AGENDA REPORT

Resolution: Amendment to Domestic and International Air Service Incentive Program Available to All Airlines Serving Oakland International Airport Who Have Executed an *Airline Operating Agreement* with the Port. **(Aviation)**

MEETING DATE:	11/29/2018
AMOUNT:	Amount of Incentive Varies Depending Upon New Air Service Provided by Airline, Capital Expenditure
PARTIES INVOLVED:	Airlines Potentially Providing Domestic or International Passenger Air Service at Oakland International Airport
SUBMITTED BY:	Bryant L. Francis C.M., Director of Aviation
APPROVED BY:	Danny Wan, Acting Executive Director
ACTION TYPE:	Resolution

EXECUTIVE SUMMARY

This action would update the Air Service Incentive Program authorized pursuant to previous resolutions passed by the Board. Specifically, (i) extend the term of the Air Service Incentive Program offered by Oakland International Airport ("OAK") for two additional years to December 31, 2021; (ii) restrict "Qualifying Service" to unserved destinations unless that Qualifying Service is a Target City; (iii) include "scheduled charter" as air service that qualifies for incentives; (iv) update the types of charges and fees to be waived and to be consistent with the Aviation Rates & Charges Ordinance, (v) adjust the per-passenger fee for international arrivals based on the number of seats offered by each airline; (vi) clarify the qualifications for airlines to participate in the Cooperative Advertising Program, (vii) extend the Port's advertising support under specific conditions from the current one year to up to two years, restricted to International Target Cities; and (viii) revise the list of Target Cities.

BACKGROUND

Oakland International Airport's (OAK) business goals include growing passenger volume by providing incentives to increase airline service and competition, and lowering barriers to commencing and marketing service at OAK. A key component of this strategy is providing financial incentives to airlines that increase the number of flights to domestic and international destinations.

An airline's decision to serve a new market represents a significant investment and financial risk to the airline, and incentives are often needed to strengthen an airport's competitive position for new routes and against competitive airports. Route planning decisions are focused more than ever on establishing and maintaining route profitability. Incentive programs are designed to help offset costs when an airline enters or expands service during the important start-up phase.

When faced with a choice of where to place additional air service, incentive programs are often a determining factor in the decision-making process. Other market factors that influence an airline's decision to offer new air service to an airport include route profitability forecasts, aircraft availability, market competition, airport costs and the level of support an airline will receive from the community.

Federal Aviation Administration (FAA) policy allows airports to establish incentive programs offering waivers or discounting of fees and charges normally imposed on airlines in exchange for new service. The incentives are limited to a defined promotional period and must be available on a non-discriminatory basis to all airlines that are willing to meet the incentive program criteria.

Importantly, while an incentive program will waive fees and charges for qualifying routes, the new air service should also stimulate additional new passenger revenues from food, beverage and retail sales, parking and ground transportation fees, and passenger facility charges (PFCs).

Resolution No. 14-45, adopted by the Board of Port Commissioners on May 22, 2014 enhanced, clarified, restated and refined certain terms and conditions of both:

- The Domestic Air Service Marketing Incentive Program authorized pursuant to Resolution Nos. 20228 and 11-114 (the "Domestic Incentive Program"), and
- The International Air Service Marketing Incentive Program authorized pursuant to Resolution Nos. 09029 and 09158 (the "International Incentive Program").

Collectively, the Domestic Incentive Program and the International Incentive Program are referred to as the "Air Service Incentive Program".

Pursuant to Resolution No. 15-118 adopted on October 8, 2015 and Resolution No. 15-160 adopted on December 17, 2015, certain terms and conditions of the Air Service Incentive Program were further refined.

Providing financial incentives to airlines to increase the number of domestic and international flights and destinations is a key component of airports' efforts to increase airline service and competition. Beginning in June 2000 with Resolution No. 20228, the Board has approved OAK providing domestic and international air service incentives. Based on feedback from airlines and an updated comparison of other airports' incentives, staff is proposing a limited update to OAK's current Air Service Incentive Program, specifically focused on increasing the number of flights to/from Target City international destinations and offering per-passenger cost savings for increased use of the recently-expanded International Arrivals Building. The "Attachment" details the proposed revised Air Service Incentive Program Overview with additions, deletions and other changes highlighted.

ANALYSIS

Extension of Term: The Air Service Incentive Program as currently authorized by Resolution No. 15-160 has a term expiring December 31, 2019. Airline route planners – especially international – have a long planning horizon when determining destinations and flight schedules for a limited number of long-haul aircraft. For example, new routes under discussion now may not commence operations until spring or summer 2019. For the success of Aviation Marketing in soliciting and securing new domestic and international air service, it is recommended that the term of the Air Service Incentive Program be extended for an additional two years, through December 31, 2021, so that the proposed incentives still will be effective when the new air service actually begins operating at OAK. This extension would complement the proposed extension of fee waivers for Target City destinations discussed below.

