

Albuquerque International Sunport

DOMESTIC AIRLINE COMPETITION INCENTIVE PROGRAM and AIRLINE COOPERATIVE MARKETING PROGRAM

July 1, 2018

OBJECTIVES

Albuquerque International Sunport's (Sunport or ABQ) business goals include growing passenger service by providing incentives to increase airline service and competition, and lowering barriers to commencing and marketing passenger service at ABQ.

Consistent with these goals, the Sunport maintains programs to:

- Encourage New Entrant and Incumbent Airlines to offer new, nonstop, scheduled passenger air service through an Airline Competition Incentive Program (ACIP); and
- Encourage marketing of new, nonstop, scheduled passenger air service through an Airline Cooperative Marketing Program (ACMP).

The ACIP and ACMP (Programs) are not permanent, and may be changed or discontinued at the discretion of the Sunport. The Programs are intended for use either separately or jointly, with specific timing and funding requirements, depending on the circumstances and as further described herein. As a result of increased and better-marketed passenger air service at the Sunport, travelers will gain access to a more extensive travel network, stimulating further economic development for the Sunport.

TERM AND FUNDING

Qualifying Airlines, as further defined herein, commencing new, nonstop, scheduled passenger air service at ABQ will be afforded the benefits of the Programs, pursuant to the conditions of the Programs. The Sunport reserves the right to amend, modify, or alter the Programs at any time without notice.

The Programs will be implemented solely through reduced fees and from the Sunport's revenues as allowed by law.

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I. AIRLINE COMPETITION INCENTIVE PROGRAM (ACIP)

Objective – Encourage New Entrant and Incumbent Airlines to offer new, non-stop, scheduled passenger air service at ABQ.

A. ELIGIBILITY REQUIREMENTS

1. ACIP Qualifying Service:

ABQ passenger Airline service to and from ABQ meeting **all** of the following conditions:

- a) Scheduled
- b) Nonstop
- c) Round-trip
- d) Daily, or less-than-daily
- e) Year-round, or new seasonal
- f) Not flown nonstop by the Applicant Airline on a scheduled basis in the two (2) years prior to service commencement

2. ACIP Non-Qualifying Service:

ABQ passenger Airline service to and from ABQ meeting **any** of the following conditions:

- a) Non-scheduled
- b) Not nonstop
- c) Not round-trip
- d) Flown nonstop by the ACIP Applicant Airline on a scheduled basis in the two (2) years prior to service commencement
- e) Aircraft upgrades, increased number of seats or frequency increases by an ACIP Applicant Airline already flying the route nonstop from ABQ
- f) Cargo or other non-passenger service

B. ACIP INCENTIVES

| Incremental Rates and Charges Eligible for Incentive¹ | Incentive (Percentage Fee Reduction²) | Year-round, Daily or Less-than-daily³ | Seasonal, Daily or Less-than-daily |
|---|---|---|---|
| Landing fees | 100% | Minimum of 1 year Maximum of 2 years | 1 season |
| Terminal Rentals | 75% | | |
| Non-preferential use fees | 75% | | |
| Baggage Claim fees | 75% | | |
| Loading bridge operating fees | 75% | | |

¹ – Incumbent Airlines receive reductions for the specific rates, fees, and charges shown above for qualifying flights only when leasing additional space and gates specifically for the additional service.

² – Fee reductions would be applied on invoices as credits against the amount that would have otherwise been due in the same month the ACIP Qualifying Service is provided.

³ – See Length of the ACIP Incentive Period, below.

C. LENGTH OF THE ACIP INCENTIVE PERIOD

ACIP Incentives awarded to each instance of ACIP Qualifying Service shall be for the following period:

1. For year-round service:
 - a) Not less than the earlier of:
 - i. Twelve (12) months from the commencement of ACIP Qualifying Service; or
 - ii. June 30, 2022
 - b) Not more than the earlier of:
 - i. Twenty-four (24) months from the commencement of ACIP Qualifying Service; or
 - ii. The effective date of a different Sunport rates and charges methodology; or
 - iii. June 30, 2022
2. For Seasonal Service as herein defined, one (1) season.

