

Date: October 5, 2010

To: Honorable Chairman Dennis C. Moss and
Members, Board of County Commissioners

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

From: George M. Burgess
County Manager



Subject: Resolution Approving the MIA Air Service Incentive Program for Miami International
Airport Resolution No. R-971-10

RECOMMENDATION

It is recommended that the Board approve the accompanying resolution approving the MIA Air Service Incentive Program (ASIP3) for Miami International Airport (MIA). This program is designed to provide incentives for air carriers to establish domestic and international flights to MIA, and additional 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.

SCOPE

MIA is located within Commission District Six, Rebeca Sosa; however, the impact of this agenda item is countywide as MIA is a regional asset and generates employment for residents throughout Miami-Dade County.

FISCAL IMPACT/FUNDING SOURCE

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. To mitigate any adverse effects to landing fees paid by incumbent MIA air carriers, the Miami-Dade Aviation Department (MDAD) will fund the ASIP through the Airport's Retainage Sub-account Improvement Fund.

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.

The MDAD staff member responsible for monitoring this program is Chris Mangos, Director of Marketing Division, MDAD.

BACKGROUND

On May 17, 2005, the Board adopted Resolution No. R-566-05 which approved an Air Service Incentive Program designed to encourage the growth of new flights to and from MIA ("ASIP1"). The original ASIP1 expired in May 2007, and the second program, which extended the benefit to cargo carriers, expired July 2010 ("ASIP2"). The attached program proposed by MDAD will be the third MIA Air Service Incentive Program, or "ASIP3."

The Program was 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 and discuss feasibility studies. The representatives reinforced the importance of incentives, especially for airlines establishing a new route. Thus, these

incentives provide the competitive tool that allows MIA to make a stronger service case to targeted airlines.

First Incentive Program (ASIP1)

A total of four (4) U.S. and two (2) international airlines participated. These carriers introduced nonstop flights to four (4) U.S. cities and three (3) new international destinations. These flights generated over 300,000 annual passengers for MIA. The total amount of landing fee abatement given, or committed, during the first program amounted to \$680,676.

Second Incentive Program (ASIP2)

A total of two (2) U.S. passenger airlines, six (6) international passenger airlines, and two (2) international cargo airlines participated. These carriers introduced new passenger service to three (3) U.S. cities and six (6) international cities, and new cargo service to two (2) international cities. Conservative estimates are that these flights will generate over 230,000 annual passengers and 26,240 cargo tons. The total amount of landing fee abatement given, or committed, amounted to \$672,508.

The third incentive program (ASIP3) 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. The program also provides carriers that commence international service from targeted global markets with matched funding for a collaborative advertising campaign meant to promote the newly operating air route.

Under ASIP3, 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 and/or airport) 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 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 ASIP with certain variations in benefits according to the category of service. Upon Board approval, ASIP3 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, ASIP3 complies with FAA policy, and, if the FAA has any comments about ASIP3, the resolution authorizes the Mayor or designee, upon review by the County Attorney, to amend the ASIP3 policy to assure its compliance with FAA requirements.

DELEGATED AUTHORITY

In accordance with Section 2-8.3 of the Miami-Dade County Code related to identifying delegation of Board authority, there are no authorities beyond that specified in the resolution. The resolution permits the Mayor or designee to (1) modify the Program to meet any FAA comments, (2) terminate the program whenever the Mayor or designee determines termination would be in the best interest of the County, and (3) wrap up all obligations and rights that arise under ASIP2 and ASIP3.



Assistant County Manager



MEMORANDUM

(Revised)

TO: Honorable Chairman Dennis C. Moss
and Members, Board of County Commissioners

DATE: October 5, 2010

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

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

Please note any items checked.