Qualifying Service: To be eligible for the Domestic Incentive Program, the new air service may be offered by both incumbent and new entrant airlines, but must not have been serviced by the incumbent airline within the prior twelve (12) months. Qualifying Service includes nonstop service to any unserved destination, or nonstop service to Target Cities that have existing nonstop service. Although previously considered as Qualifying Service, flights to non-Target Cities that have existing nonstop service from OAK will no longer qualify.

Charter Air Service: The Air Service Incentive Program provides incentives to "regularly-scheduled… service" and specifically excludes charter flights; Aviation does not want to provide financial incentives to random, unscheduled charter flights. However, a new business model has been developed by "scheduled charter" airlines who offer service to the general public. Such scheduled charter airlines provide flights to/from OAK that fill a specific niche for business and leisure travelers. Currently, JetSuiteX[1] operates this type of scheduled charter service at OAK providing flights to Burbank, Las Vegas and Reno, utilizing Signature Flight Support's North Field executive terminal facilities where its passengers are provided concierge services and complimentary parking. Aviation believes including "scheduled charter" service in the Air Service Incentive Program will enhance the Port's goal of increasing the number of domestic and international flights and destinations, which is a key component of OAK's efforts to increase airline service and competition.

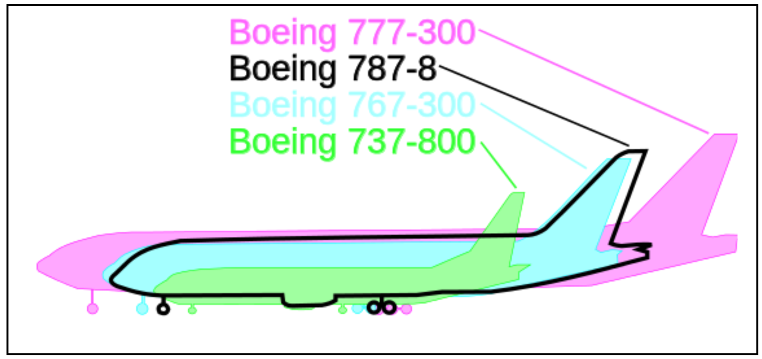
Fees and Charges to be Waived: Effective July 1, 2017 the Board adopted Port Ordinance No. 4430 – an amended, updated and restated version of Aviation Rates & Charges – which has been further amended by Port Ordinance No. 4483 effective July 1, 2018. For consistency between the new Rates & Charges Ordinance and the Air Service Incentive Program, the names for the types of charges and fees to be waived as listed in the "Item" columns have been updated:

Previous Item Names	Revised Item Name
Preferential or Secondary Gate Use Charge, and Baggage Charges, International Flight Turn Charge	Preferential Holdroom, Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee,

International Arrivals Building Per Passenger Fee: Pursuant to the Port's Board-adopted Airport Rates & Charges for FY2018-19, airlines pay a per passenger fee of $12.00 for each arriving international passenger, identified as a Federal Inspection Services ("FIS") Fee. Under the current Air Service Incentive Program, if an airline operates at least six daily flights, the FIS Fee is reduced to $5.00 per passenger. With Southwest Airline Co.'s initiation of daily flights to Puerto Vallarta and Cabo San Lucas utilizing B737 aircraft, an imbalance has developed with

[1] At its meeting on December 14, 2017, the Board adopted Ordinance No. 4456 approving the terms and conditions of an Airline Operating Agreement with Delux Public Charter, LLC dba JetSuiteX.

intercontinental airlines such as Norwegian's Boeing 787 flying much larger aircraft but potentially receiving the same reduced per passenger charge incentive; there is an approximate 2-to-1 ratio of narrow-body vs. wide-body passenger loads. Aviation is recommending that the FIS Fee discount be based on the number of international arrival **seats** vs. the number of international arrival **flights**. The incentive would be:



Weekly Seats	FY2018-19 FIS Fee	% Discount*
No Incentive	$12.00	0%
5,775 – 7,699	10.00	-17%
7,700 – 9,624	8.00	-33%
9,625 or More	6.00	-50%

*Rounded up to the next higher full dollar amount.

Cooperative Advertising Program: Currently, the Air Service Incentive Program authorizes a dollar amount range for advertising the Port will support for various domestic and international destinations, with higher dollar amounts for Target City destinations. The approved dollar amounts are for daily service, and the amount is (i) increased for Target Cities, and (ii) pro-rated if an airline offers less than daily service.

