



# City of San Antonio

## Agenda Memorandum

**File Number:**19-8584

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**Agenda Item Number:** 29.

**Agenda Date:** 12/12/2019

**In Control:** City Council A Session

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**DEPARTMENT:** Aviation

**DEPARTMENT HEAD:** Russell J. Handy

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Air Service Incentive Program for the San Antonio International Airport

### **SUMMARY:**

The Air Service Incentive Program is a tool used by the Aviation Department to encourage airlines to increase scheduled nonstop air service to and from San Antonio International Airport (SAT). The Aviation Department has revised the Air Service Incentive Program to better target routes that meet the community's travel requirements and reorganized the program to be more streamlined and efficient than its predecessor agreement. Funds in the amount of \$800,000.00 are available in the FY 2020 Airport Operating and Maintenance Budget.

### **BACKGROUND INFORMATION:**

Domestic airports have routinely employed Air Service Incentive Programs since the 1990s. The Federal Aviation Administration (FAA) allows airports to provide certain incentives through marketing funds and fee waivers to attract new airlines and/or new service from existing carriers for new or underserved markets. The FAA maintains strict guidelines on how incentive programs are structured to retain fair market competition and also dictates where incentive funds may and may not be allocated.

The airport held an Air Service Incentive Program for SAT that was approved by City Council in November 2015, revised in May 2016, and expired on September 30, 2019.

### **ISSUE:**

Following a review of incentive programs at a number of peer airports, the Aviation Department has revised its program to increase competitiveness and streamline the program language.

As with the recently expired program, the new Air Service Incentive Program will offer air carrier marketing incentives and fee waivers based on criteria such as the level of service and whether the air carrier is a new carrier to SAT. Criteria is as follows:

- The air carrier must offer nonstop scheduled passenger service from SAT to an eligible market
- The carrier must provide the service for 12 or 24 consecutive months (seasonal service will now be eligible)
  - The 12-month period applies to both new entrant domestic carriers and existing carriers serving new nonstop domestic routes
  - The 24-month period applies to a designated list of “targeted” domestic markets; all international markets; and those carriers that serve a specified minimum number of markets from San Antonio (“focus city”)
  - Seasonal service, both domestic and international, must be maintained for a minimum of three consecutive months to qualify for an incentive

The goal for the new Air Service Incentive Program is to increase nonstop scheduled air service and subsequent passenger traffic at SAT and to sustain this service long-term. Adjustments are needed from the previous program in order for SAT to remain competitive against other airports in an ever-changing aviation industry. Revisions include increased amounts for new destinations both domestically and internationally, dividing incentives for international service by transoceanic and non-transoceanic, and adding a large city focus incentive to include a one-time new entrant marketing incentive and enhanced fee waivers. Incentive dollars for seasonal service is also included.

The Air Service Incentive Program will be reviewed as part of the annual budget process to ensure the air service incentive prerequisites, marketing incentive levels and fee waiver levels are aligned with the air service goals for the upcoming fiscal year. The City Manager or his/her designee will have the authority to amend the program and air carrier agreement to ensure the air service goal can be met. The program will be renewed annually each fiscal year.

Exhibit 1 (attached) summarizes and illustrates qualifying criteria, incentive types and amounts, and eligible periods for proposed incentives.

## **ALTERNATIVES:**

City Council could choose not to support the Air Service Incentive Program. However, based on a review of peer airports, by not offering marketing and support incentives for new non-stop routes, San Antonio International Airport will not be as competitive.

## **FISCAL IMPACT:**

This ordinance authorizes the Air Service Incentive Program for the San Antonio International Airport to increase nonstop scheduled air service and passenger traffic and to sustain this service. Funds in the amount of \$800,000.00 are available in the FY 2020 Airport Operating and Maintenance Budget. Any subsequent program

years will be dependent on City Council's approval of the Annual Budget.

**RECOMMENDATION:**

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