



**City and County of San Francisco
Airport Commission**

Aviation Market Stimulus Program



Introduction:

The Airport Commission of the City and County of San Francisco has authorized the implementation of an Aviation Market Stimulus Program. (the “Stimulus Program”) This program is designed to provide air carriers an incentive to implement flights to new destinations intensifying competition at San Francisco International Airport resulting in the generation of incremental business revenues and increased choices for the traveling public. The following is a summary of the components of the Stimulus Program:

Program Objectives:

1. Stimulate the aviation market at San Francisco International Airport
2. Create an incentive to add flights at SFO by offering:
 - A 50% discount on the published Landing Fee for arriving aircraft associated with a new flight, (as described below), for a 12 month period.
3. The Stimulus Program will target:
 - Flights to new destinations from existing carriers
 - New entrant airlines to establish service
 - Former carriers re-establishing service at SFO
 - Existing carrier response to new service
4. Provide a net benefit to the airline rate base at SFO contributing to the continuing effort to lower the cost per enplaned passenger for all airlines operating at SFO.

The Stimulus Program is fully endorsed by the Mayor’s Office and supported by the San Francisco Chamber of Commerce and the San Francisco Convention and Visitors Bureau. An initial mailing will be sent, on a non-discriminatory basis, to all air carriers encouraging their participation in the Stimulus Program.

Criteria to Qualify:

Two types of additional flights qualify under the Stimulus Program; 1) New Air Service and 2) flight additions in Response to New Air Service as detailed below:

New Air Service

An air carrier may qualify to participate in the Stimulus Program by establishing non-stop air service to a new destination. A “new” destination is an airport served non-stop from SFO not served by that airline, its express carrier or code share partner between February 1, 2002 and June 30, 2003. A flight to a “new” destination must commence between September 1, 2003 and April 30, 2004, to qualify under the Stimulus Program.



New Service - Promotional Period

The first twelve months of operation immediately following the start of a new flight is the Promotional Period. During the Promotional Period the air carrier will be entitled to a fifty percent (50%) discount on landing fees associated with arriving aircraft serving the new destination. (see Example #1) The airline must commit to operate the qualifying flight(s) for at least twelve months. An airline that commences qualifying service but fails to maintain that service for the full Promotional Period will be required to pay any discounts extended under the Stimulus Program upon demand.

Response by an Existing Carrier to New Air Service

Given that one objective of the Stimulus Program is to increase competition, the incentives of the Stimulus Program can apply to an existing air carrier's response to a qualifying "new" service by another air carrier provided the following criteria is met:

1. The existing carrier announces new service following the announcement by a competing carrier to enter a new destination market.
2. The existing carrier must have a net increase in its total number of departures from SFO as compared to the same month the previous year.

If the existing air carrier meets the above criteria, it will be eligible for a landing fee discount of fifty percent (50%) of landing fees associated with arriving flights serving new flights to that airport. (see Example 2)

Incremental Flights

The Stimulus Program is intended to produce a net increase in departures from SFO. Any air carrier participant in the Stimulus Program must produce a net increase in the number of its total departures from SFO for a given month, compared to the same month the previous year. The air carrier must also maintain existing flight services (i.e. a non-qualifying flight may not be deleted to initiate a qualifying flight).

Application Process:

An air carrier that believes it has met the Criteria to Qualify for inclusion in the Stimulus Program must complete an Aviation Market Stimulus Program Application. Applications must be post marked or e-mailed on or before April 30, 2004. The application should be completed and submitted with the required supporting documentation electronically to:

SFOaviationprogram@flysfo.com; or mailed to:

Mr. Greg Moix
Assistant Deputy Airport Director
Aviation Market Development
Airport Commission
P.O. Box 8097
San Francisco, CA 94128



The Stimulus Program Application is attached. Airport staff will review the Application against the Criteria to Qualify and approve or reject the Application. The air carrier will be advised in writing of the Application review decision.

Air Traffic Reporting Process:

Air carriers whose applications are approved will be required to submit traffic reports in addition to their Monthly Air Traffic Activity Report (MATAR).

Further instructions on reporting requirements will be forwarded to air carriers with approved applications. All submittals will be subject to audit by the City and County of San Francisco in accordance with audit provisions in the applicable airline Lease or Operating Permit.

Limited Opportunities

The Aviation Market Stimulus Program is a limited offering during the eligibility period from September 1, 2003 to April 30, 2004. A further limitation on the Stimulus Program is that the amount of incentives offered for New Air Service cannot exceed \$1.5 million and the incentives for Response by Existing Carriers to New Air Service cannot exceed \$1.5M for the duration of the Stimulus Program.

