

# **San Antonio International Airport Air Service Development Incentive Program**

## **OBJECTIVES:**

San Antonio International Airport (“SAT”) currently averages 130 daily commercial passenger departures to over 30 destination airports. The City of San Antonio has established a goal of attracting additional air carriers and increasing the number of non-stop routes from SAT to U.S. and international airports in order to stimulate competition, enhance the public’s choices for air travel and facilitate an increase in traffic at SAT.

The City of San Antonio recognizes that SAT competes with other airports for limited air carrier resources. The City realizes that there are challenges associated with the introduction of a new route and/or airline brand in the San Antonio market. The public’s awareness of new non-stop flights on unserved routes and new airlines entering the market is key to its continuation. In order to meet the demands of a growing and diversified market, the City of San Antonio through its Aviation Department is offering to all similarly situated air carriers the **San Antonio International Airport Air Service Development Incentive Program** (“Program”). This Program is authorized by the San Antonio City Council pursuant to Ordinance \_\_\_\_\_ dated \_\_\_\_\_.

## **IMPLEMENTATION OVERVIEW:**

The City’s Aviation Department will use marketing incentive funds and landing fee rebates to attract new non-stop flights between SAT and unserved airports. Individual incentives will be available for no longer than 365 days commencing on the start date of the new service. Seasonal non-stop flights are not eligible for incentives under this Program. Uninterrupted year-round flights on unserved routes will be eligible for incentives.

Program incentives include funding for advertising costs associated with the introduction of new flights on unserved routes and/or new airline entrant brands beginning service at SAT. Incentives also include landing fee rebates for certain “targeted” routes. Funding levels for marketing and advertising vary based on the number of weekly frequencies on a single unserved and/or targeted non-stop route. Seven weekly flights on a single eligible route qualify to receive the maximum allowed marketing support. Reduced marketing support for the new air service may be available with less than seven weekly flights. However, there is a minimum requirement of at least three weekly flights in order to be eligible for marketing and advertising support.

The costs associated with this Program will not be included in the rate base for SAT airlines not participating in the Incentive Program without their express permission. Incentive offers will be extended to all similarly situated air carriers initiating flights on unserved routes on a “first-come-first-serve” basis. All offers for funding marketing expenses and landing fee rebates will be initiated by the Aviation Director in writing with offered amounts limited by Program guidelines and the particular fiscal year’s allocation. Marketing incentives and landing fee rebates will be available for no longer than a 365-day period beginning on the first day of the first month following the start date of the new air service.

Discontinuing air service on the incentivized route before the agreed-upon period ends will require a proportionate reimbursement of marketing funds to the City of San Antonio. Reducing weekly frequencies on the route during the incentivized period to less than the agreed upon level will reduce the amount of marketing funds to be spent and/or result in a proportionate reimbursement to the City for dollars already spent. Flight reductions to less than three weekly frequencies during the 365-day incentive period will require a proportionate reimbursement.

Any air carrier (hereafter referred to as the “Applicant”) wishing to participate in this Incentive Program will be required to submit an application and execute the Aviation Department’s Incentive Agreement prior to the start date of the new air service. Under the Incentive Agreement, the Applicant agrees to the applicable level of marketing incentives and agrees to reimburse the City for a portion of the marketing expenditures should the new service be discontinued or the frequencies be reduced within 365 days from the start date of service or the frequency drop below three weekly flights.

The incentives will be available to all similarly situated air carriers whether operating at SAT as a signatory or non-signatory airline provided that the airline has signed or signs the City of San Antonio’s *Airline-Airport Use and Lease Agreement* or *Airline-Airport Operating Permit Agreement*.

This Incentive Program is set forth for a 30-month period beginning April 1, 2011 and ending September 30, 2013. Funding for marketing and fee rebates will not exceed \$250,000 during the fiscal year ending September 30, 2011. During the budget process for fiscal years 2012, 2013 and 2014, the Aviation Department will establish a budget to include the marketing program (expenditure budget) and the estimated rebate of landing fees (contra revenue account budget). Each fiscal year budget for 2012 and 2013 should not exceed \$350,000; however, implementation may be continued into fiscal year 2014 for approved applications initiated before September 30, 2013. Once the budgeted funds in a given fiscal year are expended, the Program will be suspended until new or revised fiscal budgets are approved by the San Antonio City Council.

