



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 10/24/2017

District B, District I

Item Creation Date: 9/27/2017

HAS - Air Service Incentive Program

Agenda Item#: 7.

Background:

RECOMMENDATION:

Enact an ordinance approving and authorizing an Air Service Incentive Program for the Houston Airport System.

SPECIFIC EXPLANATION:

On September 16, 2015 City Council enacted Ordinance No. 2015-860 approving and authorizing a two-year Carrier Incentive Program for the Houston Airport System (HAS) to attract air service in new markets and bring new carriers to Houston.

The current program has contributed to welcoming several new airlines and opening numerous new routes, including:

- Air New Zealand to Auckland, New Zealand
- Texas Sky to Victoria, Texas
- AirBridge Cargo to Abu Dhabi, United Arab Emirates
- Singapore Airlines to Manchester, England
- Cargologic Air to Frankfurt, Germany
- United Airlines to Havana, Cuba

With the current Carrier Incentive Program reaching the end of its two-year term, HAS is requesting to renew the program, with minor revisions, for another two years, to be effective from October 2017 – October 2019 with a budget of \$18 million as was established in the previous program.

The program provides various incentives, including the abatement of Landing Fees, abatement of Federal Inspection Services Charges, Marketing Support, and abatement of Turn Charges. The program will only pay an incentive if qualifying new air service materializes and funding will be on a first-come first-served basis. The program is designed to comply with the FAA's airport revenue standards, which restrict the amount, duration, and terms of incentives that an airport may offer to attract new air service.

With the success of previous programs, the components and conditions for the next two-year program are proposed to remain largely unchanged. However, for this coming program, HAS proposes a market-focused approach to enticing new air service, providing for slightly greater incentives for air service to/from Asia and Africa which are underserved relative to other areas of the world.

Under the proposed program, by way of example, a new daily international flight to/from India would receive approximately \$4 million in reduced fees and other incentives. Such a flight would produce more than 100,000 annual enplaned passengers, providing a positive economic impact to the City. These passengers would also generate roughly \$800,000 in non-airline revenue each year for the airport, which would cover the \$4 million incentive cost in five years.

A summary of the program is as follows:

A. Incentives for New Markets to/from Houston

1. Scheduled Passenger Service

Tier 1 – International Service to Asia and Africa (IAH)

- Two-year abatement of Landing Fees
- Two-year abatement of Central Federal Inspection Services charges
- \$500,000 for marketing support during year one for daily service (prorated if less than daily)

Tier 2 – International Service to Other Markets (IAH or HOU)

- Two-year abatement of Landing Fees
- Two-year abatement of Central Federal Inspection Services charges
- \$400,000 for marketing support during year one for daily service (prorated if less than daily)

2. Scheduled or Scheduled Charter International Cargo Service (IAH)

- Two-year abatement of Landing Fees
- \$100K (4-7 weekly flights) or \$50K (1-3 weekly flights) for marketing support during year one

B. Incentives for New Entrant Carriers to Houston

1. Scheduled Passenger Service

Tier 1 – International Service to Asia and Africa (IAH)

- One-year abatement of Turn Charges (arrival/departure area charge and ticketing area fee per passenger)
- \$500K for marketing support during year one for daily service (prorated if less than daily)

Tier 2 – International Service to Other Markets (IAH or HOU)

- One-year abatement of Turn Charges (arrival/departure area charge and ticketing area fee per passengers)
- \$400K for marketing support during year one for daily service (prorated if less than daily)

Tier 3 – Domestic Service to Any Market (IAH or HOU)

- \$250K for marketing support during year one for daily service for routes greater than 500 miles (prorated if less than daily)
- \$100K for marketing support during year one for daily service for routes less than 500 miles (prorated if less than daily)

2. Scheduled or Scheduled Charter International Cargo Service (IAH)

- One-year abatement of Landing Fees
- \$100K (4-7 weekly flights) or \$50K (1-3 weekly flights) for marketing support during year one

Program Budget:

FY18: \$ 1,575,000

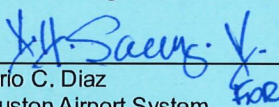
Out Years: \$16,425,000

Total: \$18,000,000

Fiscal Note:

Funding for this item is included in the FY18 Adopted Budget. Therefore, no fiscal note is required as stated in the Financial Policy Ord. 2014-1078. See attached "Attachment A."

Director's Signature:



Mario C. Diaz
Houston Airport System

Andy Icken
Chief Development Officer

Amount of Funding:

\$18,000,000 total – HAS Revenue Fund (8001)

Contact Information:

Todd Curry 281/233-1896

Ian Wadsworth 281/233-1682