

**Albany International Airport**

*ASIP2*

**AIR SERVICE INCENTIVE PROGRAM**

**December 2011**

## Albany International Airport

# Air Service Incentive Program

### Introduction:

The Albany County Airport Authority (ACAA), operator of Albany International Airport (ALB), is announcing its latest Air Service Incentive Program (ASIP) called **ASIP2**. This program is designed to provide an incentive for air carriers to establish domestic and international passenger flights at ALB by offering credits on landing fees and terminal rents and other rates and charges for a period up to 24 months (the Qualification Period). The intent of the **ASIP2** is to also enhance ALB's competitive position, generate incremental business revenues and offer increased air service capacity for the traveling public. **ASIP2** is a replacement of the original ASIP effective in April 2011.

The term of this ASIP is for December 1, 2011 through December 31, 2014 (the **ASIP2** Term). Airlines intending to operate ASIP-qualified flights can submit applications and start operating the qualified flight during the ASIP Term. The Qualification Period may extend beyond the ASIP Term.

The Airport is located in a region known as Tech Valley. Many companies are relocating to Tech Valley to support multi-billion dollar investments located at Global Foundries and the College of Nanoscale Science and Engineering at the University at Albany. The growing number of companies, along with entrepreneurs and research facilities has established New York's Tech Valley as a leader in technology.

The following further explains the program objectives and summarizes the components of the ASIP.

### Background:

The reduction in activity at ALB demonstrates why the ASIP is important for ALB. In the ten-year period 2000 through 2010, enplaned passengers at ALB fell from 1,445,238 to 1,264,381, a 13 percent decline, while at the same time the primary and secondary air trade population increased. The area has also experienced significant private sector investment during this period which has been focused in

higher technology industries such as the construction of a \$4.6 billion computer chip fabrication plan scheduled to open in 2012.

### History of Enplanements and Capacity at ALB

<b>CY</b>	<b>Enplanements</b>	<b>Average Monthly Maximum Seats Available</b>	<b>Note</b>
2010	1,264,381	144,023	
2009	1,318,819	154,977	1
2008	1,380,483	159,945	2
2007	1,440,385	169,201	
2006	1,447,553	169,451	3
2005	1,550,402	192,403	
2004	1,556,796	214,582	
2003	1,435,848	199,038	
2002	1,476,988	211,182	
2001	1,517,858	237,778	
2000	1,445,238	213,691	4

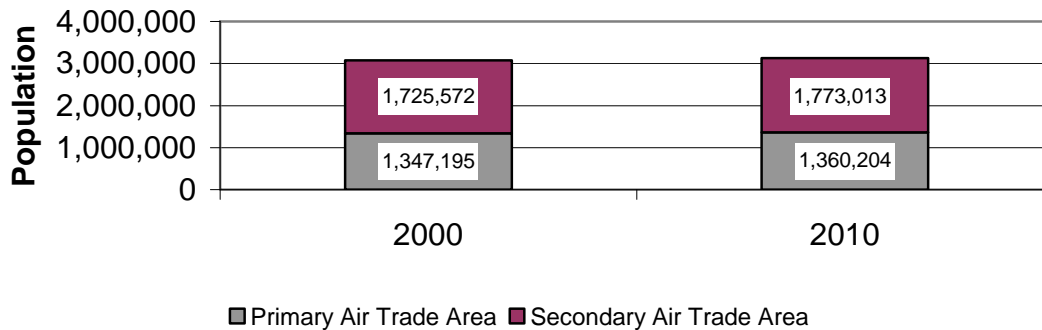
Notes:

- 1) Northwest Airlines was merged into Delta during 2009.
- 2) American Eagle Terminated Service November 2008.
- 3) Independence Air cut back service by CommutAir.
- 4) Southwest Airlines initiated service during May 2000.

### Albany International Airport

#### Air Trade Population

*Census to current projections*



## Objectives of the ALB ASIP:

- Stimulate passenger air service at ALB.
- Promote competition in airfares at ALB.
- Increase non-aeronautical revenues at ALB.
- Reduce costs per enplaned passenger at ALB.
- Offer more affordable choices to the traveling public.

## Qualifying for the ASIP:

There are two categories of incentives under the ASIP: Category 1 is for targeted destinations; Category 2 for a new entrant airline.

