNTS TO ELIGIBLE AIRLINES, LIMITED LANDING FEE WAIVERS, ADVERTISING REIMBURSEMENTS TO NEW CARRIERS ENTERING THE SAN ANTONIO MARKET, LIMITED INSPECTION SERVICE FEE WAIVERS, AND LIMITED ADVERTISING REIMBURSEMENTS FOR SERVICE TO MONTERREY, MEXICO.

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WHEREAS, the San Antonio Air Service Incentive Program ("Incentive Program") was originally presented to City Council in B-Session on October 25, 2001 and was developed as an overall effort by the City to increase air service to the San Antonio community; and

WHEREAS, the Incentive Program was revised in May 2006 by Ordinance 206-05-04-0531 to encourage new non-stop service to all unserved domestic destinations and jet service to Monterrey, Mexico; and

WHEREAS, an Air Service Development Blue Ribbon Task Force, composed of representatives from the San Antonio business community and the Greater Chamber of Commerce has recommended that the Incentive Program be revised to encourage new service to unserved and underserved target areas; and

WHEREAS, the City Staff has identified additional viable areas through which to incentivize such new nonstop service, i.e. greater reimbursement amounts, landing fee and inspection fee waivers; **NOW THEREFORE:**

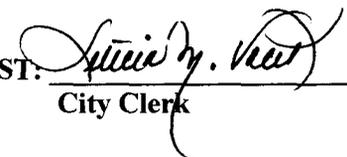
BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

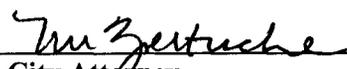
SECTION 1. The revised San Antonio International Airport Air Service Development Program, as copy of which is attached as Attachment I, is approved and authorized to be implemented as written.

SECTION 2. This Ordinance shall take effect immediately upon passage by eight (8) affirmative votes; otherwise it shall be effective ten (10) days after its passage.

PASSED AND APPROVED this 13th day of December, 2007.


MAYOR
PHIL HARDBERGER

ATTEST: 
City Clerk

APPROVED AS TO FORM: 
for City Attorney

San Antonio International Airport Air Service Development Incentive Program – FY 2008

OBJECTIVE:

San Antonio currently averages approximately 140 daily commercial passenger flights to 40 destination airports. San Antonio business leaders and governmental officials have established a goal of increasing the number of non-stop routes from San Antonio to U.S. and international markets.

The City of San Antonio realizes that there are financial risks associated with an incumbent carrier starting new routes and additional challenges associated with the introduction of a new airline brand to the San Antonio market. Both situations can also be exacerbated by the current challenges facing the airline industry.

In order to meet the demands of a growing and diversified market, the City's Aviation Department is funding the **2007-08 San Antonio International Airport Air Service Development Incentive Program** ("Program") to support new air service. The objective is to alleviate some of the financial risks airlines encounter with the start of new routes not currently served on a non-stop basis and to assist a new airline brand entering the San Antonio market to introduce itself to a new customer base.

INCENTIVE PROGRAM:

Subject to certain conditions listed below, the **Incentive Program** provides marketing reimbursement up to \$100,000 for advertising costs to (1) the first air carrier initiating new non-stop service on any unserved routes; and (2) an air carrier entering the San Antonio market for the first time (entrant airline). Marketing incentives up to \$200,000 and a promotional waiver of landing fees for a 12-month period from the start of service is offered to the first air carrier initiating non-stop service on certain "targeted" unserved routes. Landing fee waivers will also be available for a 12-month period, commencing at the start of service, to any air carrier adding frequencies in certain "targeted" markets that currently have non-stop flights.

Air carriers may receive up to \$200,000 in marketing reimbursements and Federal Inspections Service (FIS) fee waivers for initiating service on new unserved international routes for a 12-month period commencing with the start of service.

Any air carrier availing itself of the San Antonio International Airport Air Service Marketing Program incentive will be required to execute a Memorandum of Agreement (MOU). A copy of the MOU is provided in Attachment I. This Incentive Program will be available at the City's discretion on a fiscal year basis (October 1 to September 30). All advertising funds, landing fee waivers and FIS charge waivers are subject to approval by City Council.

