Approved _____ Mayor

Veto _____

Override _____

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

07-10-07

OFFICIAL FILE COPY
CLERK OF THE BOARD
OF COUNTY COMMISSIONERS
MIAMI-DADE COUNTY, FLORIDA

RESOLUTION NO. R-793-07

RESOLUTION APPROVING THE NEW AIR SERVICE INCENTIVE PROGRAM ("ASIP2") AT MIAMI INTERNATIONAL AIRPORT TO PROVIDE AN INCENTIVE FOR INCREASED DOMESTIC AND INTERNATIONAL PASSENGER AND CARGO FLIGHTS AT THE AIRPORT; AUTHORIZING THE MAYOR OR DESIGNEE TO PLACE SUCH PROGRAM INTO EFFECT CONSISTENT WITH FEDERAL AVIATION ADMINISTRATION REGULATIONS; AND AUTHORIZING MAYOR OR DESIGNEE TO MODIFY OR ELIMINATE ASIP2 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 New Air Service Incentive Program ("ASIP2") at Miami International Airport to provide an incentive for increased domestic and international passenger and cargo flights at the Airport; finds and determines that ASIP2 is fair, reasonable, and not unjustly discriminatory and is needed at the Airport for the purposes stated in the accompanying memorandum; authorizes the Mayor or designee to place ASIP2 into effect consistent with Federal Aviation Administration regulations, and to modify or eliminate ASIP2 upon a determination that such action is in the best interest of the County; and authorizes the Mayor or designee to take whatever steps are required or necessary to complete and terminate the original Air Service Incentive program.

MEMORANDUM
(Revised)

TO: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

DATE: July 10, 2007

FROM: R.A. Cuevas, Jr. Acting County Attorney

SUBJECT: Agenda Item No. 8(A)(1)(C)

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**

The foregoing resolution was offered by Commissioner Joe A. Martinez, who moved its adoption. The motion was seconded by Commissioner Dorrin D. Rolle and upon being put to a vote, the vote was as follows:

Bruno A. Barreiro, Chairman	aye		
Barbara J. Jordan, Vice-Chairwoman	aye		
Jose "Pepe" Diaz	aye	Audrey M. Edmonson	aye
Carlos A. Gimenez	aye	Sally A. Heyman	absent
Joe A. Martinez	aye	Dennis C. Moss	aye
Dorrin D. Rolle	aye	Natacha Seijas	aye
Katy Sorenson	aye	Rebeca Sosa	aye
Sen. Javier D. Souto	aye		

The Chairperson thereupon declared the resolution duly passed and adopted this 10th day of July, 2007. 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

COUNTY COMMISSIONERS DADE COUNTY FLORIDA

By: KAY SULLIVAN
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

TPA

Thomas P. Abbott

5

ASIP2

THE NEW AIR SERVICE INCENTIVE PROGRAM FOR MIA

ASIP2 is the proposed successor air service incentive program for MIA. As airlines continue to view incentives as a good faith gesture and as a sharing of costs associated with new flight operations, MIA should continue offering a realistic incentive program that complements the objectives of the airport's air service development efforts and also encourages incumbent carriers to consider expansion and new market development.

The MIA ASIP2 contains the same basic components and qualifications for domestic and international service benefits as provided in the original ASIP. However, new components within ASIP2 include:

a) an incentive for any increase in frequencies of a newly incentivized international route during the first year of operation;
b) an incentive for seasonal scheduled international routes transitioning to year-round service from specific targeted markets (Premium Markets);
c) a cooperative advertising program for routes established from Premium Markets that provides for matched funding to promote the new international route, and
d) an incentive to assist in the recruitment of freighter service from Asia, Europe and Africa.

Additionally, instead of a two-year program duration, the new three-year program would stretch the benefit period to at least mid-2010, and would therefore accommodate a critical "in-between" span of time when many airlines in targeted world regions are due to receive new aircraft deliveries.

Performance of First ASIP

During the first incentive program, which expired in May 2007, four domestic and two international carriers received landing fee benefits resulting in an estimated total landing fee abatement of $680,677.23, inclusive of benefits that have been exhausted or remain ongoing.