In addition, as currently approved:

> "Any airline commencing eligible new service will qualify for the Cooperative Advertising Program regardless of whether the destination is already being served from OAK by another airline."

Aviation is recommending restricting the Port's participation in the Cooperative Advertising Program if a non-Target city already is served from OAK:

> "Qualifying Service includes nonstop service to any unserved destination, or service to Target Cities that have existing nonstop service. Service to non-Target cities that have existing nonstop service from OAK does not qualify."

Finally, the Port's maximum dollar amount for International Target City (excluding Canada and Mexico, which will remain capped at $100,000 for non-Target Cities or $200,000 for Target Cities, and a maximum term of 12 months) is capped at a total of $300,000. Aviation is recommending that the Port's contribution be $300,000 in the first 12 months of service and an additional $150,000 in months 13 through 24.

Target City Definition: Aviation is recommending the following amendment to the current definition of "Target City":

- Delete: "Destinations unserved at OAK and also unserved at other Bay Area airport that are now, or will soon be, candidates for new nonstop service as a result of advances in aeronautical technology such as those offered in the Boeing 737 MAX, Airbus A320 NEO and Airbus A350 programs."

- ✈ The list of "Target Cities" has been revised to add, delete and clarify destinations as shown on the Attachment.

Financial Analysis:

The proposed Domestic and International Incentive Programs can be a significant cost to the Port, as the space rentals, landing fee and FIS Fee waivers cause a delay in receipt of new revenues and the cooperative marketing expenses, as well as waivers, cannot be included in airlines' rates and charges. When offering incentives, the Port bears the risk that it may not be able to fully recover these costs. The risk is mitigated by the immediate increases in passenger traffic generated by new air service, which drive a positive revenue stream during the waiver period due to additional revenues from food, beverage and retail sales, as well as parking and ground transportation fees. Domestic and international passengers also pay PFCs, which are used to fund various Airport projects.

Depending on the frequency of service and the size of aircraft, the cost of the proposed incentives for new service to a Domestic Target City is estimated between $250,000 (for a once a week frequency) to $600,000 (for a daily frequency). For the Port to fully recover these costs (i.e. gets to a break-even point) through additional passenger-driven revenues and rates and charges after the waiver period, this new service should continue for at least 5-to-6 months with a daily frequency and 15-to-16 months for a once a week frequency.

Depending on the frequency of service and the size of aircraft, the cost of the proposed incentives for a new service to an International Target City is estimated between $725,000 (for a once a week frequency) to $2,500,000 (for a daily frequency). For the Port to fully recover these costs through additional passenger-driven revenues and rates revenues after the waiver period, this new service should continue for at least 18-to-20 months with a daily frequency and 32-to-34 months for a once a week frequency.

Below is a comparison of the costs and break-even point for International vs. Domestic Incentives based on a daily frequency:

Daily Flight Operated by	B787-800	A330-200	B737-800	Breakeven (in months)
International Service	$2.4M	$2.5M	$1.6M	18-20
Domestic Service	$0.5M	$0.5M	$0.4M	5-6

BUDGET & STAFFING

Aviation includes estimated cooperative marketing expenses, as well as a delay in receipt of Rates and Charges revenues in its annual operating budget. It is important to note that the FIS Fee at OAK historically has been set below the cost recovery level due to insufficient international traffic. The proposed volume discounts will require a higher growth in international traffic to achieve full cost recovery.

There will be no impact to staffing by the Board's approval of the revised Air Service Incentive Program.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters included in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf

Goal: Grow Net Revenues

Goal: Improve Customer Service

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply because the requested action is not an agreement, contract, lease, or request to provide financial assistance within the meaning of the Living Wage Regulations.

SUSTAINABILITY

Port staff have reviewed the Port's 2000 Sustainability Policy and did not complete the Sustainability Opportunities Assessment Form. There are no sustainability opportunities related to this proposed action because it does not involve a development project, purchasing of equipment, or operations that presents sustainability opportunities.

ENVIRONMENTAL

This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA) and the Port CEQA Guidelines. The amendment to Domestic and International Air Service Incentive Program Available to All Airlines Serving Oakland International Airport Who Have Executed an *Airline Operating Agreement* with the Port would support airport operations as analyzed in the Airport Development Program Environmental Impact Report, certified in 1997 and supplemented in 1999 and 2003 (see Board Resolutions 97376, 99263, and 03345). The action does not include construction or modification of airport facilities or infrastructure. Therefore, no additional CEQA review is required.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) and Professional Liability Insurance Program (PLIP) do not apply to the matters addressed by this Agenda Report as they are not capital improvement construction or design projects.

