

# Memorandum



**Date:** May 17, 2005

**To:** Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners

**From:** George M. Burgess  
County Manager

**Subject:** Resolution Approving the Air Service Incentives Program (ASIP)  
for Miami International Airport

Agenda Item No. 8(A)(1)(B)

## RECOMMENDATION

It is recommended that the Board approve the attached Air Service Incentives Program (ASIP) for Miami International Airport (MIA). This program is designed to provide an incentive for air carriers to establish flights at MIA by offering credits on landing fees for a period of 12 months. The intent of the ASIP is to foster healthy competition at MIA, generate incremental business revenues and offer increased choices for the traveling public.

## BACKGROUND

In late 2002, the Miami-Dade Aviation Department (MDAD) embarked on a series of strategies to attract and retain air carriers. MDAD hired a top aviation firm, Simat, Helliesen & Eichner, Inc. (SH&E), to conduct air service studies to determine the potential for new domestic and international service to and from MIA. These studies led to preparation of route and service feasibility presentations that were made to targeted airlines. To date, nineteen (19) international and four (4) low-cost carrier studies have been conducted. As a result, considerable follow-up is underway with the targeted carriers. For 2005, as many as eleven (11) additional international studies are anticipated for airline presentation. It is also anticipated that MDAD will conduct presentations to two (2) additional low cost carriers during this period, pending the airlines' willingness to consider such presentations. Each presentation results in a follow-up period of one to three years, depending on targeted carrier's acceptance to start a new route, the carrier's economic ability to expand service, and aircraft availability within the carrier's fleet.

More recently, the Board directed the County Manager to conduct a study of alternatives by which air travel at MIA can be increased. MDAD secured the services of aviation consultants Klaskin Kushner Cabeza & Company (KKC) to conduct a study of factors affecting MIA's competitiveness with other airports, reasons why MIA's air fares tended to be higher than neighboring airports, and appropriate recommendations on how MIA may become more competitive.

Additionally, MDAD commissioned a survey by SH&E whereby several prominent low cost carriers (LCC's) described the favorable attributes that drive their decision to serve a market, and specifically, what attributes MIA could enhance or develop to attract LCC service.

As a result of these collective efforts, MDAD has determined that an incentives program would permit the Airport to more competitively pursue new or expanded service at MIA by new and incumbent airlines, thereby increasing choices for the traveling public, generating incremental business revenues and reducing costs per enplaned passenger at MIA.

MDAD has prepared an Air Service Incentive Program (attached), under which landing fees for any flight of an air carrier at MIA that provides scheduled, year-round passenger service from any US or Canadian destination to MIA, or any international destination not then served at the Airport by any carrier, would be waived for a duration of 12 months, under conditions set forth in the proposed ASIP program and under an initial promotional period of two years.

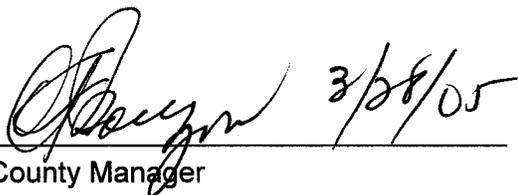
To mitigate any adverse effects to landing fees paid by incumbent MIA air carriers, MDAD will fund the ASIP through the airport's Retainage Sub-account Improvement Fund to offset the landing fees waived. This outlay will be capped at \$3 million per year.

The Federal Aviation Administration (FAA) issued its Policy and Procedures Concerning the Use of Airport Revenue on February 16, 1999 (the Policy), and provided that a waiver of airport fees would be permitted under certain circumstances. Section VI (B)(12) of such Policy provides that "prohibited direct subsidies do not include waivers of fees or discounted landing or other fees during a promotional period". The FAA has reviewed the ASIP and has no objections to its implementation.

The attached resolution authorizes the County Manager or his designee to modify or eliminate the program upon a determination that such action is in the best interest of the County.



Assistant County Attorney



Assistant County Manager



# MEMORANDUM

(Revised)

**TO:** Honorable Chairman Joe A. Martinez and Members, Board of County Commissioners **DATE:** May 17, 2005

**FROM:**   
Robert A. Ginsburg  
County Attorney

**SUBJECT:** Agenda Item No. 8(A)(1)(B)

Please note any items checked.