If at any time the FAA determines that this Incentive Program does not comply with any federal laws, rules, regulations, or grant agreements, the Aviation Department shall either immediately suspend noncompliant portions of the Program or terminate this Program by written notice to the airlines serving San Antonio and all other participants in this Program.

#### **I. MARKETING EXPENSE FUNDED BY AVIATION DEPARTMENT**

The City of San Antonio Aviation Department offers to advertise and promote ANY new U.S. and international service initiated at SAT and defined as: (i.) non-stop service to an airport destination not currently served and (ii.) new entrant carriers. Any Applicant that discontinued flights on a currently unserved route and is reinstating flights within 24 months of the stop date SHALL NOT QUALIFY for incentives offered under this Program for said route. This provision shall apply to any Applicant that has purchased or merged with another air carrier that previously provided service on the unserved route and is reinstating flights within 24-months of the stop date.

This Program does not provide direct payments to the airline for marketing and advertisement expenses. It instead offers to the airline an opportunity to develop a customized marketing plan in collaboration with the City's marketing firm and the Aviation Department. The marketing firm will make procurements not to exceed a specified dollar amount, which will be established by the Aviation Director based on the level of service and the Aviation Department's budget status at the time the new service begins. The marketing and promotional plan, jointly developed between the air carrier and the City's marketing firm, must be approved by the Aviation Director prior to implementation. Marketing is defined as advertising, receptions, promotions, banners, direct mail, familiarization trips, etc. The joint marketing and advertising plan will promote the San Antonio International Airport, the eligible air carrier's brand and the new route.

In the event that two or more airlines announce service on the same unserved route, marketing incentives under this Program will be offered by the City to the first air carrier to start air service on the unserved route.

Of the eligible marketing allowance, an initial amount of 25 percent will be paid by the City to cover start-up advertising expenses and will not be reclaimed by the City's Aviation Department should the air carrier discontinue the new service within the required 365-day period. The balance of marketing and advertising expenses paid by the City's Aviation Department for the remaining eligible amount will be subject to the air carrier's continuation of the eligible flight for 365 days commencing with the start date of new service. If the non-stop service is discontinued within 365 days from the start date, the air carrier will reimburse the City based on a pro-rated amount rounded to the nearest completed month of operation in a 12-month period.

The Aviation Department collaborates with the area Chambers of Commerce, the San Antonio Convention and Visitors Bureau, the City's Economic Development Department, and other visitor industry entities to target available advertising funding in new destination markets.

**A. MARKETING SUPPORT FOR NEW NON-STOP FLIGHTS INITIATED ON ANY UNSERVED U.S. & INTERNATIONAL ROUTES**

This Program offers to advertise and promote flights initiated on all new unserved non-stop routes from SAT to U.S. and international airports under the following conditions and levels of service:

- a) A maximum of \$100,000 is available to any air carrier that begins scheduled flights on an unserved route provided the service level is at least a minimum of one (1) daily round-trip frequency occurring seven (7) days per week for a maximum of 365 consecutive days.
- b) A maximum of \$75,000 is available to any air carrier that begins scheduled flights on an unserved route provided the service level is at least a minimum of one (1) daily round-trip frequency occurring five or six (5 or 6) days per week for a maximum of 365 consecutive days.
- c) A maximum of \$50,000 is available to any air carrier that begins scheduled flights on an unserved route provided the service level is at least a minimum of one (1)

daily round-trip frequency occurring three or four (3 or 4) days per week for a maximum of 365 consecutive days.

**Note:** Incentives will be offered on a “first-come-first serve” basis for each unserved non-stop route. The maximum incentive amount available to the Applicant will be allocated by the Aviation Director in accordance with the level of frequencies initiated as of the “start date” and the Aviation Department’s Air Service Incentive Program Budget. Should the Applicant increase frequencies during the initial 365-day period of the new service, additional marketing incentive funds will not be allocated. Should frequencies be reduced below the “start date” level, a proportionate reimbursement will be due to the City. Please refer to Section III of this document for a Summary Table of this Incentive Program.

