



City of San Antonio

Agenda Memorandum

File Number:16-2894

Agenda Item Number: 20.

Agenda Date: 5/19/2016

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Noel T. Jones

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Air Service Incentive Development Program at San Antonio International Airport

SUMMARY:

The Air Service Incentive Development Program is a tool used by airports to increase airline capacity, services and competition to better serve the customers and businesses in San Antonio and the South Texas region. The proposed revisions will provide an expansion of the incentives available to new, eligible international routes to and from the San Antonio International Airport. It will also extend the program an additional year with a new expiration date of September 30, 2019. The revisions build upon the current program approved by City Council in November 2015.

BACKGROUND INFORMATION:

The Air Service Incentive Program has is a tool utilized by the San Antonio Airport System to assist in attracting new and expanded air service to the San Antonio International Airport. The current program was approved by City Council in November 2015.

Proposed Revisions

The proposed changes will build upon modifications approved by City Council at the November 12, 2015 meeting and are focused on developing unserved international routes. The changes center on the creation of new incentive offers for unserved international routes, and are expected to lead to expansion of our current international air service.

New: Additional Marketing and Fee Waivers

The current program has marketing incentives and landing fee waivers for 12 months. The proposed revisions will expand the marketing incentives and landing fee waiver for a second year up to 50% of the amounts in the first year of the program for eligible international routes.

New: Federal Inspection Fee Waivers

The current program does not address waivers of federal inspection fees - fees charged by airports to the airline for processing passengers through Customs and Border Protection. The proposed revisions will waive the federal inspection fees during the first year and up to 50% of these fees during the second year so long as the airline remains in compliance with the minimum departure requirements and the term of their Incentive Agreement.

All fee waivers will be subject to the terms and conditions of the program. If a carrier discontinues international route operations at the airport or fails to maintain the minimum departures requirements during the 24-month incentivized period, it will be in default of the agreement and all incentives will be terminated.

ISSUE:

The Air Service Incentive Program encourages new non-stop air service between San Antonio and unserved or underserved destinations. It is an acceptable industry practice for U.S. airports to provide air carriers incentives for the purpose of encouraging initial customer awareness of newly started routes and/or new entrant airline brands serving the market for the first time. The program is also consistent with the City's policy of increasing air service.

ALTERNATIVES:

City Council could choose not to support the Air Service Incentive Program. However, by not offering marketing and support incentives for new non-stop routes, San Antonio International will be put at a competitive disadvantage with other U.S. airports offering airlines incentives for new airlines or new non-stop or underserved routes.

FISCAL IMPACT:

Funding for marketing incentives for each year of the Program will be recommended as part of the annual operating budget for the Aviation Department. This action will not have a fiscal impact as the FY 2016 Operating and Maintenance Budget reflects \$600,000.00 in marketing incentives and \$1,000,000.00 in rent and fee waivers.

RECOMMENDATION:

Staff recommends the approval the revisions to the Air Service Incentive Program for the San Antonio International Airport.