



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 23

Agenda Date: May 18, 2023

In Control: City Council A Session

DEPARTMENT: Aviation Department

DEPARTMENT HEAD: Jesus H. Saenz Jr.

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 provide the Aviation Department with greater flexibility for attracting more international air service to the San Antonio International Airport. Funding in the amount of \$950,000.00 is budgeted in the FY 2023 Airport Operating and Maintenance Fund for this program.

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 current Air Service Incentive Program was approved through Ordinance 2019-12-12-1056 in December 2019 and offers air carrier marketing incentives and fee waivers based on criteria such as level of service and whether the air carrier is a new carrier to the airport. Criteria is as follows:

- The air carrier must offer nonstop scheduled passenger service from the San Antonio International Airport 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 Air Service Incentive Program is to increase is to increase nonstop scheduled air service and subsequent passenger traffic at SAT and to sustain this service long-term. Since December 2019, the following new service has initiated:

- New carrier JetBlue launched service to Boston (unserved) and JFK
- New Carrier Spirit Airlines launched service to Los Angeles, Orlando, Baltimore-Washington and Fort Lauderdale (unserved). Spirit Airlines will launch services to Los Angeles on May 8, 2023.
- VivaAerobus launched service to Leon/Bajio (Mexico)
- Sun Country launched service to Cancun
- Frontier Airlines launched service to Atlanta and Philadelphia (unserved)
- Southwest Airlines launched service to the unserved markets of Colorado Springs and Oklahoma City

These new routes have an estimated total annual economic impact to the San Antonio Region of \$291,359,640.00.

ISSUE:

The goal for the amendment to the Air Service Incentive Program is to increase nonstop scheduled air service and subsequent passenger traffic at SAT to international markets. The proposed amendment will assist the Airport System in its efforts to remain competitive against other airports in an ever-changing aviation industry.

The proposed changes include:

- Increasing the Year 2 Fee Waivers for Landing and Federal Inspection Station Fees to 100% (from 50%) for Unserved International Routes for all categories and increasing the eligibility period for Year Two to 100%.
- Creating three new categories
 - Targeted Unserved International Route: Europe, South America, Asia, Middle East and Africa
 - Targeted Unserved International Route: North America, Central America and Caribbean (including Puerto Rico and the United States Virgin Islands)

- New Entrant International Air Carrier with a minimum 104 departures for each scheduled route

ALTERNATIVES:

City Council could elect to not approve the amendment which would result in the San Antonio International Airport being less competitive than other domestic airports in attracting new air carriers and/or service to unserved international markets.

FISCAL IMPACT:

This ordinance will amend the Air Service Incentive Program for the San Antonio International Airport to promote new and additional international air service. Funding in the amount of \$950,000.00 are budgeted in the FY 2023 Airport Operating and Maintenance Fund for this program.

RECOMMENDATION:

Staff recommends the amendment to the Air Service Incentive Program for the San Antonio Airport System.