**B. ADVERTISING INCENTIVES FOR “TARGETED” U.S. & INTERNATIONAL ROUTES**

The City’s Aviation Department offers to any air carrier initiating non-stop flights on unserved U.S. and international “targeted” routes **DOUBLE** the advertising incentives outlined above in Paragraphs A (a) through A(c)

The following table lists the City’s. “targeted” U.S. and international routes:

<b>DOMESTIC TARGET DESTINATIONS</b>	
Boston, MA (BOS)	Kansas City, MO (MCI)
Miami, FL (MIA)	Sacramento, CA (SMF)
Ft. Lauderdale, FL (FLL)	Albuquerque, NM (ABQ)
Seattle, WA (SEA)	Raleigh/Durham, NC (RDU)
Philadelphia, PA (PHL)	New Orleans, LA (MSY)
Washington, DC (DCA)	Indianapolis, IN (IND)
St Louis, MO (STL)	Orange County, CA (SNA)
New York/Kennedy, NY (JFK)	
<b>INTERNATIONAL TARGET DESTINATIONS</b>	
Guadalajara, Mexico (GDL)	Los Cabos, Mexico (SJD)
Mexico City, Mexico (MEX)	Monterrey, Mexico (MTY)
Puerto Vallarta, Mexico (PVR)	Toluca, Mexico (TLC)
Calgary, Canada (YYC)	Toronto, Canada (YYZ)

**Note:** Incentives will be offered on a “first-come-first serve” basis for each targeted route listed above. Once the targeted route listed above is served, it is no longer eligible for incentives under the San Antonio International Airport Air Service Development Incentive Program. The exception would be seasonal non-stop flights provided by an airline on a targeted route which would make the targeted route still available for incentives to the first air carrier initiating year-round service. Please refer to Section III of this document for a Summary Table of this Incentive Program.

### C. NEW ENTRANT BRAND MARKETING

In order to attract increased competition, non-stop routes and facilitate travel choices for San Antonio passengers, the City's Aviation Department offers to any new entrant air carrier marketing and advertising support to familiarize the local market with the new brand serving the airport. The entrant airline's brand will be advertised at **DOUBLE** the largest applicable advertising dollar level detailed above in Paragraphs A(a) through A(c). For example, a new entrant airline serving either a served or unserved route five days per week would be eligible for up to \$150,000 to advertise its brand in San Antonio.

All unserved routes flown by the new entrant air carrier, will be marketed by the City's Aviation Department at **DOUBLE** the applicable advertising funds detailed above in Paragraphs A(a) through A(c) as long as such does not exceed the amount available for a target market (Section B). For example, a new entrant air carrier serving any unserved or targeted route five days per week would be eligible to receive \$150,000 in marketing support to promote the new service in addition to brand marketing support. Please refer to Section III of this document for a Summary Table of this Incentive Program.

### D. ADDITIONAL AVIATION DEPARTMENT 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 advertisement on the airport billboard will be provided at no charge to the airline initiating non-stop service to a new destination.
- b) 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 covers. 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. As an insert, the *Flight Guide* is distributed as a direct mail piece to the 10,000 subscribers of the *San Antonio Business Journal*. As such, it is an excellent advertising vehicle that directly reaches the San Antonio business community. 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 offices for distribution or directly mailed to chamber members. This is another direct marketing effort promoting non-stop 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 three “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.

c) Other direct marketing and promotions of new air service include the following:

- In conjunction with the airline making the announcement, the Aviation Department will issue press releases and sponsor an inaugural press event to promote all new non-stop routes and/or new airline entrant brands beginning service at SAT.
- 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 serving SAT are listed along with gate locations.
- The Aviation Department website 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 Aviation Department also utilizes social media sites such as Facebook and Twitter to announce and promote new air service.

## **II. LANDING FEE REBATES FOR TARGETED ROUTES**

In addition to advertising incentives, any air carrier initiating non-stop flights on a “targeted” U.S. or international route (listed above in Section B) will be eligible to receive a rebate of paid landing fees (an amount per 1000 pounds of aircraft landed weight applicable to all commercial air carriers and established each fiscal year by the City). The landing fees eligible for rebatement will be those applicable to the particular flights flown on the incentivized route during the 365-day period commencing on the first day of the month following the month that service begins.