- "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
- Ordinance creating a new board requires detailed County Manager's report for public hearing
- No committee review
- Applicable legislation requires more than a majority vote (i.e., 2/3's _____, 3/5's _____, unanimous _____) to approve
- Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 8(A)(1)(C)
10-5-10

RESOLUTION NO. R-971-10

RESOLUTION RELATING TO MIAMI INTERNATIONAL AIRPORT; APPROVING THE THIRD AIR SERVICE INCENTIVE PROGRAM ("ASIP3") 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 ASIP3 IF REQUIRED TO MEET FAA REQUIREMENTS, OR TERMINATE ASIP3 UPON A DETERMINATION THAT SUCH ACTION IS IN THE BEST INTEREST OF THE COUNTY, AND TAKE ALL STEPS NECESSARY TO COMPLY WITH THE AIRPORT'S OBLIGATIONS UNDER THE PRIOR ASIP AND ASIP3

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 third Air Service Incentive Program ("ASIP3") at Miami International Airport (MIA) to provide an incentive for airlines to increase domestic and international passenger and cargo flights at the Airport; finds and determines that ASIP3 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 (1) place ASIP3 into effect consistent with regulations of the Federal Aviation Administration ("FAA"), (2) modify ASIP3, after review by the County Attorney, in order for ASIP3 to comply with FAA requirements, (3) terminate ASIP3 upon a determination that such action is in the best interest of the County, and (4) take whatever steps are required or necessary to complete and terminate the prior Air Service Incentive program ("ASIP2") as well as ASIP3.

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The foregoing resolution was offered by Commissioner **Sally A. Heyman**, who moved its adoption. The motion was seconded by Commissioner **Rebeca Sosa** and upon being put to a vote, the vote was as follows:

	Dennis C. Moss, Chairman	aye
	Jose "Pepe" Diaz, Vice-Chairman	aye
Barbara J. Jordan	aye	Audrey M. Edmonson aye
Carlos A. Gimenez	aye	Sally A. Heyman aye
Joe A. Martinez	aye	Bruno A. Barreiro aye
Dorin 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 5th day of October, 2010. 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

Christopher Agrippa

By: _____
Deputy Clerk



Approved by County Attorney as
to form and legal sufficiency.

Thomas P. Abbott

ASIP3

THE MIA AIR SERVICE INCENTIVE PROGRAM

INTRODUCTION:

The Miami-Dade Aviation Department (MDAD), operator of Miami International Airport (MIA), is pleased to offer *ASIP3*, the latest Air Service Incentive Program. The MIA *ASIP3* complements the objectives of the airport's air service development efforts while encouraging incumbent carriers at MIA to consider expansion and new market development.

MIA OBJECTIVES:

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

ASIP3 PROGRAM COMPONENTS:

The MIA *ASIP3* contains the same basic components and qualifications for domestic and international service benefits as provided in *ASIP2* which expired in July 2010, though the new *ASIP3* offers additional features that include:

- An incentive for new international routes from secondary airports within the same international destination.
- An incentive for new seasonal scheduled international routes during first season at MIA with an opportunity for additional benefit during second year if transitioning to year-round service.
- A cooperative advertising program for routes established from an updated and expanded Premium Markets list, that provides for matched funding to promote new international routes
- An expanded incentive offer for freighter service from Asia, Europe and Africa
- A three-year program duration effective: **October __, 2010.**

QUALIFYING FOR THE ASIP3

A. QUALIFYING PASSENGER FLIGHTS

1. **New 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 100% abatement of landing fees on the new service, 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. *In other words, even if the applying carrier, or another carrier, is already serving the route, the applicant may qualify for the additional service.*

2. New International Passenger Air Service:

- a. Any air carrier establishing **scheduled, year-round** passenger service to an international destination (city and / or airport) **not** currently served from MIA **by any carrier**, qualifies for 100% abatement of landing fees on the qualifying service, for a 12-month Promotional Period. Any secondary airports within the same destination will be deemed a new international route and will qualify for the incentive. *For example, a carrier commencing London-Gatwick service will qualify for the incentive even though MIA is already served from London-Heathrow.* 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 full 12-month term effective upon the date the additional frequencies commence. *In other words, if an air carrier begins a service with a frequency of three times per week, and subsequently adds a fourth frequency, the latter would qualify for a full 12 months from the date of commencement.*

