



City of Santa Barbara
Airport Department

Meeting: 07/12/18
Agenda Item No. 3

DATE: July 12, 2018
TO: Airport Commission, Budget Subcommittee
FROM: Hazel Johns, Airport Director
SUBJECT: Amendments to Air Service Incentive Program

RECOMMENDATION:

That the Budget Subcommittee recommend approval of the amendments to the Airport's 2009 Air Service Incentive Program to Airport Commission.

DISCUSSION:

Background

With more than 400 commercial service airports in the U.S., Santa Barbara Airport competes fiercely for new air service. While large airports seldom must compete for new carriers and destinations, small and medium-sized airports must make extraordinary efforts to attract new service. Typically, air carriers will expect to be offered incentives to choose service from one airport over others. As a result, consistent with industry practice and in compliance with federal regulations, in 2009 the Airport implemented an Air Service Incentive Program with the objective of attracting both new air carriers and new non-stop service to destinations that remain without service.

Air Service Incentive Program

The 2009 Air Service Incentive Program provided a waiver of landing fees for new nonstop destinations for a limited time not to exceed twelve consecutive months; and marketing incentives not to exceed \$50,000. In order to be eligible for the Incentive Program, the new or incumbent airline must provide new nonstop service to a destination not served within the last 12 months; and the airline must provide a minimum of five flights per week. The Airport used this program on one occasion when Express Jet withdrew service to Sacramento and Horizon Airlines reinstated the service for one year.

Amendment to Air Service Incentive Program

In past years, new and incumbent carriers have qualified for incentives by starting new daily, non-stop service. More recently, two ultra-low-cost carriers (ULCCs) announced their intention to bring new less-than-daily service to Santa Barbara Airport. While one carrier has committed to scheduled service through June 2019, the second carrier is

committed to seasonal service through mid-December. Both air carriers are seeking waiver of landing fees and marketing support. The proposed amendments to the existing Air Service Incentive Program address the unforeseen circumstance that an air carrier may seek to introduce less-than-daily or seasonal service at the Airport. Incentives may still be offered for such service, however, in a manner commensurate with the level of service.

Changes to the Air Service Incentive Program include: service provided must be a minimum of three days per week; and marketing support can be in the form of economic and non-economic investments in promoting the new service. Examples of marketing support include advertising purchases, promotional events as well as earned media publicity. Airport staff resources also are dedicated to the marketing and promotion of new service.

PREPARED BY: Business Development/Marketing

ATTACHMENT: Draft Amended City Council Resolution