- "4-Day Rule" ("3-Day Rule" for committees) applicable if raised
- 6 weeks required between first reading and public hearing
- 4 weeks notification to municipal officials required prior to public hearing
- Decreases revenues or increases expenditures without balancing budget
- Budget required
- Statement of fiscal impact required
- Bid waiver requiring County Manager's written recommendation
- Ordinance creating a new board requires detailed County Manager's report for public hearing
- Housekeeping item (no policy decision required)
- No committee review

Approved \_\_\_\_\_ Mayor

Agenda Item No. 8(A)(1)(B)

Veto \_\_\_\_\_

05-17-05

Override \_\_\_\_\_

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION APPROVING THE "AIR SERVICE INCENTIVE PROGRAM" (ASIP) AT MIAMI INTERNATIONAL AIRPORT TO PROVIDE AN INCENTIVE FOR INCREASED DOMESTIC AND INTERNATIONAL PASSENGER FLIGHTS AT THE AIRPORT; AUTHORIZING THE COUNTY MANAGER TO PLACE SUCH PROGRAM INTO EFFECT CONSISTENT WITH FEDERAL AVIATION ADMINISTRATION REGULATIONS; AUTHORIZING COUNTY MANAGER TO MODIFY OR ELIMINATE THE ASIP UPON A DETERMINATION THAT SUCH ACTION IS IN THE BEST INTEREST OF THE COUNTY**

**WHEREAS**, this Board desires to accomplish the purposes outlined in the accompanying memorandum and documents, copies of which are incorporated herein by reference,

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA**, that this Board hereby approves the "Air Service Incentive Program" (ASIP) at Miami International Airport to provide an incentive for increased domestic and international passenger flights at the Airport; this Board finds and determines that the ASIP is fair, reasonable, and not unjustly discriminatory and is needed at the Airport for the purposes stated in the accompanying memorandum; authorizes the County Manager to place the ASIP into effect consistent with Federal Aviation Administration regulations, and to modify or eliminate the ASIP upon a determination that such action is in the best interest of the County.

The foregoing resolution was offered by Commissioner \_\_\_\_\_, who moved its adoption. The motion was seconded by Commissioner \_\_\_\_\_ and upon being put to a vote, the vote was as follows:

Joe A. Martinez, Chairman	
Dennis C. Moss, Vice-Chairman	
Bruno A. Barreiro	Dr. Barbara Carey-Shuler
Jose "Pepe" Diaz	Carlos A. Gimenez
Sally A. Heyman	Barbara J. Jordan
Dorrian D. Rolle	Natacha Seijas
Katy Sorenson	Rebeca Sosa
Sen. Javier D. Souto	

The Chairperson thereupon declared the resolution duly passed and adopted this 17<sup>th</sup> day of May, 2005. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA  
BY ITS BOARD OF COUNTY  
COMMISSIONERS

HARVEY RUVIN, CLERK

Approved by County Attorney as  
to form and legal sufficiency. *TPA*

Thomas P. Abbott

By: \_\_\_\_\_  
Deputy Clerk

5

**Miami International Airport**  
**AIR SERVICE INCENTIVE PROGRAM**



# CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
INTRODUCTION.....	3
BACKGROUND .....	3
PROGRAM OBJECTIVES .....	5
PROGRAM APPLICABILITY.....	5
CRITERIA TO QUALIFY .....	8
PROMOTIONAL PERIOD .....	8
FUNDING THE PROGRAM .....	8
OBLIGATIONS OF THE PARTICPATING AIR CARRIER .....	8
DURATION OF THE MIA ASIP.....	9
APPLICATION PROCESS .....	9
APPLICATION .....	10

# Miami International Airport

## Air Service Incentive Program

### Introduction

The Miami-Dade Aviation Department (MDAD), operator of Miami International Airport (MIA), is announcing its Air Service Incentive Program (ASIP). This program is designed to provide an incentive for air carriers to establish domestic and international passenger flights at MIA by offering credits on landing fees for a period of 12 months. The intent of the ASIP is to also enhance MIA's competitive position, generate incremental business revenues and offer increased choices for the traveling public. The following further explains the program objectives and summarizes the components of the ASIP.

### Background

Although the ASIP will apply to both domestic and international flights, the reduction in domestic passenger activity at MIA demonstrates why the ASIP is important for MIA. In the ten-year period 1993 through 2003, domestic Origin & Destination (O&D) passengers at MIA fell from 9,583,150 to 8,423,850, a 12 percent decline. Meanwhile at Fort Lauderdale-Hollywood International Airport (FLL), domestic O&D passenger traffic climbed from 7,072,410 to 15,375,990, a jump of 117 percent.