3. New International Seasonal Passenger Air Service

Any air carrier establishing new **international, scheduled, seasonal passenger service to international destinations not currently served from MIA by any carrier**, will receive a 50% landing fee abatement for a maximum of a 6-month consecutive period in the first year of operation. During the second year, the returning carrier may apply for an additional incentive of 50% landing fee abatements for a 12-month Promotional Period, if the new service is scheduled and year-round, and if no other carrier is serving the same market. The service must be operated for 12 consecutive months during this final Promotional Period. **Carriers opting for the benefit in Year 1 do not have to commit to a return in Year 2. Carriers that receive the benefit in Year 1 may not return in Year 2 for a full 100% benefit as in Incentive 2A above.**

4. Premium Market Incentives

Any carrier establishing **scheduled, international, year-round passenger service** from the **MIA Premium Market** list will also be offered the opportunity to participate in 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 and payment 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.*

The MIA Premium Markets are:

Africa: Accra, Ghana
Addis Ababa, Ethiopia
Capetown or Johannesburg, South Africa
Casablanca, Morocco
Lagos, Nigeria
Nairobi, Kenya

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

Europe: Amsterdam, Netherlands
Bilbao, Spain
Brussels, Belgium
Budapest, Hungary
Dublin, Ireland
Helsinki, Finland
Istanbul, Turkey
Moscow, Russia
Prague, Czech Republic
Tenerife, Spain
Warsaw, Poland

**Middle East /
Gulf Region:** Abu Dhabi, UAE
Amman, Jordan
Dubai, UAE
Tel Aviv, Israel

B. QUALIFYING CARGO FLIGHTS

1. Any carrier establishing **scheduled, year-round cargo freighter service from Asia, Africa, Europe, or the Middle East / Gulf Region 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.*
2. Following service commencement, and continuing for a 24 month period thereafter, any additional frequencies added to the new cargo route will qualify

for the 50% incentive for a full 12-month term effective from the date the additional frequencies commence.

FUNDING THE PROGRAM:

To mitigate any adverse effects to landing fees paid by other MIA air carriers, MDAD will fund the *ASIP3* 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 *ASIP3*. To meet this *ASIP3* term requirement, an air carrier will not be permitted to substitute one qualifying flight for another.
- **Provide MDAD with a letter of credit, company check or bank wire transfer** for the total estimated amount of landing fees to be abated for each qualifying flight during the Promotional Period and, **file the financial guarantee** 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 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 ASIP3 with a new flight to JFK or Newark International Airports. The air carrier may however, change the number of frequencies, and the type and series of an aircraft operating a qualifying service.*
- **Report any changes to the number of frequencies, aircraft type and/or series at least thirty (30) days in advance of any changes during the entire Promotional Period.**

AIRLINE COMPLIANCE:

MDAD will conduct an *ASIP3* Review Committee audit of the air carrier's compliance with the terms of the program on a monthly basis during the entire promotional period.

DURATION OF AIR SERVICE INCENTIVE PROGRAM:

Except as stated below, the *ASIP3* duration is three (3) years from the effective date. After this three-year period, MDAD will reevaluate the program and may 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 *ASIP3*, 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 *ASIP3* 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.

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Submissions can be made electronically to:

marketing@miami-airport.com

Or may be faxed to:

305-876-7398

Or delivered in person to:

Miami-Dade Aviation Department
Marketing Division
Miami International Airport
5600 NW 36th Street, Suite 515
Miami, Florida

For Federal Express and UPS delivery, use 33122 as the zip code, appended to the address above.

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

Instructions:

- *The ASIP3 Application is on the back of this page. 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 ASIP3 should be directed to the Marketing Division of the Miami-Dade Aviation Department at 305-876-7862.*