



City of Santa Barbara
Airport Department

Meeting: 7/12/18
Agenda Item No. 4

DATE: July 12, 2018
TO: Airport Commission
FROM: Hazel Johns, Airport Director
SUBJECT: Revised Airport Rates and Charges – “Per Turn Fee”

RECOMMENDATION:

That the Budget Subcommittee recommend to Airport Commission approval of the addition of a ‘per turn fee’ to the schedule of commercial air carrier Airport Rates and Charges.

DISCUSSION:

The Airport’s current schedule of rates and charges are a combination of landing fees (a fee based on 1,000 lbs. of aircraft landed weight), jet bridge and remain-over-night fees, exclusive space square foot rental fees and joint use space square foot rental fees. Currently, the formula for calculation of joint use space (baggage make-up area, baggage claim/inbound baggage, gate/hold room space) is an industry-typical methodology that considers both the number of air carriers utilizing the space and the respective market share of the carriers at the Airport. The model works relatively well when the carriers do not deviate significantly in flight operations or relative market share. As a result, the cost sharing of joint space between the Airport’s three current carriers is considered fair.

The entrance of ultra low-cost carrier Sun Country Airlines presents a unique challenge not previously considered in the development of airport rates and charges. Sun Country will not commit to service beyond a seasonal schedule and will only serve the Airport twice a week during that schedule. Thus, recalculating the joint use cost share to include Sun Country does not appear to be an appropriate approach.

Airport staff has identified another common industry methodology for the fair calculation of rates and charges in such instances. This methodology is based on a ‘per turn’ model where one ‘turn’ is viewed as an arrival and departure of a single aircraft. The Airport would apply a ‘per turn fee’ in instances of an air carrier intending to offer less than thrice (3x) weekly and/or seasonal air service, and presumes that the air carrier also will pay the higher non-signatory rates for exclusive use space such as ticket counters and airline ticket office space.

A 'per turn' fee is proposed for the right to provide scheduled air service at the Airport and for the use of joint Airline Terminal space (baggage make-up area, baggage claim/inbound baggage, gate/hold room space). The air carrier will pay a rate calculated on a per passenger basis for enplaned and deplaned passengers. Initial rates will be based upon forecasted passenger levels, however, payment to the Airport will occur monthly in arrears based on actual passenger numbers.

The proposed 'per turn' fee is \$2.81 per enplaned and \$2.19 per deplaned passenger. With Sun Country's current anticipated passenger loads, a single turn would cost approximately \$535.50. The Airport estimates that this fee per passenger will roughly correspond to a prorated fair cost for an air carrier to access joint use space on a scheduled but infrequent or seasonal basis. However, this fiscal year will be the first instance of applying a per turn rate, and Airport staff will analyze over the course of the year if the rate appears to have been appropriately set based on actual performance by Sun Country.

PREPARED BY: Business Development