A. Any New Domestic U.S. Air Service Routes

San Antonio's Program offers advertising/promotional reimbursement for initiation of any new air service routes from San Antonio within the continental U. S. under the following conditions:

- a) A maximum of \$100,000 is available to the first air carrier that begins a new scheduled non-stop route providing at a minimum one (1) daily round-trip frequency, five (5) days per week, on a "mainline" jet aircraft (e.g., Airbus 320, Boeing 737, MD-80, Embraer 190/195, Canadair-900, etc.) configured with 80 seats or greater.
- b) A maximum of \$75,000 is available to the first air carrier that begins a new scheduled non-stop route providing a minimum of one (1) daily round-trip frequency, five (5) days per week, on a regional jet (e.g., CRJ-700, Embraer 170/175, etc.) configured with between 51 and 79 seats.
- c) A maximum of \$50,000 is available to the first air carrier providing non-stop flights on a new route with a minimum of one (1) new daily frequency, five (5) days per week, on a regional jet (RJ) aircraft (e.g., Canadair CRJ, or Embraer ERJ, Fairchild FRJ, etc.), usually configured with between 35 and 50 seats. Alternatively, should an air carrier initiate two (2) frequencies within 120 days from the initiation date of the first new non-stop flight on the same route using a regional jet with a seat capacity equal to or greater than the above described "mainline" jet aircraft, a maximum of \$100,000 is available for reimbursement of advertising that is in support of the new service.
- d) For the above "subparagraphs A.a through A.c", the new round-trip route must result in a net increase in the number of daily flights by the air carrier and continue for a minimum of 12 months from the start date of the new service. An unserved market is defined as one that has never had service from San Antonio or has been without non-stop service for a period of 24 months prior to October 1, 2007. Any route service that was discontinued within 24 months prior to October 1, 2007 and reinstated by the same air carrier before September 30, 2008 SHALL NOT QUALIFY for the advertising reimbursement incentive under this Program. In the event that two or more airlines announce service on the same unserved route, the incentive will be paid to the airline that is first to initiate service on that route. Of the eligible marketing allowance, an initial marketing amount of the lesser of 25 percent or \$50,000 will be reimbursed to the Airline by the City to cover start-up marketing expenses. This initial amount will not be subject to route/flight continuation and the City will not reclaim such amount from Airline. Reimbursement of the remaining eligible amount of marketing expenses will be subject to the air carrier's continuation of the eligible flight for 12 months (365 days) from the start date. If the non-stop service is discontinued within 12 months from initiation, the air carrier will reimburse the City based on a pro-rated amount rounded to the nearest completed month of operation in accordance with the terms of the MOU (Attachment I).

- e) All media plans and other marketing plans must be approved by the Aviation Director prior to expenditure for which reimbursement is sought. Marketing is defined as advertising, receptions, promotions, banners, direct mail, familiarization trips, etc. Under the paid advertising portion of the program, the Airport will offer the air carrier reimbursement for advertising that is contracted in the local San Antonio area, or for a combination of advertising in the San Antonio area and the new destination market, as long as the reimbursable advertising expenses promote the new route. Reimbursement payment to the airline for eligible expenses, proof of payment by airlines, and an invoice from the air carrier indicating the total amount due not to exceed the amount eligible under this Incentive Program.
- f) The advertising incentive will be available to only the first airline to announce and initiate new scheduled service on a new route between October 1, 2007 and September 30, 2008. The airline must accept the Airport's written offer of advertising incentive funds within thirty (30) days from the date of initiation of new non-stop route, execute a MOU with the City, and agree to reimburse the City should the new service be discontinued within 12 months of initiation.
- g) The advertising incentive will be available to both signatory and non-signatory airlines provided that the airline has signed the City of San Antonio's signatory *Airline-Airport Use and Lease Agreement* or non-signatory *Airline-Airport Operating Permit Agreement*.

