AGENDA REPORT

Resolution: Renewal and Amendment of Domestic and International Air Service Incentive Program Available to All Airlines Serving Oakland International Airport. **(Aviation)**

MEETING DATE:	2/13/2020
AMOUNT:	Amount of Incentive Varies Depending Upon New Air Service Provided by Airline, Operating Expense
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, Executive Director
ACTION TYPE:	Resolution

EXECUTIVE SUMMARY

This action would update and renew 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 for two additional years through December 31, 2021; (ii) restrict "Qualifying Service" to unserved destinations unless that Qualifying Service is a Target City; (iii) change from a landing and use fee waiver to a landing and use fee rebate; (iv) update the types of charges and fees to be rebated to be consistent with the Aviation Rates and Charges Ordinance; (v) 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, (vi) 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.

An airline's decision to serve a new market represents a significant investment and financial risk to the airline and incentives are typically needed to strengthen an airport's competitive position for new routes and against incentives offered by competing airports. Route planning decisions are focused on quickly establishing and maintaining route profitability. Incentive programs are designed to help offset operational costs when an airline enters or expands service during the important start-up phase and to augment advertising efforts to promote the route.

Federal Aviation Administration (FAA) policy allows airports to establish incentive programs offering waivers, rebates and/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 may waive or rebate fees and charges for qualifying routes, the new air service will also likely generate additional new passenger revenues from food, beverage and retail sales, parking and ground transportation fees, and passenger facility charges (PFCs).

Beginning in June 2000 with Resolution No. 20228, the Board has approved OAK providing domestic and international air service incentives. Resolution No. 14-45, adopted by the Board 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 "**Incentive Programs**".

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 Incentive Programs were further refined.

Based on feedback from airlines and an updated comparison of other airports' incentives, staff is proposing a limited update to OAK's Incentive Programs. The "Attachment" details the proposed revised Incentive Programs Overview.

ANALYSIS

Extension of Term: The Incentive Programs as authorized by Resolution No. 15-160 has a term that expired 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 2021. To be more successful in soliciting and securing new domestic and international air service, it is recommended that the term of the Incentive Programs be renewed for an additional two years, through December 31, 2021, increasing the probability that the proposed incentives still will be effective when the new air service begins operating at OAK.

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 the destination must not have been served 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 may or may not 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.

Change from Landing and Use Fee Waiver to Landing and Use Fee Rebate: Managing landing and use fee waivers among multiple air carriers with new routes operating at different times and circumstances (i.e., seasonal, less than daily service, etc.) is an inefficient process. It is also difficult for the airlines to manage and administer the various waivers as each air carrier has its own unique accounting procedures. Other airports in the US, including some of our peer airports, use a system of fee rebate, versus the fee waiver approach in use at OAK. Aviation Staff believes that changing to a rebate system will simplify the processes and accounting for both the Port and air carriers and, at the same time, allow OAK to remain competitive with other airports competing for air service. The rebate shall be issued in the form of a non-transferable rebate credit after completion of twelve (12) months of air service or one scheduled season for seasonal markets. In the event an airline ceases service at OAK before applying the full amount of the rebate credit, any remaining amount shall be available for use as a credit for twelve (12) months from the last day of service and can be applied if the airline resumes service to the market within that twelve (12) month period. Rebate credits unused or dormant for more than twelve (12) months expire without recourse.

Fees and Charges to be Rebated: Effective July 1, 2017 the Board adopted Port Ordinance No. 4430 Relating to Landing and Tenant Terminal Space Rental Fees – an amended, updated and restated version of "Aviation Rates and Charges" – which has been further amended by Port Ordinance No. 4483 effective July 1, 2018 and Port Ordinance No. 4526 effective July 1, 2019. For consistency between the updated Aviation Rates and Charges Ordinance and the Incentive Programs, the names for the types of charges and fees to be rebated 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

Cooperative Advertising Program: Cooperative Advertising is when the Port and an air carrier collaborate on a campaign in order to promote a new OAK route. Currently, the Incentive Programs 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 Staff 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 of 12 months) is currently capped at a total of $300,000. Aviation Staff is recommending – for an International Target City – 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 Staff is recommending the following amendment to the current definition of "Target City":

- ✈ Delete obsolete language: "Destinations unserved at OAK and 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 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 rental, landing fee and Federal Inspection Services (FIS)* Facility Fee rebates cause a delay in receipt of new revenues. In addition, neither the cooperative marketing expenses, nor the rebates can be included in the calculation of Aviation 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 rebate 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 never waived or rebated and are used to fund various Airport projects.

Depending on a multitude of factors including but not limited to the frequency of service and the size of aircraft, the cost of the proposed incentives for an incumbent airline to start new service to a Domestic Target City is estimated between $40,000 (for a once a week frequency) to $500,000 (for a daily frequency). For the Port to fully recover these costs (i.e. get to a break-even point) through additional passenger-driven revenues, this new service should operate for at least 6-7 months with a daily frequency and 3 to 4 months for a once a week frequency.