### **History of MIA and FLL Domestic O&D Passengers**

**CY 1993 - CY 2003**

Year	MIA	FLL	Total	% MIA
CY 1993	9,583,150	7,072,410	16,655,560	57.5%
CY 1994	9,633,780	8,532,130	18,165,910	53.0%
CY 1995	10,336,020	7,863,870	18,199,890	56.8%
CY 1996	10,388,710	9,072,190	19,460,900	53.4%
CY 1997	10,190,430	10,163,260	20,353,690	50.1%
CY 1998	9,414,350	10,422,050	19,836,400	47.5%
CY 1999	9,699,420	11,924,900	21,624,320	44.9%
CY 2000	9,160,900	13,576,450	22,737,350	40.3%
CY 2001	8,378,470	14,058,800	22,437,270	37.3%
CY 2002	8,330,540	14,609,040	22,939,580	36.3%
CY 2003	8,423,850	15,375,990	23,799,840	35.4%

The key difference in the performance of both airports has been FLL's success at luring carriers from among the growth segment of the air carrier industry, low cost carriers (LCC), as well as, increased service by incumbent network carriers. FLL boasts AirTran, ATA, America West, Frontier, jetBlue, Song, Southwest, Spirit and TED, while Miami has only AirTran, Alaska Airlines and America West.

Additionally, from 1995 through 2004, six network carriers operating both at MIA and at FLL have decreased domestic operations at MIA and enhanced their presence at FLL. The chart below depicts the collective domestic operations of network carriers at both airports and the changes that have occurred in the past ten years.

### History of MIA and FLL Domestic Departures by AA, CO, DL, NW, UA and US

CY 1995 - CY 2004

Year	MIA	FLL	Total	% MIA
CY 1995	106,160	41,615	147,775	71.8%
CY 1996	99,989	37,331	137,320	72.8%
CY 1997	102,486	37,115	139,601	73.4%
CY 1998	103,834	38,683	142,517	72.9%
CY 1999	99,749	40,453	140,202	71.1%
CY 2000	96,715	44,496	141,211	68.5%
CY 2001	85,650	45,130	130,780	65.5%
CY 2002	73,507	40,039	113,545	64.7%
CY 2003	69,586	41,662	111,248	62.6%
CY 2004	76,050	46,608	122,658	62.0%
<b><u>Average Annual Growth</u></b>				
CY 95-CY 04	-3.6%	1.3%	-2.0%	
CY 95-CY 00	-1.8%	1.3%	-0.9%	
CY 00-CY 04	-5.8%	1.2%	-3.5%	

In addition to having a lower cost per enplaned passenger (an industry-accepted measure to gauge the cost to an air carrier for boarding one passenger at an airport) that is approximately one third that of MIA, FLL started a passenger air service incentive program three to four years ago comprised of the following:

- Waiver of landing fees for 1 year
- Waiver of ticket counter fees for 1 year
- Waiver of Federal Inspection Service (FIS) fee of \$2.50 per passenger for new international markets for 1 year
- Waiver of gate charges for 1 year
- Availability of program to all carriers. FLL focuses aggressively on domestic service but international markets were also included.
- Waiver of 10 cent security charge for international passengers for one year - FLL pays to TSA
- No exchange of cash, carriers earn credits applied to their costs

Airports are prohibited from waiving rent (FAA violation) but operational fees may be waived.

### **Objectives of the MIA ASIP:**

- Stimulate domestic and international passenger air service at MIA.
- Increase non-aeronautical revenues at MIA.
- Reduce costs per enplaned passenger at MIA.
- Offer more affordable choices to the traveling public.

### **Applicability of the MIA ASIP:**

The two cost benefit analyses below demonstrate that even with a waiver of landing fees for a full year, a single daily flight would result in a net gain in proceeds to MDAD. However, the two examples do NOT include potential increased revenue from the expected incremental growth in concession sales. MDAD believes that new passenger traffic will result from the expansion of service by incumbent or new carriers that may have otherwise expanded service at another airport.

**MODEL I: NEW CARRIER – NEW DOMESTIC FLIGHT**

1. A Boeing 737-200:
2. One daily flight.
3. Duration of landing fee waiver - one year.
4. Aircraft capacity - 117 seats with a load factor of 71.7 percent (MIA's 12-months ended November 2004 average domestic load factor).
5. Annual estimate of charges and therefore incremental revenue to MIA is shown below.