B. New Targeted Domestic Route Air Service

Under the same conditions stated in Sections A(d) through A(g) above, the first air carrier to initiate non-stop service to the following "targeted" markets will receive double the amount offered for reimbursement of advertising costs outlined in Sections A(a) through A(c), as well as a one-year waiver of landing fees for the corresponding new non-stop service:

- Boston, MA (BOS)
- Miami, FL (MIA)
- Ft. Lauderdale, FL (FLL)
- Oakland, CA (OAK)
- Seattle, WA (SEA)
- New York, NY (JFK)
- Philadelphia, PA (PHL)
- Washington, DC (DCA)

Example: Non-stop daily service, single frequency, to Seattle on a 737-700 would be eligible to apply for a \$200,000 reimbursement for advertising costs and a waiver of \$57,465.60 (\$1.23 Landing Fee per 1,000 Landed Weight x 365 days) for one year of landing fees associated with the new service for a total incentive of \$257,465 .60.

C. Additional Frequencies for Targeted Domestic Route Air Service

Air carriers adding additional non-stop frequencies in the following already served "targeted" markets will be eligible for a one-year waiver of landing fees:

- Chicago, IL (ORD or MDW)
- Atlanta, GA (ATL)
- Newark, NJ (EWR)

The new round-trip frequency must result in a net increase in the number of daily flights by the air carrier and continue for a minimum of 12 months from the start date of the new service. If the non-stop service is discontinued within 12 months from initiation, the air carrier must reimburse the City for a pro-rated amount of the waived landing fees in accordance with the terms of the MOU. No route frequency that was discontinued within twelve years months prior to October 1, 2007 and reinstated by the same air carrier before September 30, 2008 shall qualify for the landing fee waiver.

D. New Entrant Branding Support

Under the conditions stated in Sections A(d) through A(g) above, San Antonio's Incentive Program will offer advertising/promotional reimbursement to a new entrant air carrier as follows:

- a) A maximum of \$100,000 is available to the first air carrier that begins a new scheduled non-stop route providing at a minimum one (1) daily round-trip frequency, five (5) days per week, on a "mainline" jet aircraft (e.g., Airbus 320, Boeing 737, MD-80, Embraer 190/195, Canadair-900, etc.) configured with 80 seats or greater.
- b) A maximum of \$75,000 is available to the first air carrier that begins a new scheduled non-stop route providing a minimum of one (1) daily round-trip frequency, five (5) days per week, on a regional jet (e.g., CRJ-700, Embraer 170/175, etc.) configured with between 51 and 79 seats.
- c) A maximum of \$50,000 is available to the first air carrier providing non-stop flights on a new route with a minimum of one (1) new daily frequency, five (5) days per week, on a regional jet (RJ) aircraft (e.g., Canadair CRJ, or Embraer ERJ, Fairchild FRJ, etc.), usually configured with between 35 and 50 seats. Alternatively, should an air carrier initiate two (2) frequencies within 120 days from the initiation date of the first new non-stop flight on the same route using a regional jet with a seat capacity equal to or greater than the above described "mainline" jet aircraft, a maximum of \$100,000 is available for reimbursement of advertising that is in support of the new service.

E. All New International Air Service Routes

In recognition of the growing importance of linking San Antonio with international markets, and further promoting our community as a global trade and tourism partner, San Antonio will offer one-year waiver of FIS charges and provide advertising/promotional reimbursement incentives for initiation of new non-stop international flights on unserved routes from San Antonio to international destinations under the following conditions:

- a) A maximum of \$200,000 for a minimum of five (5) flights per week on a year-round basis with mainline jet aircraft described in Section A(a).
- b) A maximum of \$150,000 for a minimum of three (3) flights per week on a year-round basis using mainline jet aircraft described in Section A(a) or a minimum of one (1) daily round-trip frequency, five (5) days per week, on a regional jet described in Section A(b).
- c) A maximum of \$100,000 is available to the first air carrier providing non-stop flights on a new route with a minimum of one (1) new daily frequency, five (5) days per week, on a regional jet (RJ) aircraft described in Section A(c) configured with between 35 and 50 seats. Alternatively, should an air carrier initiate two (2) frequencies within 120 days from the initiation date of the first new non-stop flight on the same route using a regional jet with a seat capacity equal to or greater than the above described "mainline" jet aircraft, a maximum of \$200,000 is available for reimbursement of advertising that is in support of the new service.
- d) Conditions outlined in Sections A(d) through A(g) above will apply to all new non-stop international routes.