Any questions regarding the Stimulus Program may be directed to:

San Francisco International Airport
Aviation Management
(650) 821- 4525



Example # 1: Air Carrier Initiates “New” Service

Air Carrier “A” initiates non-stop service from San Francisco to Newark with three daily flights effective November 1, 2003. Air Carrier “A” has never offered air service non-stop from San Francisco to Newark. The “new” flights result in an increase in the total number of departures from SFO as compared to November 2002.

Its specific flight schedule to Newark for November 2003 is:

Air Carrier “A” – November 2003 SFO-EWR				
Flight #	Non-Stop Destn.	Depr. Time	Fleet Type	LDW Units (000)
1001	EWR	0700	B-757	198
1003	EWR	1030	B-757	198
1005	EWR	1600	A-320	146
Total LDW units for the month				16,260

Air Carrier “A” applies for inclusion in the Stimulus Program and is accepted. Air Carrier “A” will be entitled to a discount of 50% off the published Landing Fee for all of the 16,260 landed weight units for the month of November 2003.

LDW Units: 16,260 x \$3.93 (published Landing Fee)		
Landing Fee Due	=	\$ 63,902
Discount: 50% Landing Fee Discount (credit)	=	<u>(\$ 31,951)</u>
Air Carrier “A” net Landing Fee amount due for November 2003	=	\$31,951



Example #2: Existing Air Carrier Initiates “Response Flights”

Air Carrier “A” offers non-stop service from San Francisco to Miami with three daily flights. It has offered this basic schedule to Miami for many years. It’s specific flight schedule to Miami for March 2003 is shown below:

Air Carrier “A” – March 2003				
Flight #	Non-Stop Destn.	Depr. Time	Fleet Type	LDW Units (000)
1701	MIA	0700	B-767	265
1707	MIA	1300	B-757	198
1709	MIA	2100	B-757	198
Total LDW units for the month				19,830

Air Carrier “B” announces “new” service to Miami with two daily flights effective March 1, 2004. Air Carrier “B” applies for inclusion in the Stimulus Program. Airport staff reviews the flights being added and concludes they meet the Criteria to Qualify for inclusion under the Stimulus Program

Air Carrier “A”, in response to the “new” service offered by Air Carrier “B” adds two additional daily flights to Miami, increasing its flight schedule to five daily flights effective March 1, 2004. The additional flights result in an increase in the total number of departures from SFO as compared to March 2003. Air Carrier “A” applies for inclusion in the Stimulus Program. Airport staff reviews the flights being added and concludes they meet the Criteria to Qualify for inclusion under the Stimulus Program.

Air Carrier “A” – March 2004 SFO- MIA				
Flight #	Non-Stop Destn.	Depr. Time	Fleet Type	LDW Units (000)
1701	MIA	0700	B-767	265
1703	MIA	0815	B-767	265
1705	MIA	1030	B-757	198
1707	MIA	1300	B-767	265
1709	MIA	2100	B-757	198
Total LDW units - March 2004				36,921
LDW units new “Response” Flights				14,353
LDW units - existing flights				22,568

The Stimulus Program discount of 50% will be applied to the landings of arriving Aircraft (one B-767 and one B-757) serving the departing flights added (0815 and 1030 as highlighted above).

Landing Fee Due:

$$36,921 \text{ LDW units} \times \$3.93 \text{ (published Landing Fee)} = \$145,100$$

New “Response Flights” LDW units:

$$14,353 \text{ LDW units} \times \$1.965 \text{ (50\% of Landing Fee)} = (\$28,204) \text{ (credit)}$$

$$\text{Air Carrier “A” net Landing Fee amount due for March 2004} = \$116,896$$



**SAN FRANCISCO AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT**

AVIATION MARKET STIMULUS PROGRAM APPLICATION

(One Form Required Per New Destination)

Air Carrier Information

Airline: _____

Address: _____

City/State/Zip: _____

(Name/Title)

Contact Person: _____

Phone: _____

Fax: _____

Email: _____

Non-Stop Destination: _____

(check one only)

New Flight

Response Flight*

					Days of Operation (1 thru 7)

*** for Response Flights:**

- o Please indicate New Air Service to which you are responding:

Destination: _____ **New Air Carrier:** _____

- o Please attach your corresponding flight schedule for all flights at SFO for the previous year.

LDW Units (LDW/1,000 lbs) requested for 50% waiver: _____

Please see Qualification Criteria listed on reverse side of this page to ensure eligibility.

FOR AIRPORT USE

Evaluated by: _____ Date: _____

Comments: _____

APPROVE

REJECT

Signed by: _____ Date: _____

Deputy Airport Director
Business and Finance