Depending on a multitude of factors including but not limited to the frequency of service and the size of aircraft, the cost of the proposed incentives for an incumbent airline to start new service to an International Target City is estimated between $325,000 (for a once a week frequency) to $2,700,000 (for a daily frequency). For the Port to fully recover these costs through additional passenger-driven revenues, this new service should operate for at least 17 to 18 months with a daily frequency, and 15 to 16 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:

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*Federal Inspection Services are provided in OAK's International Arrivals Building.

Daily Flight Operated by	B787-8	A330-200	B737-800	Breakeven (in months)
International Service	$2.6M	$2.7M	$1.7M	17-18
Domestic Service	$0.5M	$0.5M	$0.4M	6-7

BUDGET & STAFFING

Aviation includes estimated cooperative marketing expenses, as well as a reduction in Rates and Charges revenues due to waivers or rebates in its annual operating budget. The additional new passenger revenues from food, beverage and retail sales, parking, ground transportation fees, and PFCs from new flights is incremental revenue and incorporated in its annual operating budget based on budgeted growth in passenger traffic.

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

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, including adaptation to climate change.

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 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) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

1. Approve the proposed renewal and update to the Incentive Programs as described above to:
   A. Extend the term of the Incentive Programs offered by Oakland International Airport ("OAK") for two additional years through December 31, 2021;
   B. Restrict "Qualifying Service" to unserved destinations unless that Qualifying Service is a Target City;
   C. Change from a landing and use fee waiver to a landing and use fee rebate;
   D. Update the types of charges and fees to be rebated in order to be consistent with the Aviation Rates & Charges Ordinance;
   E. 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,
   F. Revise the list of Target Cities as shown on the Attachment.
2. Renew and extend the previous Incentive Programs by extending the term for two additional years through December 31, 2021. This option would continue to allow OAK to provide land and use fee waivers and offer cooperative advertising, but at lengths of term and dollar amounts considered to be non-competitive with comparable airports.
3. Do not approve any of Aviation Staff's recommended actions, which means that the Incentive Programs expired on December 31, 2019, which would put OAK at a significant competitive disadvantage.

RECOMMENDATION

It is recommended that the Board approve a resolution to amend Resolution No. 15-160 and its predecessor resolutions, and the attached Air Service Incentive Program Overview to:

1. Renew and extend the term of the Incentive Programs offered by Oakland International Airport ("OAK") for two additional years to December 31, 2021;
2. Restrict "Qualifying Service" to unserved destinations unless that Qualifying Service is a Target City;
3. Change from a landing and use fee waiver to a landing and use fee rebate;
4. Update the types of charges and fees to be rebated to be consistent with the Aviation Rates and Charges Ordinance;
5. Extend the Port's advertising support under specific conditions from the current one year to up to two years, restricted to International Target Cities;
6. Revise the list of Target Cities

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

ATTACHMENT

AIR SERVICE INCENTIVE PROGRAM OVERVIEW
Oakland International Airport
January 1, 2020

This document summarizes the terms and conditions of the Oakland International Airport ("OAK" or "Airport") Domestic Air Service Marketing Incentive Program ("Domestic Incentive Program")[1] and International Air Service Marketing Incentive Program ("International Incentive Program")[2], 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 commenced May 1, 2014 and will be available through December 31, 2021 (the "Program Period") to all airlines that meet the program requirements. To qualify for the Incentive Programs, the air service must commence before the expiration of the program on December 31, 2021. An airline with new qualifying air service commencing by December 31, 2021 would be eligible to receive the full incentive. 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 ("Application") within thirty (30) days of commencement of 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. 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 from/to OAK within the last twelve (12) months. The incentives are available to both incumbent and new entrants, except that the rebate for Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charges, Secondary Use Fee and Common Use Fee shall be available to

[1] The Domestic Incentive Program was authorized pursuant to Board Resolution Nos. 20228, 11-114, 14-45, 15-118 and 15-160.

[2] The International Incentive Program was authorized pursuant to Board Resolution Nos. 09029, 09158, 14-45, 15-118 and 15-160.

new entrants only. 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 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. Scheduled passenger service available to the public.

D. Year-round or new seasonal service[3]. Seasonal service is not eligible for incentives if the route had scheduled service from the Applicant Airline any time during the preceding two years.

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

F. If less than three (3) flights per week, incentives will be prorated[4].

G. The rebate shall be issued in the form of a non-transferable credit after completion of twelve (12) months of air service or one scheduled season for seasonal markets. In the event an airline ceases service at OAK before applying the full amount of the credit, any remaining amount shall remain available for use as a credit for twelve (12) months from the last day of service and can be applied if the airline resumes service to the market within that twelve (12) month period. Credit amounts unused or dormant for more than twelve (12) months expire without recourse.

Provided that these eligibility criteria are met, the following fees will be rebated:

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

[3] “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 days but less than 365 days in one calendar year.

