

**CITY OF HOUSTON - CITY COUNCIL**Meeting Date:  
District B, District I

Item Creation Date: 8/24/2015

HAS - Carrier Incentive Program 2015-2017

Agenda Item#:

**Summary:**

**AN ORDINANCE APPROVING AND AUTHORIZING AN UPDATED CARRIER INCENTIVE PROGRAM FOR THE HOUSTON AIRPORT SYSTEM; PROVIDING A MAXIMUM PROGRAM AMOUNT; MAKING FINDINGS AND CONTAINING OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; PROVIDING FOR SEVERABILITY; AND DECLARING AN EMERGENCY.**

**Background:****RECOMMENDATION:**

Enact an ordinance approving and authorizing a two-year Carrier Incentive Program for the Houston Airport System

**SPECIFIC EXPLANATION:**

On January 29, 2014 City Council enacted Ordinance No. 2014-0080 approving and authorizing a Carrier Incentive Program for the Houston Airport System (HAS) to attract air service in new markets and bring new carriers to Houston.

The program has contributed to attracting many new airlines and opening numerous new routes, including:

- Korean Air to Seoul, South Korea
- United Airlines to Munich, Germany
- SAS Scandinavian Airlines to Stavanger, Norway
- Interjet to Monterrey, Mexico and Mexico City, Mexico
- United Airlines to Santiago, Chile
- United Airlines to Punta Cana, Dominican Republic
- Volaris to Guadalajara, Mexico
- Spirit Airlines to Toluca, Mexico
- All Nippon Airways to Tokyo, Japan
- EVA Air to Taipei, Taiwan
- WestJet to Calgary, Canada
- Air New Zealand to Auckland, New Zealand (beginning December 2015; not funded under current program)

Due to Houston's success in attracting new flights, funding for the existing program will be fully committed by October 2015. HAS is requesting to renew the program for another two years, to be effective from October 2015 to October 2017 with a budget of \$18 million as was established in the previous program.

All components and conditions of the program are proposed to remain unchanged, including an abatement of Landing Fees, abatement of Federal Inspection Services Charges, Marketing Support, and for New Entrant Carriers, supplemental Marketing Support and abatement of Turn Charges. The program will only pay an incentive if qualifying new air service materializes and will be on a first-come first-served basis. The program is designed to comply with the FAA's airport revenue standards, which restricts the amount, duration and terms of incentives that an airport may offer to attract new air service.

The incentive package would vary depending on the type of air service and could range in value from roughly \$250,000 for daily narrow-body service on a domestic route by a new entrant carrier to roughly \$4.5 million for daily wide-body service to an international unserved market by a new entrant carrier.

Details on potential incentives by type of service are as follows:

**1. Incentives for New International Markets to/from Houston****a. Scheduled International Passenger Service from IAH/HOU\***

- Two-year abatement of landing fees
  - Two-year abatement of Central Federal Inspection Services charges
  - \$400,000 for marketing support during year 1 for daily service (prorated if less than daily)
- \* A market is only new to Houston if it is not already served from either IAH or HOU

**b. Scheduled or Scheduled Charter International Cargo Service from IAH**

- Two-year abatement of landing fees
- \$125,000 for marketing support during year 1 for daily service (prorated if less than daily)

2. Incentives for New Entrant Carrier to Houston

a. Scheduled International Passenger Service from IAH/HOU

- One-year abatement of Turn Charges (arrival/departure area charge and ticketing area fee per passenger)
- One-time New Entrant Carrier benefit of \$400,000 for marketing presence during year 1 for daily service (prorated if less than daily)

b. Scheduled Domestic Passenger Service from IAH/HOU

- One-time New Entrant Carrier benefit of \$250,000 for marketing presence during year 1 for daily service (prorated if less than daily)

c. Scheduled or Scheduled Charter International Cargo Service from IAH

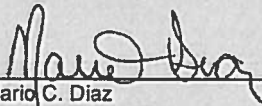
- One-time New Entrant Carrier benefit of \$125,000 for marketing presence during year 1 for daily service (prorated if less than daily)

Carrier Incentive Program Budget for Fiscal Year 2016 and out years:

Summary of Payments:	Marketing Funds	Abatements of Fees & Charges	TOTAL
FISCAL YEAR 16:	\$ 2,000,000	\$ 2,037,087	\$ 4,037,087
OUT YEARS:	\$ 2,850,000	\$ 11,112,913	\$ 13,962,913
<b>TOTAL</b>	<b>\$ 4,850,000</b>	<b>\$ 13,150,000</b>	<b>\$ 18,000,000</b>

The estimated annual economic impact to the Houston region of new international passenger air services implemented since 2013 is \$1.3 billion.

Director's Signature:



Mario C. Diaz  
Houston Airport System

**Amount of Funding:**

FY16	\$ 4,037,087	
Out years	\$ 13,962,913	
<b>Total</b>	<b>\$ 18,000,000</b>	HAS Revenue Fund (8001)

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**ATTACHMENTS:**

Description	Type
<u>HAS - Carrier Incentive Program 2015-2017 - Ordinance</u>	Ordinance/Resolution/Motion