## Qualifying for Category 1 Incentive under the ASIP:

To qualify for the Category 1 Incentive, an airline must satisfy all of the following conditions:

1. Operates new or additional scheduled, year-round non-stop passenger services to the destinations specified below (targeted destinations), with no less than weekly frequencies. The qualifying service must result in a net increase in the air carrier's total number of flights from ALB by the number of qualifying flights. The air carrier must maintain such a net increase during the Promotional Period and may not discontinue a non-qualifying service (flight) to initiate a qualifying service (flight). For example, an air carrier that discontinues a non-qualifying flight to Midway Airport in Chicago and initiates a new flight to Denver qualifies for the incentive under the ASIP only if their average total number of daily flights for each month of the incentive period increased over the average number of daily flights in the same period of the prior year. The air carrier may however, change the type and series of an aircraft operating a qualifying service.
2. Submits **ASIP2** application 30 days prior to the start of new service and receives written confirmation from ACAA prior to the start of new service
3. Operates the proposed flight.

The airline is considered to have earned a Category 1 **ASIP2** Credit at commencement of service for a targeted destination which increases the air carrier's total number of flights from ALB. The Category 1 **ASIP2** Credit equals to the sum of:

- a. **Landing Fees** related to the targeted destination for up to twenty-four (24) months of operation. Airlines qualifying for this incentive shall be responsible for filing a monthly landing fee report (at current rates) with

fees based on the Maximum Gross Landed Weight (MGLW) of the aircraft utilized. The landing fees remitted to the Authority will be refunded to the airline semi-annually upon the airline meeting all Incentive Program requirements, plus

- b. **Exclusive-Use Rental Credit** for ticket counter, airline ticket office, baggage office, operations area, hold rooms, jet bridges, and aircraft apron space by the airline during the Qualification Period for the qualified flights, net of any subsequent year-end settlement and revenue sharing calculation for up to twenty-four (24) months. For incumbent airlines, Exclusive-Use rents shall be discounted proportionately based on the number of enplaned passengers using the new service as compared to the number of passengers using all of its other flights. Airlines shall remit all rental fees to the Authority, which will be refunded by credit semi-annually upon the airline meeting all **ASIP2** requirements. All airlines participating in the AISP, however, shall remain responsible for payment of terminal joint-use charges. The Category 1 **ASIP2** credit is limited to \$500,000 per qualified route.

Targeted Airport Destinations <sup>(1)</sup>	Annual O&D*	PDEW**	Daily Service	Pro-Rated: Less Than Daily Service
LAX/SNA/ONT/BUR/LGB	81,770	112	√	
SFO/OAK/SJC	65,030	89	√	
DEN	55,260	76	√	
IAH/HOU	41,040	56	√	
RSW	43,330	59	√	√
DFW/DAL	42,330	58	√	√
SAN	31,550	43		√
AUS	20,320	28		√
MYR				√
BUF			√	√

*(1) Targeted Airport Destination also includes destination eligible for payments under the Small Community Air Service Development Grant awarded to Albany international Airport.*

\* **Based on 3<sup>rd</sup> Quarter 2010**

\*\* **PDEW: Passengers Per Day Each Way**

The Authority will also provide promotional advertising announcing additional airport service equal to at least \$100,000 per target route established by an air carrier. The incentive will be pro-rated for less than daily service.

The air carrier must operate the qualifying service on a year-round, scheduled basis only. Charter and seasonal air services will not qualify for the ASIP. However, seasonal flights transitioning to year-round service will qualify upon initiation of such service.

## Qualifying for Category 2 Incentive under the ASIP:

To qualify for the Category 2 Incentive, an airline must satisfy all of the following conditions:

1. Be a new entrant to ALB. The new entrant air carrier can not be an air carrier that was acquired by merger or acquisition by another airline that operated at the airport within the twelve (12) months prior to the entrance of the new carrier.
2. Operates at least one route of scheduled, year-round passenger services to any domestic or international destinations, with no less than weekly frequencies
3. Submits the **ASIP2** application 30 days prior to the start of new service and receives written confirmation from ACAA prior to the start of new service
4. Operates the proposed flight for a period of 12 consecutive months, i.e., the Qualification Period. A new entrant may make a substitution in destination during the twelve month period.