Should the total number of passengers on the new international route double during the second 12 months of operation, the FIS fee collected during the second 12 months of operating the eligible flight will be credited back to the airline at the end of this second period.

F. Targeted Monterrey, Mexico Jet Service

San Antonio currently has non-stop service to Monterrey, Mexico on a 50-seat jet aircraft. However, recognizing the growing trade and commerce between San Antonio and Monterrey, Mexico and the desire of City of San Antonio officials to garner larger capacity jet service with over 50 available passenger seats from a carrier to this highly valued Mexico market, a special one-time incentive for reimbursing advertising expenses is available through September 30, 2008 to the first air carrier to announce and initiate daily/weekly non-stop flights using jet aircraft with greater than 50 passenger seats. Conditions outlined in Sections A(d) through A(g) above will also apply.

G. Additional Airport Sponsored Incentives for New Non-Stop Routes

- a) The Airport advertising billboard, located on airport property at the corner of U.S. Highway 281 and South Terminal Drive, will include airline and new non-stop destination announcements. This information will be displayed for a minimum of three (3) months, coinciding with the introduction of the new service. This non-exclusive advertising on the Airport billboard will be provided at no charge to the airline initiating non-stop service to a new destination.
- b) As determined by the Aviation Director, advertising inside the terminals and at other strategic venues available under the current advertising concession agreement with Clear

Channel Airport Advertising may be provided in support of the new entrant and new routes.

c) To promote new air service and non-stop flights, the Aviation Department produces two (2) quarterly publications and one TV show. These marketing venues include:

- ***Flight Guide.*** San Antonio International Airport's quarterly publication, *Flight Guide*, will feature the airline and the new scheduled non-stop service on the outside and inside cover. The advertising will appear in the first quarterly *Flight Guide* that is published following the announcement of the new non-stop service, as long as the flights begin during the intended quarter. *Flight Guide* is inserted in the *San Antonio Business Journal* and distributed to its 10,000 subscribers. As such, it is an excellent direct mail piece directly reaching the San Antonio business community to promote existing and new air service. The Aviation Department also places ads in various community newspapers offering to mail a copy of the *Flight Guide* upon request. Additional copies of this publication are mailed directly to parties who have asked to be on a mailing list and want to regularly receive this publication. *Flight Guides* are also sent to the local chambers of commerce. They are either sent to the chambers for distribution or directly mailed to chamber members. This is another direct marketing effort promoting direct flights available to the San Antonio business community.
- ***Flight Plan.*** *The San Antonio International Airport Flight Plan* newsletter features articles concerning airport business and economic development. It specifically spotlights new air service and is sent to area chambers of commerce, surrounding area newspapers, travel agents and individual businesses and industry leaders.
- ***Airport Airwaves.*** The City's Aviation Department produces four "Airport Airwaves" TV shows annually on TVSA, Television for San Antonio, Channel 21, a government access channel granted to the City of San Antonio. The Aviation Department's productions provide to the general public information and updates on events and programs impacting the airport traveler. When applicable, a selected production will also spotlight an air carrier and new non-stop flights introduced during the quarter. An "Airport Airwaves" production usually airs for a three-month period, three times per week.

d) Other direct marketing and promotion of San Antonio air service include the following:

- In conjunction with the airline making the announcement, the Aviation Department will issue press releases and organize/sponsor a press conference and an inaugural event in promotion of all new non-stop routes and/or new airline brands introduced into the San Antonio market.
- Recognizing that the Airport serves a large portion of central and south Texas, the Aviation Department purchases advertising in local, as well as area, telephone

directories. Depending on the space available, the airlines servicing the Airport are listed along with gate locations.