D. ACIP AIRLINE REQUIREMENTS

1. As reasonably determined by the Sunport, each ACIP Applicant Airline:
 - a) Must have a fully executed signatory or non-signatory airline agreement with the City of Albuquerque (City) to start receiving fee reductions under the ACIP. Fee reductions would be retroactive to the later of (i) the effective date of the agreement or (ii) the effective date of the ACIP
 - b) Must be current in its financial and other obligations with and to the Sunport to be considered an ACIP Qualifying Airline and be eligible for ACIP Incentives
 - c) Must apply to the Sunport Director in writing, demonstrating ACIP Qualifying Service under each criterion of Section I.A.1 above
2. As reasonably determined by the Sunport, each ACIP Qualifying Airline:
 - a) Must have its written application approved by the Sunport Director in writing
 - b) Must continue to be current in all its financial and other obligations with and to the Sunport to remain an ACIP Qualifying Airline and remain eligible for ACIP Incentives
 - c) Must cure any deficiency in its financial and other obligations with and to the Sunport within thirty (30) days after notice from Sunport of such deficiency
3. As reasonably determined by the Sunport, an ACIP Qualifying Airline will become a Formerly Qualifying Airline upon either of the following:
 - a) Failure to cure any deficiency in its financial and other obligations with and to the Sunport within thirty (30) days after notice of such failure
 - b) Failure to satisfy the eligibility requirements set forth herein or otherwise to comply fully with all the terms, conditions, and requirements of the ACIP.

Such Formerly Qualifying Airline shall repay to the Sunport promptly the full amount of all incentives received under the ACIP and, if applicable, funds received under the ACMP. The Sunport shall no longer be obligated to provide any ACIP Incentives or ACMP Funds to the Formerly Qualifying Airline.

II. AIRLINE COOPERATIVE MARKETING PROGRAM (ACMP)

Objective - Encourage marketing of new, nonstop, scheduled passenger air service at ABQ.

A. ELIGIBILITY REQUIREMENTS

1. ACMP Qualifying Service:

ABQ passenger Airline service to and from ABQ meeting **all** of the following conditions:

- a) Scheduled
- b) Nonstop
- c) Round-trip
- d) Daily, or less-than-daily
- e) Year-round, or new seasonal
- f) Not flown nonstop by the Applicant Airline on a scheduled basis in the two (2) years prior to service commencement

2. ACMP Non-Qualifying Service:

ABQ passenger Airline service to and from ABQ meeting **any** of the following conditions:

- a) Non-scheduled
- b) Not nonstop
- c) Not round-trip
- d) Flown nonstop by the ACIP Applicant Airline on a scheduled basis in the two (2) years prior to service commencement
- e) Aircraft upgrades, increased number of seats or frequency increases by an ACMP Applicant Airline already flying the route nonstop from ABQ
- f) Cargo or other non-passenger service

3. ACMP Eligible Marketing:

Marketing and promotional activity, including but not necessarily limited to:

- a) Multimedia advertising, such as TV, radio, online, and social media
- b) Print advertising, collateral materials, direct mail and other forms of print marketing
- c) Promotional events in-market or out-market
- d) Banners and signage

B. STRUCTURE

| Maximum ACMP Funds per occurrence of ACMP Qualifying Service | New year-round, Daily | New seasonal | New less-than-daily |
|--|-----------------------|--------------|---------------------|
| First year | \$200K | \$70K | \$160K |
| Second year | \$75K | \$30K | \$60K |
| Sunport Cap – Program Term | <-----\$2MM-----> | | |