OPTIONS

1. Approve the proposed update to the Air Service Incentive Program as described above to (i) extend the term of the Air Service Incentive Program offered by Oakland International Airport to December 31, 2021; (ii) restrict "Qualifying Service" to unserved destinations unless that Qualifying Service is a Target City; (iii) include "scheduled charter air service available to the general public" as a type of air service eligible to participate in the Air Service Incentive Program; (iv) updated the types of charges and fees to be waived, and update the definitions of terms in the Air Service Incentive Program to be consistent with the Aviation Rates & Charges Ordinance No. 4430; (v) adjust the method of calculation and dollar amounts of the Federal Inspection Services Fee to be based on the number of seats offered by an airline each week vs. the number of flights offered each week, and provide a volume discount ranging from $2.00 per passenger to $6.00 per passenger for meeting defined thresholds of number of seats; (vi) clarify the qualifications for airlines to participate in the Cooperative Advertising Program and eliminate the Port's contribution toward the Cooperative Advertising Program for non-Target City destinations that are already served by another airline to/from OAK; (vii) increase and extend the Port's contribution toward the Cooperative Advertising Program for International Target Cities (excluding Target Cities in Canada and Mexico, which will remain unchanged) from $300,000 for the first year to $300,000 in the first year, plus an additional $150,000 in months 13 through 24; and, (viii) revise the list of Target Cities as shown on the Attachment.

2. Retain the existing Air Service Incentive Program. This option would continue to allow OAK to provide fee waivers and offer cooperative advertising through the existing December 31, 2019 expiration date, but at lengths of term and dollar amounts considered to be non-competitive with comparable airports.

RECOMMENDATION

It is recommended that the Board approve a resolution to amend Resolution Nos. 14-45 and its attached Air Service Incentive Program Overview to:

1. Extend the term of the Air Service Incentive Program offered by Oakland International Airport to December 31, 2021;
2. Restrict "Qualifying Service" to unserved destinations unless that Qualifying Service is a Target City;
3. Include "scheduled charter air service available to the general public" as a type of air service eligible to participate in the Air Service Incentive Program;

4. Updated the types of charges and fees to be waived, and update the definitions of terms in the Air Service Incentive Program to be consistent with the Aviation Rates & Charges Ordinance No. 4430
5. Adjust the method of calculation and dollar amounts of the Federal Inspection Services Fee to be based on the number of seats offered by an airline each week vs. the number of flights offered each week, and provide a volume discount ranging from 17% to 50% (rounded up to the next higher full dollar), which equates to a range of $2.00 per passenger to $6.00 per passenger, for meeting defined thresholds of number of seats;
6. Clarify the qualifications for airlines to participate in the Cooperative Advertising Program and eliminate the Port's contribution toward the Cooperative Advertising Program for non-Target City destinations that are already served by another airline to/from OAK;
7. Increase and extend the Port's contribution toward the Cooperative Advertising Program for International Target Cities (excluding Target Cities in Canada and Mexico, which will remain unchanged) from $300,000 for the first year to $300,000 for the first year, plus an additional $150,000 in months 13 through 24; and,
8. Revise the list of Target Cities as shown on the Attachment;

subject to the Port Attorney's review and approval as to form.

ATTACHMENT

AIR SERVICE INCENTIVE PROGRAM OVERVIEW
Oakland International Airport
December 1, 2018

This document summarizes the terms and conditions of the Oakland International Airport ("OAK" or "Airport") Domestic Air Service Marketing Incentive Program ("Domestic Incentive Program")[2] and International Air Service Marketing Incentive Program ("International Incentive Program")[3], collectively, the "Incentive Programs".

I. Program Objective. The Airport's air service Incentive Programs are designed to stimulate the growth of domestic and international passenger air service at OAK and lower the barriers to commencing and marketing new air service.

II. Program Period. The domestic and international Incentive Programs will be available from May 1, 2014 through ~~December 31, 2019~~ December 31, 2021 (the "Program Period") to all airlines that meet the program requirements. OAK may at its sole discretion shorten or suspend the Program Period. Following this Program Period, OAK may elect to continue offering the Incentive Programs, subject to approval by the Board of Port Commissioners.

III. Application. Airlines seeking to participate in the Incentive Programs, ("Applicant Airline") must complete and sign the Air Service Incentive Program Application Form within thirty (30) days of commencement of ~~the~~ each qualifying air service. The Applicant Airline will be advised in writing by the Port within thirty (30) days of receipt of the Application if the Application has been approved for the requested incentives.

