

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: December 1, 2017

TO: Michael Mayo, Sr., Chair, Transportation, Public Works and Transit Committee

FROM: James Martin, Interim Director, Department of Transportation

SUBJECT: REPORT ON RESULTS AND EFFECTIVENESS OF THE AIR SERVICE INCENTIVE PROGRAM - JANUARY 1, 2014 THROUGH DECEMBER 31, 2017

POLICY

The Milwaukee County Board of Supervisors requested a written informational report from the Director, Department of Transportation and the Airport Director, General Mitchell International Airport, regarding the results and effectiveness of the Air Service Incentive Program - January 1, 2014 through December 31, 2017.

BACKGROUND

Recognizing that MKE is in competition with many other cities for air service, and must make a competitive business case to a target airline to secure a route, in December 2013, the Transportation, Public Works and Transit Committee approved an Air Service Incentive Pilot Program for the Airport as requested by the Department of Transportation - Airport Division. The four-year term for that program expires on December 31, 2017.

In accordance with FAA guidelines, the MKE Air Service Incentive Program has eligibility requirements for participation. For example, if a city already has adequate nonstop air service on Airline A, new service added to the same city by Airline B does not qualify for incentives. During the first three years of the program, new routes did not meet the incentive eligibility requirements.

However, in 2017, the Airport's pilot program was utilized for the first time and has become highly successful in recruiting airlines to start flights to new cities.

Of 16 new routes launched in 2017, seven are eligible and participating in the Air Service Incentive Program:

Airline	Market	Start Date
Volaris	Guadalajara, Mexico	March 2, 2017
Allegiant	Punta Gorda, FL	October 13, 2017
Allegiant	St. Petersburg, FL	October 13, 2017
Southwest	Nashville, TN	November 5, 2017
Allegiant	Sanford, FL	November 16, 2017
Allegiant	Mesa, AZ	November 17, 2017
Delta	Salt Lake City, UT	December 21, 2017

The program is structured to offer incentives comparable to those available from other markets. Incentives vary, taking into account variables such as whether the market is domestic or international, the type of aircraft flown, the number of days flown.

The program, as approved, provides for two years of the incentive program. Therefore, airlines who have entered into these agreements will have the benefit of using the program through 2019 provided they maintain service on these routes. Should they drop service to a city under the agreement they will no longer be eligible for the program benefit.

CONCLUSIONS

In review of the air incentive pilot program, airport staff has determined that the air incentive program has been beneficial and successful in gaining new service to cities currently not served. While the program's acceptance may have appeared to be slow in the beginning, this was not a surprise to the airport given how long it takes for airlines to add service into their schedules, in addition to whether or not they have the equipment to serve the new route.

Now that the program has been in place and airlines are familiar with its existence, the airport expects to see more regular use of the program as airlines contemplate service to new cities not already served. In addition, the launch of two new airlines, Volaris, and Allegiant, can be attributed to the incentive program. These airlines would not have started service without the assistance of the incentive program.

Airport staff further concludes that, given the success of the program, the airport would like to extend the program into 2018 and will recommend the program be included annually in the airport budget beginning in 2019 with the 2019 budget request. A separate report and resolution will request program authorization for 2018.


New airlines, flights and routes have a tremendous economic impact on our community. Each daily mainline flight generates approximately \$19 million in wages and purchases.

RECOMMENDATION

Informational report only.

Prepared by: Patricia Rowe, Director, Marketing & Communication

Approved by:



James Martin, Interim Director
Department of Transportation