

**COUNTY OF MILWAUKEE  
INTEROFFICE COMMUNICATION**

**DATE:** December 12, 2017

**TO:** Theodore Lipscomb, Sr., Chair, County Board of Supervisors  
Michael Mayo, Sr., Chair, Transportation, Public Works and Transit Committee

**FROM:** James Martin, Interim Director, Department of Transportation

**SUBJECT: AIRPORT AIR SERVICE INCENTIVE PROGRAM 2018  
REAUTHORIZATION**

**POLICY**

An Air Service Incentive Program reauthorization requires County Board approval.

**BACKGROUND**

In December 2013, the Transportation, Public Works and Transit Committee approved an Air Service Incentive Pilot Program for the Airport; the four-year term for that program expires on December 31, 2017.

At that time, much had changed in the airline industry. Major airlines had merged and overhauled their business plans, and start-up airlines had experienced varying degrees of success during times of change in the nation's economy, all compounded by a sharp rise in the cost of fuel while airfares remained low. In 2000, 10 airlines carried 90% of domestic airline passengers, while in 2017, just four airlines carry nearly the same share.

The remaining four major airlines now operate mostly mainline fleets and focus on large hub routes where they can fill their planes for top dollar. Small and medium-sized markets nationwide, including Milwaukee, experienced a reduction in flights when airlines stopped flying smaller, less-fuel-efficient planes. This has created a highly competitive environment for air service.

A number of airports have initiated air service incentive programs in order to jumpstart nonstop flights on routes in demand by travelers while mitigating the start-up risk for an airline. Air carrier incentive programs are governed by Federal Aviation Administration (FAA) regulations, which define an incentive as: "any fee reduction, fee waiver, or use of airport revenue for acceptable promotional costs, where the purpose is to encourage an air carrier to increase service at the airport." At one time, incentive programs were used almost exclusively at small airports. However, even large airports have now adopted the programs. Incentive programs are in effect at airports such as Pittsburgh; Portland; Las Vegas; St. Louis; Dallas/Fort Worth; Tampa; Sacramento; Cleveland; Columbus; Boston; Detroit; Baltimore; Memphis; Charleston; Indianapolis, New Orleans, Atlanta and others.

The Airport's current incentive pilot program has been highly successful in encouraging airlines to start flights to new cities, and current airline incentive agreements will remain in effect. Of 16 new

routes launched in 2017, seven are eligible and participating in the Air Service Incentive Program, which was a crucial element in attracting the service:

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

MKE's program prioritizes cities based on travel demand, and offers a combination of fee waivers for airlines and the expenditure of marketing funds to promote new nonstop service to these cities, in accordance with guidelines established by the FAA.

### **RECOMMENDATION**

Airport staff recommends approval of transitioning the highly successful Air Service Incentive Pilot Program to an ongoing Incentive Program to recruit new nonstop service on high-demand routes from Milwaukee while partnering with airlines to mitigate startup costs associated with new service.

Airport staff further recommends that the current program be reauthorized for 2018, and that beginning in 2019, the incentive program and related expense be incorporated for reauthorization in the Airport budget.


Airport staff further recommends that the Airport Director continue to be authorized to enter into air service incentive agreements with airlines to the full extent allowed by federal law and regulation.

### **FISCAL NOTE**

Funding for this program will come from the Airport Development Fund (ADF). There is no fiscal effect on the tax levy of Milwaukee County.

Prepared by: Patricia Rowe, Director, Marketing & Communication

Approved by:

  
James Martin, Interim Director  
Department of Transportation