IV. Domestic Incentive Program Requirements. To be eligible for the Domestic Incentive Program, the new air service ("Qualifying Service") commenced must be:

A. ~~New air~~ Qualifying Service to any short-haul, medium-haul or long-haul destination within the United States that has not been served by the Applicant Airline within the last ~~12~~ twelve (12) months. The incentives are available to both incumbent and new entrant airlines~~ regardless of whether the new destination is already served from OAK by another airline, except where noted in the chart below~~. Qualifying Service includes nonstop service to any unserved destination, or nonstop service to Target Cities that have existing nonstop service. Service to non-Target Cities that have existing nonstop service from OAK does not qualify.

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[2] The Domestic Incentive Program was authorized pursuant to Board Resolution Nos. 20228, 11-114 and 14-45.

[3] The International Incentive Program was authorized pursuant to Board Resolution Nos. 09029, 09158 and 14-45.

B. The definitions are as follows:

Designation	Flight Distance
“Short-Haul”	Less than 250 Miles
“Medium-Haul”	250 Miles to 1,250 Miles
“Long-Haul”	More than 1,250 Miles

C. ~~Regularly-scheduled (not charter) service~~ Scheduled passenger or scheduled charter service available to the general public.

~~**D.** The routing must be non-stop (not a “through” destination).~~ Year-round or new seasonal service[4]. Seasonal service is not eligible for incentives if the route ~~was served by~~ had scheduled service from the Applicant Airline any time during the preceding two years.

E. Frequency of 3 or more flights per week (said flights are not required to be to the same destination), as long as each destination meets above requirements in Section IV.A.).

F. If less than 3 flights per week, incentives will be prorated[5].

Provided that these eligibility criteria are met, the following fees will be waived or reduced:

Item	Duration	Description
Landing Fees	Three (3) Months for New Short-Haul and Medium-Haul Routes	Waived for each new short-haul or medium-haul destination.
	Six (6) Months for New Long-Haul Routes	Waived for each new long-haul destination.

[4] “Seasonal Service” shall mean any service that upon announcement: (a) is not operated on a published schedule pattern within every month of the year (January through December) and (b) is operated for more than ~~90~~ ninety (90) days but less than 365 days in one calendar year.

[5] For example, a new entrant, Airline X applies to operate two flights per week between OAK and Reno (less than 1,250 miles away); Airline X would qualify for two-thirds of the short-haul domestic incentives, or two (2) months’ of landing fees, office space rental, gate use charges, baggage charges and RON fees.

Item	Duration	Description
Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charges, ~~or~~ Secondary ~~Gate~~ Use Fee or Common Use Fee[6]~~,~~ ~~Charge, and Baggage Charges~~	Three (3) Months for New Medium-Haul Routes	Cumulative for each new destination added during Program Period; if a new medium-haul or long-haul destination is added during Program Period, then the corresponding amount of time (three or six months) is added and eligible fees waived. If any new destination is canceled, waiver is rescinded accordingly. Office Space Rental, Preferential Holdroom and Baggage Claim Monthly Charge waivers are limited to a total of twelve (12) months and for new entrants only. Secondary Use Fee and Common Use Fee waivers are limited to a total of twenty-four (24) months, and are available to incumbent airlines and new entrant airlines.

[6] Office Space Rental, Preferential Holdroom and Baggage Claim Monthly Charge waivers are ~~waiver~~ available only to new airline entrants and only for new service to destinations not currently served by any other airline. This incentive is limited to a reasonable amount of office space that the new entrant airline requests to occupy in the Terminal Complex which is vacant at the time of airline's request. For an airline providing a minimum of seven (7) flights per week to any destination and up to three (3) daily domestic flights, "reasonable" is defined as (i) 750± square feet of office space, plus (ii) if airline operates a maintenance or flight crew base at the Airport, airline will be provided with an additional 500± square feet of office space. If airline operates more than three (3) daily domestic flights, additional space rental may be waived subject to the Board's review and approval.

Item	Duration	Description
	Six (6) Months for New Long-Haul Routes	Cumulative for each new destination added during Program Period; if a new medium-haul or long-haul destination is added during Program Period, then the corresponding amount of time (three or six months) is added and eligible fees waived. If any new destination is canceled, waiver is rescinded accordingly. Office Space Rental, Preferential Holdroom and Baggage Claim Monthly Charge waivers are limited to a total of twelve (12) months and for new entrants only. Secondary Use Fee and Common Use Fee waivers are limited to a total of twenty-four (24) months, and are available to incumbent airlines and new entrant airlines.
Aircraft Parking (including Remain Over Night – "RON") Fee	Three (3) Months for New Medium-Haul Routes	Waived for each new medium-haul destination.
	Six (6) Months for New Long-Haul Routes	Waived for each new long-haul destination.

