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**BOARD OF PORT COMMISSIONERS
CITY OF OAKLAND**

**RESOLUTION AUTHORIZING RENEWAL AND AMENDMENT OF THE
DOMESTIC AND INTERNATIONAL AIR SERVICE INCENTIVE
PROGRAM AVAILABLE TO ALL AIRLINES SERVING OAKLAND
INTERNATIONAL AIRPORT.**

WHEREAS, the Board of Port Commissioners ("Board") has reviewed and evaluated Agenda Report Item 6.1, dated February 13, 2020 ("Agenda Report") and related agenda materials, has received the expert testimony of Port of Oakland ("Port") staff, and has provided opportunities for and taken public comment; and

WHEREAS, by Resolution No. 14-45, adopted by the Board on May 22, 2014, the Board authorized the amendment and restatement of the Domestic and International Air Service Marketing Incentive Program (the "Incentive Program") to encourage development of new passenger service at Oakland International Airport ("Airport"); and

WHEREAS, by Resolution No. 15-118, adopted by the Board on October 8, 2015, and Resolution No. 15-160, adopted by the Board on December 17, 2015, the Board authorized certain amendments to the Incentive Program; now, therefore, be it

RESOLVED, that the Board hereby approves the renewal and amendment of the Incentive Program to (i) renew and extend the term of the Incentive Program 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 for International Target Cities from the current one year to two years, and (vi) revise the list of Target Cities, as outlined in the Agenda Report and in the attached Air Service Incentive Program Overview; and be it

FURTHER RESOLVED, that the Director of Aviation is authorized to enter into Cooperating Advertising Agreements, and procurement agreements to implement the Incentive Program, as amended; and be it

FURTHER RESOLVED, that the Director of Aviation, in consultation with the Port Attorney, is authorized to revise the Incentive Program as may be necessary from time to time to comply with requirements of Federal law and regulation; and be it

FURTHER RESOLVED, the renewal and amendment to the Incentive Program would support airport operations as analyzed in the Airport Development Program Environmental Impact Report, certified in 1997 and supplemented in 1999 and 2003, and this action does not include construction or modification of airport facilities or infrastructure; therefore, no additional California Environmental Quality Act (CEQA) review is required; and be it

FURTHER RESOLVED, that this resolution is not evidence of and does not create or constitute (a) a contract or lease, entitlement or property interest, or (b) any obligation or liability on the part of the Board or any officer or employee of the Board. This resolution approves and authorizes the execution of agreement(s) in accordance with the terms of this resolution. Unless and until separate written agreement(s) are duly executed on behalf of the Board as authorized by this resolution, is signed and approved as to form and legality by the Port Attorney, and is delivered to the other contracting party, there shall be no valid or effective agreement(s); and be it

FURTHER RESOLVED, that in acting upon the matters contained herein, the Board has exercised its independent judgment based on substantial evidence in the record and adopts and relies upon the facts, data, analysis, and findings set forth in the Agenda Report and in related materials and in testimony received.

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 new entrants only. Qualifying Service includes nonstop service to any unserved destination, or nonstop service to Target Cities that have

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.

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 service³. 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 prorated⁴.

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.
	Six (6) Months for New Long-Haul Routes.	Rebated for each new long-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
Office Space Rental, Preferential Holdroom, Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee ⁵ Note: this incentive applies to <u>new entrant airlines only</u>.	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.
- 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

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.

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 <u>new entrant airlines only</u> .	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 <u>new entrant airlines only</u> .	First Six (6) Months	Baggage Claim Monthly Charges, Secondary Use Fee or Common Use Fee will be rebated for the first six (6) months for each new destination.

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.

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 <u>new entrant airlines only</u> .	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 <u>new entrant airlines only</u> .	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.

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

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.

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.