[4] For example, a new entrant, Airline X, applies to operate two flights per week between OAK and Redmond, OR (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
	Six (6) Months for New Long-Haul Routes.	Rebated for each new long-haul destination
Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee[5] **Note**: this incentive applies to new entrant airlines only.	Three (3) Months for New Medium-Haul Routes.	Rebated for Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee.
	Six (6) Months for New Long-Haul Routes	Rebated for Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee
Aircraft Parking (including Remain Over Night – "RON") Fee	Three (3) Months for New Medium-Haul Routes	Rebated for each new medium-haul destination.
	Six (6) Months for New Long-Haul Routes	Rebated 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. Qualifying Service to any international destination that has not had scheduled nonstop service from the Applicant Airline within the last twelve (12) months. The incentives are available to both incumbent and new entrant airlines, except that the rebate for office space rental, preferential holdroom, baggage claim monthly charges, secondary use fee and common use fee shall be available to new entrants only. 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. Scheduled passenger service available to the public.

C. Year-round or new seasonal service. Seasonal service is not eligible for incentives if the route had scheduled nonstop service from the Applicant Airline any time during the preceding two (2) years.

D. Frequency of one (1) or more flights per week.

[5] Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charge, Secondary Use Fee or Common Use Fee rebates apply only to new entrant airlines. 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 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.

E. The rebate shall be issued in the form of a non-transferable credit after completion of twelve (12) months of air service or one scheduled season for seasonal markets. In the event an airline ceases service at OAK before applying the full amount of the credit, any remaining amount shall remain available for use as a credit for twelve (12) months from the last day of service and can be applied if the airline resumes service to the market within that twelve (12) month period. Credit amounts unused or dormant for more than twelve (12) months expire without recourse.

Provided that these eligibility criteria are met, the following fees will be rebated, 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	Rebated for each new destination
Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charge, Secondary Use Fee or Common Use Fee (includes use of common use ticket counters, hold room, boarding bridge, baggage make-up)[6]. This incentive applies to new entrant airlines only.	Six (6) Months	Rebated for Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee
Aircraft Parking (including Remain Over Night – "RON") Fees	First Six (6) Months	Rebated for each new destination.
International Arrivals Building (IAB)[7] – FIS Facility Fee	First Six (6) Months	Current FIS Facility charge is $12 per passenger. The FIS Facility fee will be rebated for the first six (6) months for each new destination.
Pre-Cleared International Arriving Flights[7] This incentive applies to new entrant airlines only.	First Six (6) Months	Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee will be

[6] Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charge, Secondary Use Fee or Common Use Fee rebates apply only to new entrant airlines. 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.

[7] International flights that are pre-cleared in a foreign country arrive at a domestic gate and do not use the Airport's IAB. In addition, the number of deplaned pre-cleared international passengers arriving will be applied to the calculation of the percent of total passengers leading to the Baggage Claim Monthly Charge.

		rebated for the first six (6) months for each new destination.
TARGET CITY INTERNATIONAL INCENTIVES		
Item	**Duration**	**Description**
Landing Fees	First Twelve (12) Months	Rebated for each new Target City destination.
	Second Twelve (12) Months	Rebated for each new Target City destination.
Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charge,[8] and Secondary Use Fee or Common Use Fee (includes use of common use ticket counters, hold room, boarding bridge, baggage make-up). This incentive applies to new entrant airlines only.	First Twelve (12) Months	Rebated for Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee
Aircraft Parking (including Remain Over Night – "RON") Fees	First Twelve (12) Months	Rebated for each new Target City destination.
International Arrivals Building (IAB) [7]– FIS Facility Fee	First Twelve (12) Months	Current FIS Facility Fee is $12 per passenger. The FIS Facility Fee will be rebated for the first twelve (12) months for each new Target City destination.
Pre-Cleared International Arriving Flights[7]. This incentive applies to new entrant airlines only.	First Twelve (12) Months	Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee will be rebated for the first twelve (12) months for each new destination.

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

[8] Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charge, Secondary Use Fee or Common Use Fee incentives apply 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.

VII. Cooperative Advertising Program: The Port 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, if airline operates a minimum of two flights per week to each international Target City destination.

A. 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 like the Applicant Airline, in the promotional materials. The marketing program design and implementation 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 (excluding Canada and Mexico): $300,000 in first twelve (12) months of service, and an additional $150,000 in months 13 through 24.

F. **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 that are large airline hubs that will provide OAK originating passengers with significantly improved, single stop connectivity to other destinations.

3. During the Program Period, the following destinations will be considered as “Target Cities”:

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

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

   International: Abu Dhabi, Addis Ababa, Amsterdam, Athens, Auckland, Barcelona, Beijing, Berlin, Bogota, Brisbane, Buenos Aires, Cape Town, Copenhagen, Dakar, Doha, Dubai, Dublin, Frankfurt, Hong Kong, Johannesburg, Kuala Lumpur, Lagos, Lima, Lisbon, London, Madrid, Manila, Melbourne, Milan, Moscow, Nagoya, Nairobi, Rome, Oslo, Osaka, Panama City, Paris, Reykjavik, Rio de Janeiro, San Salvador, Santiago, Santo Domingo, Sao Paulo, Seoul, Shanghai, Singapore, Stockholm, Tahiti, Taipei, Tokyo, and Vienna.

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

VIII. Cooperative Advertising Agreement: To implement the Cooperative Advertising Program, the Applicant Airline is required to execute the Port’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. 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.