V. International Incentive Program Requirements. To be eligible for the program, the new air service commenced must be:

A. ~~New air service~~ Qualifying Service to any international destination that has not ~~been served by~~ had scheduled nonstop service from the Applicant Airline within the last ~~12~~ twelve (12) months. The incentives are available to both incumbent and new entrant airlines ~~regardless of whether a destination is already being served by another airline from OAK, except as noted in the chart below~~ Qualifying service includes nonstop service to any unserved destination, or nonstop to Target Cities that have existing nonstop service. Service to non-Target cities that have existing nonstop service from OAK does not qualify.

B. ~~Regularly-scheduled (not charter) service~~ Scheduled passenger or scheduled charter service available to the general public.

C. ~~The routing must be non-stop; however, a "through" destination will be eligible for incentives if the final destination is otherwise unserved and technically unreachable on a nonstop basis. Examples include OAK-NRT-KUL or OAK-TPE-SIN. Incentives are also available for routes requiring a technical stop en route either on a planned or unplanned basis.~~ Year-round or new seasonal service. Seasonal service is not eligible for incentives if the route ~~was served by~~ had scheduled nonstop service from the Applicant Airline any time during the preceding two years.

D. Frequency of one (1) or more flights per week (said flights are not required to be to the same international destination, as long as each destination meets above requirements in Section IV.A.).

Provided that these eligibility criteria are met, the following fees will be waived or reduced, depending upon if the new destination has been designated as a "Target City" by the Port:

NON-TARGET CITY INTERNATIONAL INCENTIVES		
Item	**Duration**	**Description**
Landing Fees	First Six (6) Months	Waived for each new destination
Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charge,[7] ~~and International Flight Turn Charge~~ Secondary Use Fee or Common Use Fee (includes use of common use ticket counters, hold room, boarding bridge, baggage make-up).	Six (6) Months	Cumulative waivers for each new destination added during Program Period; e.g., two destinations = one year rental waiver. If destination is canceled, waiver is rescinded. ~~International flight Per Turn~~ Common Use Fees charges for new destinations also waived for (6) six months. Office Space Rental, Preferential Holdroom and Baggage Claim Monthly Charge waivers are limited to a total of twelve (12) months. The remaining waivers are limited to a total of twenty-four (24) months.
Aircraft Parking (including Remain Over Night – "RON") Fees	First Six (6) Months	Waived for each new destination.

[7] Office Space Rental, Preferential Holdroom and Baggage Claim Monthly Charge waivers apply ~~waiver applies~~ only to new airline entrants. The incentive is limited to a reasonable amount of office space in a location in Terminal 1 which is vacant at the time of airline's request. For an airline providing a minimum of two (2) flights per week and up to five (5) daily international flights, "reasonable" is defined as (i) 750± square feet of office space, plus (ii) if airline operates a maintenance or flight crew base at the Airport, airline will be provided with an additional 500± square feet of office space.

<table>
<tr><td>International Arrivals Building (IAB)[8]</td><td>First Six (6) Months</td><td>Current charge is $10 per passenger. These fees will be waived for the first six months for each new destination.</td></tr>
<tr><td>Pre-Cleared International Arriving Flights[7]</td><td>First Six (6) Months</td><td>Common Use Fees and Baggage Claim Monthly Charges will be waived for the first six (6) months for each new destination. Baggage Claim Monthly Charges will be waived only for new entrants.</td></tr>
<tr><td>IAB – Multiple Flights
Discount to the FIS Facility Fee is based on the number of international arrival seats and not the number of international flight arrivals.</td><td colspan="2">After the initial six-month waiver period, if airline ~~operates at least six daily flights, charge will be $5 per passenger for each new destination~~ averages the following numbers of international arriving seats per week, these discounts will apply for an additional twelve (12)-month period (maximum of eighteen (18) months):
<table>
<tr><th>Weekly Seats[9]</th><th>FY2018-19 FIS Fee</th><th>% Discount*</th></tr>
<tr><td>5,775 – 7,699</td><td>$10.00</td><td>-17%</td></tr>
<tr><td>7,700 – 9,624</td><td>8.00</td><td>-33%</td></tr>
<tr><td>9,625 or More</td><td>6.00</td><td>-50%</td></tr>
</table>
*Rounded up to the next higher full dollar.</td></tr>
</table>

[8] International flights that are pre-cleared by U. S. Customs and Immigration in a foreign country arrive at a domestic gate and do not use the Airport's IAB~~; however, such airlines are charged the applicable per-passenger IAB fee. The per-passenger IAB fee would be waived under International Incentive Program~~. In addition, the number of seats on a pre-cleared international arriving flight will be applied to the calculation of Weekly Seats leading to the Baggage Claim Monthly Charge.

