| Resolution No.: 16-58 \| Air Service Incentive Program | |
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| **Responsible Department:** Business Development | |
| **Effective Date:** January 1, 2017 | **Supersedes:** February 17, 2015 (Res.No.15-07A&B) |
| **Personnel Covered:** Executive Director's Office, Business Development, Finance & Accounting | |

## POLICY STATEMENT

It is the desire of Phoenix-Mesa Gateway Airport Authority ("PMGAA" or "Authority") to establish and implement a robust, consistent, responsible, and non-discriminatory Air Service Incentive Program. The program is applicable to incumbent, new direct, and indirect carriers and operators, and complies with Federal Aviation Administration rules, regulations, and policies.

## PURPOSE

The PMGAA Air Service Incentive Program has been created to encourage airlines currently serving the Phoenix-Mesa Gateway Airport ("Airport"), as well as potential new entrant airlines, to initiate new nonstop service to markets not currently available from the Airport; or additional nonstop service to markets that the Authority has determined to have inadequate levels of service.

PMGAA may amend, suspend or change this Policy at any time without prior notification. The Executive Director/CEO shall have the authority to suspend, amend, or change the policy in the event there are inadequate resources to fund the Air Service Incentive Program.

## APPLICABILITY

A. Incentives offered under this Policy are applicable only to FAR Part 121, 129, and 14 CFR Part 380 certificated commercial air carriers, or third-party companies who contract with such carriers (singularly "Airline" and collectively "Airlines"), and that provide new air service (as defined herein) at the Airport beginning on or after the Effective Date.

B. To qualify for the Air Service Incentive Program, an Airline shall provide new nonstop service to a market that is currently not being served by an airline at the Airport; or provide additional nonstop service to a market that has been identified by PMGAA as underserved at the Airport.

**INCENTIVES**

The Authority will waive landing fees and terminal use fees, and may provide marketing and facility "fit out" assistance to encourage the establishment of new nonstop service that help achieve the goals of the Airport and the region. Incentives will be negotiated by market and frequency of service. Pre-existing Airline service levels must be maintained throughout the incentive period.

Frequency of new service must meet or exceed two roundtrip flights per week to qualify for this program. All incentives shall apply to destinations (i.e. city pairs) and will not be aimed at a specific Airline, aircraft type or seat configuration. Seasonal service may qualify provided the minimum weekly service level requirements are maintained.

A. New Nonstop Markets:

- Up to 24-months of terminal use fee and landing fee waivers
- Up to $200,000 in marketing assistance

  * Incentives based on level of service

B. Additional Nonstop Service to Underserved Markets:

- Up to 12-months of terminal use fee and landing fee waivers
- Up to $100,000 in marketing assistance

  * Incentives based on level of service

C. Maximum Revenue Guarantee:

Using non-airport revenue, PMGAA may negotiate a Maximum Revenue Guarantee Agreement for specific new air service proposals. The Executive Director/CEO, or designee, may negotiate a reasonable Maximum Revenue Guarantee per destination based on the Airline's minimum charge for aircraft, crew, maintenance, and insurance ("ACMI"), or such other revenue or expense reimbursement contract required to promote the applicable new air service, and which is mutually agreeable to both parties. The Maximum Revenue Guarantee proposal will be presented to the PMGAA Board of Directors for their consideration and approval.

The Executive Director/CEO shall have the authority to adjust the Maximum Revenue Guarantee amount for each Airline, depending upon such factors as incentive program account balance, the particular route, and frequency of the proposed service.

D. Non-Airline Revenue Sharing:

To further incentivize Signatory Airlines to provide additional nonstop destinations and increased frequency on existing routes, PMGAA has created a Non-Airline Revenue Sharing Program designed to apportion a percentage of non-airline (rental car, parking, food/beverage, and retail) revenue on a per-enplaned passenger (EPAX) basis for surpassing specific thresholds of passenger activity during the fiscal year; with a reconciliation at the end of the fiscal year.

The program is eligible to all Signatory Airlines operating at the Airport. A Signatory Airline has been previously defined by PMGAA as an Airline offering a 90-day rolling average of 90 scheduled departures or greater each month.

To qualify for any of the incentives included in this Policy, an Airline's current service level at the Airport must not be reduced during the incentive period. If airline service levels are reduced during the eligibility period, all incentives will be suspended.

In the event that air service receiving incentives is reduced or terminated by the Airline prior to the end of the eligibility period, the Airport shall be entitled to reimbursement of all incentives received, reimbursable to the Airport within 30-days from the termination of service.