C. LENGTH OF THE ACMP FUNDING PERIOD

ACMP Funds awarded to each instance of ACMP Qualifying Service shall be available by separate application for the first and second years of ACMP Qualifying Service through written approval by the Sunport Director, and shall expire as follows:

1. For the first year, ACMP Funds shall no longer be available upon the earlier of twelve (12) months from the commencement of ACMP Qualifying Service or June 30, 2022; and
2. For the second year, ACMP Funds shall no longer be available upon the earlier of twenty-four (24) months from the commencement of ACMP Qualifying Service or June 30, 2022

D. ACMP AIRLINE REQUIREMENTS

1. Application Process

As reasonably determined by the Sunport, each ACMP Applicant Airline:

- a) Must have a fully executed signatory or non-signatory airline agreement with the City to start receiving the benefits of ACMP Funds. Eligibility to receive the benefits of ACMP Funds would be retroactive to the later of (i) the effective date of the agreement or (ii) the effective date of the ACMP
- b) Must be current in its financial or other obligations with and to the Sunport to be considered an ACMP Qualifying Airline and be eligible for ACMP Funds
- c) Must apply to the Sunport Director in writing, demonstrating:
 - i. ACMP Qualifying Service under each criterion of Section II.A.1 above
 - ii. Its responsibility for obtaining all necessary permits, licenses, leases, and/or approvals relating to its use and occupancy of the Sunport, and the service to be promoted
 - iii. A marketing campaign plan for the ACMP Qualifying Service, identifying:
 - Media strategy and placement, creative, target audience, reach, and frequency
 - The proposed timeline of ACMP Qualifying Activity
 - The proposed budget for the ACMP Qualifying Activity, and the amount of ACMP Funds requested
 - Contact information for the person representing the ACMP Applicant Airline

In addition to all other requirements as outlined in this Section, in order for the ACMP Applicant Airline to become an ACMP Qualifying Airline, the marketing campaign plan must be approved in writing by the Sunport Director or his/her designee.

2. Continuing Approval Criteria

An Airline must meet the guidelines and requirements stated below to receive ACMP Funds, as determined by the Sunport:

- a) Must have a fully executed signatory or non-signatory airline agreement with the City prior to commencement of service
- b) Must be approved as an ACMP Qualifying Airline by the Sunport
- c) Must continue to be current in all its financial and other obligations with and to the Sunport to remain an ACMP Qualifying Airline and remain eligible for ACMP Funds
- d) Must cure any deficiency in its financial and other obligations with and to the Sunport within thirty (30) days after notice from Sunport of such deficiency
- e) Promote service between ABQ and a specific market or markets
- f) Must provide internal marketing assets and activity commensurate with the amount of ACMP Funds sought.