[9] The seat thresholds are calculated on a weekly basis; Aviation Marketing will be required to monitor levels of qualifying weekly service/seats, confirm thresholds are reached and maintained, and convert to the appropriate monthly fee waiver. Thereafter, Aviation Marketing will advise Port Finance so that activity can be properly accounted.

TARGET CITY INTERNATIONAL INCENTIVES		
Item	**Duration**	**Description**
Landing Fees	First Twelve (12) Months	Waived for each new Target City destination.
	Second Twelve Months	50% Waived for each new Target City destination.
Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charge,[10] ~~and International Flight Turn Charge~~ Secondary Use Fee or Common Use Fee (includes use of common use ticket counters, hold room, boarding bridge, baggage make-up).	First Twelve (12) Months per each new Target City destination	~~Cumulative waivers for each new Target City destination added during Program Period; e.g., two Target City destinations = two years rental waiver~~ Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charge waivers are limited to twelve (12) months. If Target City destination is canceled, waiver is rescinded. ~~International flight Per Turn charges~~ Secondary Use Fee or Common Use Fee for each new Target City destinations also waived for twelve (12) months.
Aircraft Parking (including Remain Over Night – "RON") Fees	First Twelve (12) Months	Waived for each new Target City destination.
International Arrivals Building (IAB)	First Twelve (12) Months	Current ~~charge~~ FIS Facility Fee is $10 per passenger. ~~These fees~~ The FIS Facility Fee will be waived for the first twelve (12) months for each new Target City destination.
Pre-Cleared International Arriving Flights[7]	First Twelve (12) Months	Common Use Fees and Baggage Claim Monthly Charges will be waived for the first twelve (12) months for each new destination.

[10] Office Space Rental, Preferential Holdroom and Baggage Claim Monthly Charge waivers apply ~~waiver applies~~ only to new airline entrants. The incentive is limited to a reasonable amount of office space in a location in Terminal 1 which is vacant at the time of airline's request. For an airline providing a minimum of two (2) flights per week and up to five (5) daily international flights, "reasonable" is defined as (i) 750± square feet of office space, plus (ii) if airline operates a maintenance or flight crew base at the Airport, airline will be provided with an additional 500± square feet of office space.

<table>
<tr><td></td><td></td><td>Baggage Claim Monthly Charges will be waived for new airline entrants only.</td></tr>
<tr><td>IAB – Multiple Flights
Discount to the FIS Facility Fee is based on the number of international arrival seats vs. the number of international flight arrivals.</td><td colspan="2">After the initial twelve-month waiver period, if airline ~~operates at least six daily flights, charge will be $5 per passenger for each new destination (regardless if all destinations are Target City destinations)~~ averages the following numbers of international arriving seats per week, these discounts will apply for an additional twelve (12)-month period (maximum twenty-four (24) months):
<table>
<tr><th>Weekly Seats[8]</th><th>FY2018-19 FIS Fee</th><th>% Discount*</th></tr>
<tr><td>5,775 – 7,699</td><td>$10.00</td><td>-17%</td></tr>
<tr><td>7,700 – 9,624</td><td>8.00</td><td>-33%</td></tr>
<tr><td>9,625 or More</td><td>6.00</td><td>-50%</td></tr>
</table>
*Rounded up to the next higher full dollar.</td></tr>
</table>

VI. Other Charges. All other charges not specified in the domestic and international Incentive Programs (i.e., PFCs, ID badging, employee parking, etc.) are required to be paid by the participating Applicant Airline.

VII. Cooperative Advertising Program: The Airport will fund advertising expenses for new daily air service that meets the above eligibility criteria. For non-Target City destinations and domestic Target City destinations, amounts listed below will be pro-rated if less than daily service. For international Target City destinations, the full amount of cooperative advertising dollars will be eligible for international Target City destinations for less than daily service, provided that airline operates a minimum of two flights per week to each international Target City destination.

A. ~~Any airline commencing eligible new service will qualify for the Cooperative Advertising Program regardless of whether the destination is already being served from OAK by another airline~~ Qualifying service includes nonstop service to any unserved destination, or nonstop service to Target Cities that have existing nonstop service. Service to non-Target cities that have existing nonstop service from OAK does not qualify.

B. The cooperative advertising marketing funds shall be solely dedicated to supporting the qualifying new service and the Airport. The Airport must be featured, with prominence substantially similar to the ~~participating airline~~ Applicant Airline, in the promotional materials. The marketing program design and implementation ~~shall be completed in cooperation with and~~ is subject to the approval of the Director of Aviation.