<b>Categories of Revenue</b>	<b>Annual Revenue – No Landing Fee Abatement</b>	<b>Annual Revenue – 100% Waiver of Landing Fees</b>
Landing Fees	\$ 75,117	\$ 0
Concourse Use Fees <sup>1</sup>	\$251,960	\$251,960
Other Aviation Fees <sup>2</sup>	\$ 32,244	\$ 32,244
Terminal Charges based on Cute System <sup>3</sup>	\$ 48,486	\$ 48,486
Terminal Rental Charges based on square footage <sup>4</sup>	\$ 59,571	\$ 59,571
Passenger Facility Charge(PFC) <sup>5</sup>	\$137,788	\$137,788
<b>GRAND TOTAL<sup>6</sup></b>	<b>\$ 605,166</b>	<b>\$ 530,049</b>

Notes:

1. **Concourse Use Fees:** Domestic Arrival (Concourse use and Baggage claim), Domestic Departure (Concourse use, CUTE Infrastructure, Screening, Baggage make-up rental).
2. **Other Aviation Fees:** Loading bridge charge and Pre-conditioned Air.
3. **Terminal Charges based on Cute System:** Gate usage fee, Ticket counter usage fee and Ticket counter back wall displays.
4. **Terminal Rental Charges based on square footage:** Air-conditioned administrative office, Air-conditioned operations office, Baggage service office and Air-conditioned storage.
5. **Passenger Facility Charge:** \$4.50 per enplaned passenger. Based on 71.7% load factor.
6. **Not Included in model:** Overnight Parking (fee for 1-5 days for the B737-200 is \$47.00). Gate Overtime Parking (current rate: \$99.00 per 30 minutes or fraction thereof) and Escort Fees (current rate: \$45.00 per escort).

**MODEL II: INCUMBENT CARRIER – NEW DOMESTIC FLIGHT**

1. A Boeing 737-200:
2. One daily flight.
3. Duration of landing fee waiver - one year.
4. Aircraft capacity - 117 seats with a load factor of 71.7 percent (MIA's 12-months ended November 2004 average domestic load factor).
5. Annual estimate of charges.

<b>Categories of Revenue</b>	<b>Annual Revenue – No Landing Fee Abatement</b>	<b>Annual Revenue – 100% Waiver of Landing Fees</b>
Landing Fees	\$ 75,117	\$ 0
Concourse Use Fees <sup>1</sup>	\$251,960	\$251,960
Other Aviation Fees <sup>2</sup>	\$ 32,244	\$ 32,244
Terminal Charges based on Cute System <sup>3</sup>	\$ 5,529	\$ 5,529
Terminal Rental Charges based on square footage <sup>4</sup>	\$ 0	\$ 0
Passenger Facility Charge(PFC) <sup>5</sup>	\$137,788	\$137,788
<b>GRAND TOTAL<sup>6</sup></b>	<b>\$ 502,638</b>	<b>\$ 427,521</b>

Notes:

1. **Concourse Use Fees:** Domestic Arrival (Concourse use and Baggage claim), Domestic Departure (Concourse use, CUTE Infrastructure, Screening, Baggage make-up rental).
2. **Other Aviation Fees:** Loading bridge charge and Pre-conditioned Air.
3. **Terminal Charges based on Cute System:** Gate usage fee only. **No additional charges for ticket counter usage fee and ticket counter back wall displays, assuming no additional ticket counter hours and/or positions.**
4. **Terminal Rental Charges based on square footage:** Air-conditioned administrative office, Air-conditioned operations office, Baggage service office and Air-conditioned storage. **Not applicable in this model.**
5. **Passenger Facility Charge:** \$4.50 per enplaned passenger. Based on 71.7% load factor.
6. **Not Included in model:** Overnight Parking (fee for 1-5 days for the B737-200 is \$47.00). Gate Overtime Parking (current rate: \$99.00 per 30 minutes or fraction thereof) and Escort Fees (current rate: \$45.00 per escort).

## Criteria to Qualify for the ASIP:

Two types of air service qualify under the ASIP:

1. **Domestic Passenger Air Service:** Any air carrier would qualify for the incentive program by establishing scheduled, year-round passenger service to **any** U.S. or Canadian destination from MIA.
2. **New International Air Service:** Any air carrier would qualify for the incentive program by establishing scheduled, year-round, nonstop or direct passenger service to an international destination **not** currently served from MIA by any carrier.

## Promotional Period:

The Promotional Period is defined as the first twelve (12) months of operation immediately following the start of the new passenger flight. During that 12-month period, the air carrier will receive a 100 percent discount on landing fees associated with each MIA aircraft landing of a qualifying air service.