- g) Mention the Sunport in the internal and external copy, in a manner consistent with the Sunport's current marketing strategy, as determined by the Sunport Director or his/her designee. The content of all ACMP Eligible Marketing, including Sunport trademarks, shall be subject to the prior written approval of the Sunport Director or his/her designee
 - h) All internal and external promotional materials must display the Sunport logo, with prominence substantially similar to that of the ACMP Qualifying Airline's logo. Logo size, placement and dimensions shall be subject to the prior written approval of the Sunport Director or his/her designee
 - i) Approved marketing efforts will be funded on a cooperative basis up to the not-to-exceed amounts specified in Section II.B above. At the Sunport's discretion, funding of the approved ACMP Funds may occur as follows: (i) as direct payments from the Sunport to entities providing the marketing service or (ii) as direct payments by the ACMP Qualifying Airline to the Sunport, as reimbursement for purchases by the Sunport of marketing and promotional activity in conformity with the approved marketing program or (iii) as direct payments by the Sunport to the ACMP Qualifying Airline, as reimbursement for purchases by the Airline of marketing and promotional activity in conformity with the approved marketing program.
 - j) All ACMP copy and creative material shall comply with the specifications of the Sunport. The Sunport will review all copy and creative material prior to their approval, installation or placement in order to ensure compliance with the terms of the ACMP
 - k) The Sunport Director or his/her designee must review and approve all marketing materials and expenditures before they will be qualified for payment under ACMP. The ACMP Qualifying Airline must provide proof of all expenditures to allow payment by the Sunport
 - l) ACMP Qualifying Activity may precede and/or follow commencement of ACMP Qualifying Service
 - m) The Sunport shall have the right, at any time during an ACMP Qualifying Airline's reasonable business hours, to audit all ACMP Funds paid in conjunction with the ACMP Qualifying Airline. By participating in the ACMP Program, an ACMP Qualifying Airline agrees to cooperate with the Sunport and its representatives in the performance of this audit, and to make all of the ACMP Qualifying Airline's relevant books and records available to the Sunport and its representatives in the performance of this audit, either at the Sunport or at the ACMP Qualifying Airline's location where such books and records are maintained in the ordinary course of the ACMP Qualifying Airline's business
3. As reasonably determined by the Sunport, an ACMP Qualifying Airline shall become a Formerly Qualifying Airline upon either of the following:
- a) Failure to cure any deficiency in its financial and other obligations with and to the Sunport within thirty (30) days after notice of such failure
 - b) Failure to satisfy the eligibility requirements set forth herein or otherwise to comply fully with all the terms, conditions, and requirements of the ACMP

Such Formerly Qualifying Airline shall repay to the Sunport promptly the full amount of all funds received under the ACMP and, if applicable, reductions received under the ACIP. The Sunport shall no longer be obligated to provide any ACIP Incentives or ACMP Funds to the Formerly Qualifying Airline.

III. DEFINITIONS

ACIP Applicant Airline – A New Entrant or Incumbent Airline having submitted an application for ACIP Incentives to the Sunport Director

ACIP Incentive – Reductions in fees provided to an ACIP Qualifying Airline, pursuant to an approved ACIP application, as further described in Section I.B herein

ACIP Qualifying Airline - An ACIP Applicant Airline having received written notice of such application from the Sunport Director

ACMP Applicant Airline - A New Entrant or Incumbent Airline having submitted an application for ACMP Funds to the Sunport Director

ACMP Funds – Matching funds or other resources provided by the Sunport and an ACMP Qualifying Airline, pursuant to an approved ACMP application, as further described in Section II herein

ACMP Qualifying Airline – An ACMP Applicant Airline having received written notice of such application from the Sunport Director

Affiliate Airline – Any corporation or other entity that is (1) a parent or wholly-owned subsidiary of an Airline or is under common ownership and control with an Airline, (2) a code share partner with an Airline operating at the Sunport, or (3) operating at the Sunport under another Airline’s trade name. For purposes of this definition, code-share agreements and alliance partnerships between independent Airlines constitute an Affiliate Airline relationship

Airline – A certified air transportation company engaged in the commercial business of transporting persons by air. For purposes of this document only, Airline also includes Affiliate Airline

Daily Service – Scheduled service offered by an Airline more than five (5) days per week

Formerly Qualifying Airline – An ACIP Qualifying Airline or an ACMP Qualifying Airline failing to keep the terms and conditions of the Programs

Incumbent Airline – Any passenger Airline, other than a New Entrant, with scheduled service at ABQ

Less-than-daily Service – Scheduled service offered by an Airline no more than five (5) days per week

New Entrant Airline - Any passenger Airline, not offering scheduled service at ABQ in the previous twenty- four (24) months, that commences scheduled air service at ABQ

Programs – The ACIP and the ACMP

Seasonal Service – Scheduled service lasting four (4) months or less, and for which the commencement date and expiration date are announced simultaneously

Year-round Service – Scheduled passenger air service with fares and schedules published through the end of the Airline’s then-current schedule, and which the Applicant Airline certifies, in its application to the Sunport, it intends to operate on a continuing basis past the end of its then-current schedule