Airline	Route	Commenced	Expired	Fees Abated
Alaska Airlines	Daily / Seattle	10/30/05	10/29/06	$145,591.20
Delta Air Lines	2 Daily / NY- LGA	2/16/06	2/15/07	$262,873.00
AirTran Airways	Daily / Chicago / MDW	1/11/07	1/10/08	$ 86,432.00
American Eagle	Daily / Cozumel	3/02/07	3/01/08	$ 31,736.75
American Eagle	Daily / Fayetteville, Arkansas	4/10/07	4/09/08	$ 28,361.00
El Al Israel Airlines	Twice Weekly / Tel Aviv	3/28/06	3/17/07	$ 80,950.48
Avior Airlines	Thrice Weekly / Barcelona, Venez.	12/14/06	12/13/07	$ 44,733.00

Memorandum

MIAMI-DADE COUNTY

Date: July 10, 2007

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

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Resolution Approving the Second Air Service Incentive Program (ASIP2) for Miami International Airport

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RECOMMENDATION

It is recommended that the Board approve the attached New Air Service Incentive Program (ASIP2) for Miami International Airport (MIA). This program is designed to provide essentially the same incentives for air carriers to establish domestic and international flights to MIA as the original ASIP program did, but adds incentives for targeted international passenger and cargo service. The incentives consist of landing fee abatements and in some cases matching advertising funds to promote a new route. The intent of the ASIP2 is to foster healthy competition at MIA, generate incremental business revenues, offer increased choices for the traveling public and retain MIA's leadership position for international passengers and cargo.

SCOPE

Miami International Airport is located within Commission District 6; however the impact of this program is countywide in nature as MIA is a regional asset.

FISCAL IMPACT/FUNDING SOURCE

To mitigate any adverse effects to landing fees paid by incumbent MIA air carriers, the Miami-Dade Aviation Department (MDAD) will fund the ASIP2 through the Airport's Retainage Sub-account Improvement Fund. Total landing fee waivers and matched advertising fund commitments will be capped at $3 million each year, based on a first-come, first-served basis, until each annual cap is exhausted.

TRACK RECORD/MONITOR

MDAD has an internal Air Service Incentive Program Review Committee that meets once a month to monitor the compliance of participating air carriers. Representatives from MDAD's Marketing, Finance, and Operations Divisions serve on the Committee and publish a monthly compliance report. MDAD Marketing Division Director Chris Mangos will oversee the program.

BACKGROUND

By Resolution No. R-566-05, approved by the Board on May 17, 2005, the Board adopted an Air Service Incentive Program designed to encourage the growth of new flights to and from MIA. The original ASIP expired in May 2007, and the Aviation Department has proposed an updated Air Service Incentive Program called "ASIP2."

The first ASIP was also instituted in support of the MIA Air Service Development Program, which started in the fall of 2003 with the purpose of establishing new routes to MIA. Since then, staff has met with numerous airline representatives to present feasibility studies, wherein said representatives have

reinforced the importance of incentives, especially for airlines establishing a new route. MDAD therefore deems incentives as a competitive tool that allows the airport to make a stronger service case to targeted airlines.

A total of four (4) U.S. and two (2) international airlines participated in the first incentive program. These carriers introduced nonstop flights to four (4) U.S. cities and three (3) new international destinations. Conservative estimates are that these flights will generate approximately 242,000 annual passengers for MIA. The total amount of landing fee abatement given, or committed, during the first program amounted to $680,677.23.

ASIP2 waives landing fees to qualifying domestic and international passenger carriers, as well as to qualifying cargo carriers who commence freighter service from specific target markets. ASIP2 also provides carriers commencing international service from targeted global markets with matched funding for a collaborative advertising campaign meant to promote the newly operating air route.

Under ASIP2, landing fees for any flight of any air carrier that establishes passenger service to any destination in the US and Canada, or any new international destination (city) not presently served at the Airport, would be waived for a 12-month promotional period. Additionally, incentives will be offered to air carriers commencing international passenger service to strategically targeted (premium) markets on a seasonal basis, with a graduated incentive plan for a new route that transitions to year-round service. Scheduled, international, year-round passenger service from premium markets will be offered an opportunity to participate in a matching funds advertising campaign to assist in promoting the new route. Lastly, carriers offering new cargo freighter service from strategically targeted regions will also receive incentives. These new offerings will apply under conditions set forth in the proposed ASIP2 with certain variations in benefits according to the category of service. Upon Board approval, the ASIP2 will be marketed for a period of three (3) years and will expire thereafter.

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." Therefore, the ASIP2 complies with FAA policy.

The attached resolution authorizes the Mayor or his designee to modify or eliminate the program in the best interest of the County, and to wrap up all obligations and rights that may arise under the original ASIP.