## Funding the Program

To mitigate any adverse effects to landing fees paid by incumbent MIA air carriers, MDAD will fund the ASIP through the airport's Retainage Sub-account Improvement Fund to offset the landing fees waived. Total landing fee waivers will be capped at \$3 million within each year, based on a first-come, first-served basis.

## Obligations of the ASIP Participating Airline:

With its entry in the ASIP, the air carrier commits to operating the qualifying flight(s) throughout the Promotional Period. An air carrier that voluntarily or involuntarily suspends or terminates such service before the end of the Promotional Period will be required to pay any discounts received under ASIP. To meet this ASIP term requirement, an air carrier will not be permitted to substitute one qualifying flight for another.

To qualify for ASIP, the air carrier must provide MDAD with a bond or letter of credit for the total amount of landing fees to be abated for each qualifying flight during the 12-month Promotional Period. The financial security requirement must be filed with MDAD 30 days before commencement of the qualifying service.

The qualifying service must result in a net increase in the air carrier's total number of flights from MIA to the city-pair, as compared to the same month of the previous year. The air carrier must maintain such a net increase during the Promotional Period and may not discontinue a non-qualifying service (flight) to the initiate a qualifying service (flight) to the same city-pair.

For example, an air carrier that discontinues a non-qualifying flight to LaGuardia Airport in New York does not qualify for ASIP with a new flight to JFK International or Newark International Airports. The air carrier may however, change the type and series of an aircraft operating a qualifying service.

The air carrier must report any changes to the aircraft type and/or series at least thirty (30) days in advance during the 12-month Promotional Period.

The air carrier must operate the qualifying service on a year-round, scheduled basis only. Charter and seasonal air services will not qualify for the ASIP. However, seasonal flights transitioning to year-round service will qualify upon initiation of such service.

MDAD will conduct an ASIP Review Committee audit of the air carrier's compliance with the terms of the ASIP on a monthly basis during the entire Promotional Period.

### **Duration of Air Service Incentive Program**

Except as stated below, the ASIP duration is two (2) years from the effective date. After this two-year period, MDAD will re-evaluate and announce any future incentive programs. Air Carriers considering participation may commence at any time during the two-year period. Once an air service qualifies under ASIP during this two-year period, it is assured the landing fee waiver Promotional Period of a one-year period, even if the one-year period extends beyond the ASIP duration.

### **Application Process**

Air carriers seeking to participate in the MIA ASIP should complete an Air Service Incentive Program application. Applications must be post marked or e-mailed forty-five (45) days prior to commencement of the qualifying service.

Submissions can be made electronically to [marketing@miami-airport.com](mailto:marketing@miami-airport.com), or mailed to:

Miami-Dade Aviation Department  
Marketing Division  
Miami International Airport  
P.O. Box 592075  
Miami, FL 33159

All submittals are subject to audit by Miami-Dade County.

The Air Service Incentive Program Application is attached. Airport staff will review the Application against the Criteria to Qualify and inform the air carrier in writing of its decision. Any questions regarding the ASIP should be directed to the Marketing Division of the Miami-Dade Aviation Department at (305) 876-7862.

# # #



**Miami-Dade Aviation Department  
Miami International Airport**

**Air Service Incentive Program (ASIP) Application Form**

**Air Carrier Information**

**Airline:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**City/State/Zip:** \_\_\_\_\_

**Contact Person Name/Title:** \_\_\_\_\_

**Phone:** \_\_\_\_\_

**Fax:** \_\_\_\_\_

**Email:** \_\_\_\_\_

**Origin of ASIP Flight:** \_\_\_\_\_

Effective Date	Aircraft Type And Series	Arrival Flight #	MIA Arrival Time	Days of Operation (1 thru 7)

**AIRLINES ARE REQUIRED TO REPORT ANY CHANGES OF AIRCRAFT TYPE AND/OR SERIES AT LEAST 30 DAYS IN ADVANCE DURING THE 12-MONTH INCENTIVE PERIOD.  
CONTACT THE MDAD MARKETING DIVISION AT 305-876-7862 FOR NOTIFICATION.**

**FOR MDAD USE**

Evaluated by: \_\_\_\_\_ Date: \_\_\_\_\_

Comments: \_\_\_\_\_

APPROVE
  REJECT

Signed By \_\_\_\_\_ Date: \_\_\_\_\_  
Aviation Director

15