The City’s Aviation Department will not issue checks for rebated landing fees. All rebated fees will be returned to the air carrier as a credit, which will be applied to landing fees accrued during the period subsequent to the incentivized period. Granting rebates will be contingent upon the air carrier maintaining uninterrupted service on the incentivized route for a minimum period of 365-days commencing with the start date of the new service. The credit can be applied to any and all future landing fees due to the City commencing on the first date of the month following

the incentivized period. For example, if service begins June 7, 2011 the landing fees eligibility period begins July 1, 2011 and the credit is applied to landing fees beginning July 1, 2012.

Landing fee rebates will be available for all daily frequencies flown on the targeted route during the incentivized 365-day period. This is contingent upon flights remaining at a level of not less than three weekly frequencies during the incentivized period. For example, if an airline initially starts service on the targeted route with three daily flights per week and half way through the incentivized 365-day period increases the frequencies to five days per week, the landing fees for the increased frequencies will also be rebated. Conversely, if the frequencies drop below the minimum requirement of three weekly flights any time during the 365-day incentivized period, the air carrier will no longer be eligible for landing fee rebates.

**Note:** Incentives will be offered on a “first-come-first serve” basis for each targeted route listed above. Please refer to Section III of this document for a Summary Table of this Incentive Program.

### **III. SUMMARY TABLE**

Category	Prerequisites	SAT’s Advertising/ Promotional Plan Expenditures			Fee Rebated	Duration
		3x/4x Week	5x/6x Week	7x Week		
<b>Frequency:</b>	<b>Flight</b>					
Incumbent Air Carrier Serves Any New U.S. or International Unserved Route	. Any Airport Not Served from SAT Within Most Recent 24-Month Period by Applicant Airline and not a “Targeted” Market	\$50,000	\$ 75,000	\$100,000	_____	365 days starting from initiation service date
Incumbent Air Carrier Serves “Targeted” U.S. or International Route	. Marketing for EACH New Unserved Targeted Route Not Previously Served Within a 24-Month Period by Applicant Airline	\$100,000	\$150,000	\$200,000	Landing Fees for ALL Flights Flown by Applicant Airline on Targeted Route During Incentive Period	365 days starting from initiation service date
New Entrant Air Carrier	. New Entrant “Brand” Marketing Promotion	\$100,000	\$150,000	\$200,000	_____	365 days starting from initiation service date
	. Marketing if New Entrant Initiates Service on Any New Unserved Route	\$100,000	\$150,000	\$200,000	_____	
	. Marketing if New Entrant Initiates Service on Unserved Targeted Route	\$100,000	\$150,000	\$200,000	Landing Fees for ALL Flights Flown by Applicant Airline on Targeted Route During Incentive Period	

**SAMPLE**  
**SAN ANTONIO INTERNATIONAL AIRPORT**  
**AIR SERVICE INCENTIVE AGREEMENT**

This Air Service Incentive Agreement (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 it amends any current or future agreement or permit entered into between the City of San Antonio and Airline for use of any premises at San Antonio International Airport. This Agreement is entered pursuant to 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 Agreement, acknowledge that all incentives provided hereunder are 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 incentive, to be paid directly to City's marketing firms, is \$\_\_\_\_\_. Of this eligible allowance, an initial marketing amount of \$\_\_\_\_\_ will be expended by City for start-up marketing expenses. Once this initial amount is expended, City will not assert any claims against Airline for such initial amount, and the amount will not be subject to route continuation. Expenditure 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, if expended, must be 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 repay such funds within thirty (30) days of City's request, Airline expressly consents to City's right to (1) deduct the funds from Airline's competitive credit, if Airline is entitled to or offered such under the Airline-Airport Use Agreement, and (2) make a claim under any security instrument, such as a bond or letter of credit, provided by Airline to City under the Airline-Airport Use Agreement, Airline Operating Permit, or City Ordinance. These remedies shall be cumulative upon all other remedies available to City.

If applicable under the Program, landing charges paid by Airline to City during the 12 month-period commencing on the first day of the month following the start date of the eligible flight will be rebated to Airline in the form credits that will be applied to landing fee charges assessed after the end of such 12-month period.

The term of the Agreement shall be one year starting from the effective of this Agreement. If necessary, the Agreement may be extended beyond one-year to cover any applicable rebates under the terms 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 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 \_\_\_\_\_.

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**Attachment I**