C. Domestic Air Service:

1. Short-Haul: $10,000
2. Medium-Haul or Long-Haul: $100,000

D. Domestic Target City Air Service:

1. Short-Haul: $100,000
2. Medium-Haul or Long-Haul: $200,000

E. International Air Service:

1. Canada and Mexico: $100,000.

2. Canada & Mexico Target City: $200,000.

3. International (excluding Canada & Mexico): $200,000.

4. International Target City ~~Air Service~~ (excluding Canada and Mexico): $300,000 in first twelve (12) months of service, and an additional $150,000 in months 13 through 24.

E. Target City Definition: A Target City is defined as follows and is targeted because one or more of the following characteristics are present:

1. Destinations unserved at OAK that have high PDEW (passengers daily each way) according to DOT Form 41 and Airline Reporting Corporation (ARC) statistics, or which had high usage when served nonstop previously from OAK.

2. Destinations unserved at that are large airline hubs that will provide OAK originating passengers with significantly improved, single stop connectivity to other destinations.

3. ~~Destinations unserved at OAK and also unserved at other Bay Area airports that are now, or will soon be, candidates for new nonstop service as a result of advances in aeronautical technology such as those offered in the Boeing 787, Boeing 737-MAX, Airbus A320-NEO and Airbus A350 programs.~~ During the Program Period, the following ~~new~~ destinations ~~(any airport within the city market)~~ will be considered as ~~a~~ "Target ~~City~~ Cities":

Domestic: Atlanta, Boston, Charlotte, Detroit, Fort Lauderdale, Los Angeles, Miami, Minneapolis/St. Paul, New York (~~includes~~ EWR, LGA, JFK~~, ISP, SWF, HPN~~), Orlando, Philadelphia, ~~Reno/Tahoe,~~ San Diego, Tampa and Washington, D.C. (~~includes~~ IAD, DCA, BWI)

Canada and Mexico: Calgary, Cancun, Edmonton, Guadalajara, Mexico City, Montreal, Toronto, Vancouver

International: Abu Dhabi, Addis Ababa, Amsterdam, Athens, Auckland, ~~Barcelona,~~ Beijing, Berlin, Bogata, Brisbane, Buenos Aires, ~~Calgary,~~ Cancun, Cape Town, Dakar, Doha, Dubai, Dublin, ~~Edmonton,~~ Frankfurt, Hong Kong, Johannesburg, Kuala Lumpur, Lagos, Lima, London (LHR), Madrid, Manila, Melbourne, Milan, ~~Montreal,~~ Moscow, Nagoya, Nairobi, Osaka, Panama City, Paris, Reykjavik, Rio de Janeiro, ~~Rome,~~ San Salvador, Santiago, Santo Domingo, Sao Paulo, Seoul, Shanghai, Singapore, Tahiti, Taipei, Tokyo NRT, HND), ~~Toronto~~ and Vienna~~Vancouver~~.

4. This list may be modified at any time by the Director of Aviation.

VIII. ~~**Amendments to *Airline Operating Agreement*.** To implement the incentive program, the Port of Oakland and participating airlines will need to amend the terms and conditions of the standard form *Airline Operating Agreement*, and if space is involved, the *Annex "A" Space/Use Permit*.~~ **Cooperative Advertising Agreement:** To implement the Cooperative Advertising Program, the Applicant Airline is required to execute the Airport's Cooperative Advertising Agreement prior to but no later than concurrent with its first Application. Failure to adhere to the terms and conditions of the Cooperative Advertising Agreement can result in disqualification of the applicable route for cooperative advertising funds. Cooperative advertising funds are available for disbursement prior to the commencement of qualifying new service. In the event, however, that the Applicant Airline does not commence such qualifying new service, the Applicant Airline must promptly reimburse the Port for any cooperative adverting funds spent by the Airport. In general, the Port will contract directly with the Applicant Airline's advertising agency and/or media vendor to place the advertisements. In the limited circumstances described in the Cooperative Advertising Agreement where the Port may reimburse the Applicant Airline directly, Applicant Airline must provide all required documentation within one-hundred twenty (120) days of advertising execution. If past such one-hundred twenty (120) day period, the Port's obligation to reimburse the Applicant Airline is subject to rescission by the Port, in the Port's sole discretion.

IX. **Reporting.** Applicant Airline shall provide to the Airport any information necessary or relevant for the Airport to administer these Incentive Programs. Failure to provide such information may result in disqualification of the incentive.

X. **Federal Obligations:** Any incentives offered under these Incentive Programs are subordinate to the Airport's federal obligations, including without limitation grant assurances made by the Airport to the Federal Aviation Administration, and the Port may amend or terminate this Incentive Program to comply with those obligations.