



CITY OF HOUSTON - CITY COUNCIL

Meeting Date:
District B, District I
Item Creation Date: 8/22/2019

HAS - Air Service Incentive Program 2019-2021

Agenda Item#:

Background:

RECOMMENDATION:

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

SPECIFIC EXPLANATION:

On October 25, 2017 City Council enacted Ordinance No. 2017-824 approving and authorizing a two-year Air Service 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 new airlines and opening numerous new routes, including:

- BahamasAir to Nassau, Bahamas
- United Airlines to Mazatlan, Mexico
- United Airlines to Sydney, Australia
- Turkish Airlines Cargo to Istanbul, Turkey
- Boutique Air to Victoria, Texas
- CAL Cargo to Tel Aviv, Israel

With the current Air Service 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 2019 to September 2021 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 the coming program, HAS proposes including Europe and South America as Tier 1 for international market qualification along with Africa and Asia, adding a new "market expansion" category for service to a net new market for the applicable carrier (regardless of current service levels) and incentivizing domestic growth by creating benefit for routes not served from Houston.

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 75,000 annual enplaned passengers, providing a positive economic impact to the City. These passengers would also generate roughly \$575,000 in non-airline revenue each year for the airport, which would cover the \$4 million incentive cost in seven 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, Africa, Europe and South America

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

Tier 2 – International Service to Other Markets

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

Tier 3 – Domestic Service

- Two-year abatement of Landing Fees

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

- Two-year abatement of Landing Fees
- \$100,000 (for 4-7 weekly flights) or \$50,000 (for 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, Africa, Europe and South America

- One-year abatement of Turn Charges (arrival/departure area charge and ticketing area fee per passenger)
- \$500,000 for marketing support during year one for daily service (prorated if less than daily)

Tier 2 – International Service to Other Markets

- One-year abatement of Turn Charges (arrival/departure area charge and ticketing area fee per passenger)
- \$400,000 for marketing support during year one for daily service (prorated if less than daily)

Tier 3 – Domestic Service

- \$250,000 for marketing support during year one for daily service for routes greater than 500 nautical miles (prorated if less than daily)
- \$100,000 for marketing support during year one for daily service for routes less than 500 nautical miles (prorated if less than daily)

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

- One-year abatement of Landing Fees
- \$100,000 (for 4-7 weekly flights) or \$50,000 (for 1-3 weekly flights) for marketing support during year one

C. Incentives for Market Expansion by an airline starting service on a route that is new to them. An airline is eligible to apply under this new category only if the new service does not qualify for benefit under the “New Entrant” or the “New Market” categories of the program.

1. Scheduled Passenger Service to International Markets

- One-year abatement of Central Federal Inspection Services charges
- One-year abatement of Landing Fees

2. Scheduled Passenger Service to Domestic Markets

- One-year abatement of Landing Fees


3. Scheduled or Scheduled Charter Cargo Service to or from International Markets

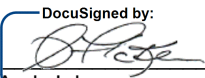
- One-year abatement of Landing Fees

Fiscal Note:

Funding for this item is included in the FY20 Adopted Budget. Therefore, no fiscal note is required as stated in the Financial Policies.

Director's Signature:

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Mario Diaz
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 Houston Airport System

DocuSigned by:

Andy Locke
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 Chief Development Officer

Estimated Spending Authority			
DEPARTMENT	FY2020	OUT YEARS	TOTAL
Houston Airport System	\$1,950,000.00	\$16,050,000.00	\$18,000,000.00

Amount of Funding:

\$18,000,000.00
 HAS Revenue Fund
 Fund 8001

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