- The Aviation Department web site also features the airlines serving the Airport, along with telephone numbers for reservations and direct links to airline homepages. Feature buttons on the Aviation Department's web site link to news announcements regarding new air service.

The City of San Antonio reserves the right to close or extend any portion of this incentive Program to future applicants. However, if at any time the FAA determines that this Incentive Program does not comply with any federal laws, rules, regulations, or grant agreements, then the Aviation Department shall immediately terminate this program by written notice to the airlines serving San Antonio and all other participants in this Program.

The Aviation Department is continuously working with area businesses to determine their level of interest and traffic volume commitment on specific carriers on specific routes. Additionally, the Aviation Department collaborates with the San Antonio Convention and Visitors Bureau, the City's Economic Department, and other visitor industry entities to target other advertising funding in new destination markets.

The City has developed the Strategic Targeted Routes Airline Incentive Plan focusing on reimbursement from non-Airport funds for certain start-up operating costs. These non-Airport funds are available following successful negotiation of a bundled route package to multiple targeted destinations and contingent upon approval by City Council.

ADDITIONAL INFORMATION:

For additional information, please contact Barbara Prossen at (210) 207-3459.

**CITY OF SAN ANTONIO INTERNATIONAL AIRPORT
AIR SERVICE INCENTIVE AGREEMENT**

This Memorandum of Agreement is entered into by and between the City of San Antonio (City), acting by and through its Aviation Director, and _____ (Airline) organized and existing under the laws of the state of _____, and is intended to memorialize the agreement between the City of San Antonio and the Airline under the terms of the San Antonio International Airport Air Service Development Incentive Program (Program), approved by City Council on _____, a copy of which is attached hereto and incorporated herein.

The City and the Airline, by their signatures to this Memorandum of Agreement, acknowledge that their agreement related to marketing incentives and landing charge and Federal Inspection Service fee waivers is to be governed by the Program. It is understood and agreed that the Airline and the eligible new non-stop service that Airline is offering at the San Antonio International Airport fall into Section ___ of the Program and the maximum eligible marketing reimbursable incentive is \$ _____. Of this eligible allowance, an initial marketing amount of \$ _____ will be reimbursed to Airline by City for start-up marketing expenses. Once this initial amount is reimbursed to Airline by City, City will not assert any claims against Airline for such initial amount, and the amount will not be subject to route continuation. Reimbursement of the remaining amount of \$ _____ will be subject to continuation of the eligible flight for a minimum of 12 months (365 days) from the start date. These funds must be reimbursed or refunded on a pro-rated basis, rounded to the nearest completed month, to City by Airline if Airline leaves the market and/or discontinues the new non-stop route earlier than twelve (12) months (365 days) from the service start date. In the event that Airline fails to refund such funds within thirty (30) days of City's request, Airline expressly consents to City's right to deduct the funds from Airline's Refund, if Airline is entitled to such a Refund under the Airline Agreement. This remedy shall be cumulative upon all other remedies available to City.

If eligible under the terms and conditions of the Program, the landing charge, currently set at \$ ___ per 1,000 pounds aircraft landed weight, will be waived for a maximum of 12 months (365 days) from start date that the eligible flight is in service. For international flights, the FIS fee, currently set at \$ ___ per international arriving passenger, will be waived for a maximum of 12 months (365 days) from start date or during a lesser period should the eligible service be discontinued during 12 months from the start date. Should the total number of passengers on the eligible international route double during the second consecutive 12 months of operation, the FIS fee collected during the second consecutive 12 months will be credited back to the airline at the end of this period for international passengers arriving on the eligible route.

The term of the Agreement shall be one year starting from the effective of this Agreement. If applicable, the Agreement may be extended up to two (2) years to cover FIS fee waivers/credits subject to the terms and conditions of Section E of the Program. At the end of the period, the Agreement is not subject to extension, but shall terminate automatically.

The effective date of this Memorandum of Agreement shall be _____.

IN WITNESS WHEREOF, the City of San Antonio and the Airline have caused this Memorandum of Agreement to be executed by their duly authorized officers, as of the _____ day of _____.

Attachment I