The new entrant is considered to have earned a Category 2 **ASIP2** Credit at the end of the Qualification Period. The Category 2 **ASIP2** Credit equals to the sum of landing fees and terminal rental fees paid by the new entrant during the Qualification Period, net of any subsequent year-end settlement, revenue sharing calculation, and Category 1 **ASIP2** Credit, if any. The combined amount of Category 1 **ASIP2** Credit and Category 2 **ASIP2** Credit for a new entrant air carrier is limited to \$1,000,000. The Category 2 **ASIP2** Credit is to be used to offset landing fees and terminal rental fees for exclusive terminal rental space in the subsequent year.

The Authority will also provide promotional advertising announcing additional airport service equal to \$100,000 per route established by the new entrant up to a maximum of 4 routes by the new entrant air carrier, unless such route is for targeted destinations under Category 1 **ASIP2** that already receives promotion advertising benefits. Promotion advertising for routes with less than daily frequency will be prorated.

Seasonal service does not qualify for the Incentive Program.

## General Provision

ACAA is entitled to revise or terminate this **ASIP2**, including any **ASIP2** Credits, without incurring liabilities to any participating carriers if the **ASIP2** is determined to be in violation of any applicable laws, statutes, rules, regulations, including but not limited to FAA AIP grant assurance and PFC assurance. The **ASIP2** Credits are not transferable without written confirmation from ACAA.

## Funding the Program

To mitigate any adverse effects to landing fees paid by all incumbent ALB air carriers, ACAA will fund the **ASIP2** through the airport's non-airline revenues.

## Obligations of the ASIP2 Participating Airline:

With its entry in the **ASIP2**, the air carrier commits to operating the qualifying flight(s) throughout the Promotional Period. An air carrier that voluntarily or involuntarily suspends or terminates such service before the end of the Promotional Period will not be eligible for incentives under **ASIP2**.

To be eligible for the promotional advertising for new routes offered by the air carrier, the air carrier must operate the routes between the same city pairs for 12 continuous months. The air carrier may however, change the type and series of an aircraft operating a qualifying service.

The air carrier must report any changes to the aircraft type and/or series at least thirty (30) days in advance during the 12-month Promotional Period.

The air carrier must operate the qualifying service on a year-round, scheduled basis only. Charter and seasonal air services will not qualify for the **ASIP2**.

ACAA will conduct an ASIP Review Committee audit of the air carrier's compliance with the terms of the **ASIP2** on a monthly basis during the entire Promotional Period.

## Application Process:

Air carriers seeking to participate in the ALB **ASIP2** should complete an Air Service Incentive Program application. Applications must be post marked or e-mailed forty-five (45) days prior to commencement of the qualifying service.

Submissions can be made electronically to [boreilly@albanyairport.com](mailto:boreilly@albanyairport.com) or mailed to:

William J. O'Reilly  
Chief Financial Officer  
Albany County Airport Authority  
737 Albany Shaker Road  
Albany, New York 12211

All submittals are subject to audit by the Albany County Airport Authority

The Air Service Incentive Program Application is attached. Airport staff will review the Application against the Criteria to Qualify and inform the air carrier in writing of its decision. Any questions regarding the **ASIP2** should be directed to the Albany County Airport Authority at (518) 242-2204.

# # #

**Albany County Airport Authority  
Albany International Airport**

**Air Service Incentive Program (ASIP2) Application Form**

**Air Carrier Information**

**Airline:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**City/State/Zip:** \_\_\_\_\_

**Contact Person Name/Title:** \_\_\_\_\_

**Phone:** \_\_\_\_\_

**Fax:** \_\_\_\_\_

**Email:** \_\_\_\_\_

**Origin of ASIP2 Flight:** \_\_\_\_\_

Effective Date	Aircraft Type And Series	Arrival Flight #	ALB Arrival Time	Days of Operation (1 thru 7)

**AIRLINES ARE REQUIRED TO REPORT ANY CHANGES OF AIRCRAFT TYPE AND/OR SERIES AT LEAST 30 DAYS IN ADVANCE DURING THE 12-MONTH INCENTIVE PERIOD. CONTACT THE ACAA FINANCE OFFICE AT 212-242-2204 FOR NOTIFICATION.**

<b>FOR ACAA USE</b>	
Evaluated by: _____	Date: _____
Comments: _____	
<input type="checkbox"/>	APPROVE
<input type="checkbox"/>	REJECT
Signed By _____	Date: _____
Chief Executive Officer	