Assistant County Manager

Components of ASIP2

1. Qualifying ***Passenger*** Air Service:

- **Domestic Passenger Air Service**:

  Any air carrier establishing **scheduled, year-round passenger service to any U.S. or Canadian destination (city) from MIA** qualifies for a 100% abatement of landing fees for a 12-month Promotional Period. The service must be operated for 12 consecutive months. The incentive is available for any domestic city pair regardless of present service level to and from MIA.

- **New International Passenger Air Service**:

A. Any air carrier establishing **scheduled, year-round** passenger service to an international destination (city) ***not*** currently served from MIA ***by any carrier,*** qualifies for a 100% abatement of landing fees for a 12-month Promotional Period. The service must be operated for 12 consecutive months.

B. During the Promotional Period, **any additional frequencies added to the new passenger route** will qualify for the incentive for a full12-month term effective upon the date the additional frequencies commence.

C. Any air carrier establishing **international, scheduled, *seasonal* passenger service from the *MIA Premium Market*** list, will receive a 25% landing fee abatement for a maximum of a 6-month consecutive period in the first year, followed by a 25% landing fee abatement for a maximum of a 6-month consecutive period during the second year. During the third year, the carrier will then have to commit to **year-round, scheduled service** on the select Premium Market in order to receive a 50% landing fee abatement for a 12-month Promotional Period. The service must be operated for 12 consecutive months during this final Promotional Period. **Once a carrier commences service from the MIA Premium Market list, any subsequent service established from the same city will not qualify for any incentive benefit.**

D. Any carrier establishing **scheduled, international, year-round passenger service** from the ***MIA Premium Market*** list will be offered a matching funds advertising campaign to assist in promoting the new route. The Miami-Dade Aviation Department (MDAD) will offer the carrier up to $50,000, to be matched with an equal amount from the carrier to establish a mutually agreed upon advertising campaign. ***There will be no direct reimbursements to the carrier; only to agreed upon media sources and only via the airport's normal billing processes for such services. The collaborative advertising campaign provided under this incentive may begin ninety (90) days prior to***

commencement of the new route and will conclude at the end of a 12-month period.

E. The MIA Premium Markets are:

Africa: Capetown or Johannesurg, So. Africa
Addis Ababa, Ethiopia
Nairobi, Kenya
Lagos, Nigeria
Casablanca, Morocco

Europe: Brussels, Belgium
Dublin, Ireland
Helsinki, Finland
Moscow, Russia
Warsaw, Poland
Budapest, Hungary

Asia: Tokyo, Japan
Seoul, Korea
Hong Kong, China
Shanghai, China
Mumbai or New Delhi, India

2. Qualifying *Air Cargo* Service

A. Any carrier establishing **scheduled, year-round cargo freighter service from Asia, Africa or Europe on a cargo route not currently served by an all-cargo freighter to MIA,** qualifies for a 50% abatement of landing fees for a 12-month Promotional Period. The qualifying service must be operated for 12 consecutive months. **Originating flight numbers and aircraft (same plane service) must remain the same between the originating city and Miami.**

B. During the Promotional Period, **any additional frequencies added to the new cargo route** will qualify for the incentive for a full12-month term effective from the date the additional frequencies commence.

Funding the Program:

To mitigate any adverse effects to landing fees paid by incumbent MIA air carriers, MDAD will fund the ASIP2 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, until each annual cap is exhausted.

Airline Commitment:

The airline must commit to the following:

Operate the qualifying passenger or cargo flight(s) throughout the Promotional Period. An air carrier that voluntarily suspends or terminates such service before the end of the Promotional Period would be required to pay any discounts received under ASIP2. To meet this ASIP2 term requirement, an air carrier will not be permitted to substitute one qualifying flight for another.

Provide MDAD with a bond or letter of credit for the total estimated amount of landing fees to be abated for each qualifying flight during the Promotional Period and, **file the financial requirement** with MDAD 30 days prior to the commencement of service.

Offer service resulting 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.

Report any changes as to the aircraft type and/or series at least thirty (30) days in advance of any changes during the entire Promotional Period.

Duration of Air Service Incentive Program:

Except as stated below, the ASIP2 duration is three (3) years from the effective date. After this three-year period, MDAD will reevaluate and announce any future incentive programs. Airlines considering participation may commence at any time during the program's three-year duration. Once an air service qualifies under the ASIP2, it is assured the benefit during the entire Promotional Period, even if the time span extends beyond the program's duration.

Application Process:

Air carriers seeking to participate in ASIP2 should complete the Air Service Incentive Program application. Applications should be submitted forty-five (45) days prior to commencement of the qualifying air service. The carrier will be advised in writing if it has been approved for the incentives.

# # #