

**MONTGOMERY REGIONAL AIRPORT
AIR CARRIER INCENTIVE PROGRAM**

APPROVAL DATE: MAY 14, 2024

EFFECTIVE DATE: JUNE 13, 2024

I. INTRODUCTION

The Montgomery Airport Authority (“*Authority*”) hereby establishes this Air Carrier Incentive Program (“*Program*”) to stimulate the aviation market at the Montgomery Regional Airport (“*Airport*”).

This Program is intended to produce a net increase in departures from the Airport by providing Airlines an incentive to implement Qualifying Air Service and/or Qualifying Upgauging at the Airport. Implementation of this Program is consistent with the efforts undertaken by the Authority to enhance competition at the Airport. The Authority will offer program incentives on a reasonable, non-discriminatory basis to Airlines, taking into consideration all relevant factors.

This cost of providing the incentives under this Program are not included in any rates, fees, or charges assessed on any Airline or other Airport user that chooses not to participate in, or is ineligible for, the incentives under this Program.

This Program supersedes any air service or airline incentive program adopted or promulgated by the Authority prior to the effective date of this Program.

II. DEFINITIONS

As used in this Program, the enumerated capitalized words and phrases shall have meanings ascribed to them below.

“*Airline*” means a commercial airline, including its parent and affiliates operating under a common brand identifier, engaged in the business of commercial transportation by air of persons over specified routes and holding the necessary authority from the appropriate Federal or state agencies to provide air transportation services. This definition specifically excludes entities engaged solely in the business of commercial transportation of cargo and charter operators.

“*Authority*” means the Montgomery Airport Authority.

“*Common Use Fee*” means the fee charged by the Authority under the Rates and Charges Resolution for an Airline’s use of space in common with others in the terminal at the Airport.

“*Exclusive Use Rent*” means the fee charged by the Authority under the Rates and Charges Resolution for an Airline’s rental of exclusive use of space in the terminal at the Airport.

“*Existing Airline*” means any Airline operating at the Airport which is not a New Entrant Airline.

“Incentive Period” means

1. for the purposes of the Terminal Use Fees Incentive, Landing Fee Incentive, and Upgauging Incentive, a 24-month period commencing on the date the Airline initiates the Qualifying Air Service or Qualifying Upgauging; and
2. for the purposes of the Marketing Incentive, a 24-month period beginning on the later of (a) the date the Airline publicly announces its intention to commence Qualifying Air Service or (b) 90 days before the Airline’s scheduled initiation of the Qualifying Air Service.

The rest of this definition notwithstanding, for any Qualifying Air Service that is also Seasonal Service, the Incentive Period shall be 36 months from the applicable commencement date.

“Landing Fee” means the fee charged by the Authority under the Rates and Charges Resolution for an Airline’s use of the runway, taxiways, and other aeronautical facilities at the Airport.

“New Entrant Airline” means an Airline that has not operated at the Airport for at least the twelve (12) months immediately prior to initiating Qualifying Air Service.

“Qualifying Air Service” means (a) Seasonal Service or (b) uninterrupted, continuous, and non-stop passenger air service for a minimum period of 12 consecutive months with at least two weekly roundtrip flights between the Airport and:

1. a *“New Market,”* which is any airport destination that is not an Existing Market or an airport destination that is already served by at least one regular non-stop passenger flight per week from the Airport; or
2. an *“Existing Market,”* any airport destination that is already served by at least one regular non-stop passenger flight per week from the Airport at the time such service commences.

This definition specifically does not include cargo-only service.

“Qualifying Marketing Expenses” means expenses actually incurred by an Airline for the following type of marketing/promotions for Qualifying Air Service:

1. Advertising (*e.g.*, television, radio, newspaper, outdoor, magazine, Internet, etc.);
2. Cooperative television and media promotions;
3. Special events directly related to the Qualifying Air Service (*e.g.* travel agency reception, business contacts reception, product fair, etc.);
4. Direct mail costs (*e.g.*, to frequent flier database, targeted lists, etc.); or
5. Outside fees for creative development and media placement.

“Qualifying Upgauging” means an Airline’s increase of more than 25% in seat capacity for at least twelve (12) months on an existing route as compared against the immediately preceding twelve months of service by Airline on that route, where such increase is due to (a) a change in the

type or configuration of aircraft used by Airline to provide that service without any reduction in frequency of flights and/or (b) an increase in frequency of flights.

“Rates and Charges Resolution” means the Authority’s resolution or ordinance establishing rates and charges for Airline use of the aeronautical facilities and the terminal at the Airport, as the same may be amended from time to time.

“Seasonal Service” means non-stop passenger air service that is (a) at least two weekly roundtrips, (b) operated for at least three (3) months but no more than seven (7) months per consecutive twelve-month period (c), offered for at least twenty-four (24) months from the initiation of the service, and (d) between the Airport and a New Market or Existing Market.

“Terminal Use Fees” shall mean, collectively, Exclusive Use Rent and Common Use Fees.

III. ELIGIBILITY

Any Airline that satisfies all of the following criteria is eligible for the Program incentives described herein:

1. Airline is permitted to do business at the Airport under the terms of the Rates and Charges Resolution and is not currently in default of the terms and conditions set forth therein; and
2. Airline establishes Qualifying Air Service or Qualifying Upgauging and commits to operate the Qualifying Air Service or Qualifying Upgauging for a minimum period of 12 months (or 24 months for Seasonal Service); and
3. If Airline is an Existing Airline, the Airline does not decrease the number of non-Qualifying Air Service flights it operates at the Airport prior to or during the Incentive Period; and
4. Airline timely pays all rates, fees, and charges that are not discounted and/or waived under this Program in connection with its operations at the Airport; and
5. Airline executes a separate agreement with the Authority, which sets forth the terms and conditions for the receipt of Program incentives.

IV. PROGRAM INCENTIVES

The following are the incentives that are available under this Program:

1. Terminal Use Fees Incentive – All Airlines

For the applicable Incentive Period, an Airline that provides Qualifying Air Service to a New Market is eligible for a discount in its Terminal Use Fees attributable to such Qualifying Air Service as follows:

- a) A complete waiver of Exclusive Use Rent; and
- b) A prorated discount of Common Use Fees for less than daily service based upon the number of weekly flights, with a 100% waiver available for service greater than or equal to five flights per week. For example, an Airline initiating Qualifying Air Service by offering three flights per week to a New Market is eligible for a 3/5 (60%) reduction in the Terminal Use Fees attributable to those flights.

Once the Incentive Period has commenced under this Terminal Use Fees Incentive, that Incentive Period shall not be extended beyond its original term for an Airline that later adds weekly departures to the same New Market, but such Airline may be eligible for an increased discount rate if the Airline increases the number of total weekly departures as described above. An Airline that subsequently initiates Qualifying Air Service to another New Market will be eligible for a separate Incentive Period and corresponding Terminal Use Fees Incentive.

2. Terminal Use Fees Incentive – New Entrant Airlines

In addition to the Terminal Use Fees Incentive – All Airlines set forth above, a New Entrant Airline initiating Qualifying Air Service is eligible for a 100% waiver of Common Use Fees attributable to the Qualifying Air Service for the first twelve (12) months, regardless of flight frequency.

3. Landing Fee Incentive

For the applicable Incentive Period, the Landing Fee for each arriving aircraft used for the Qualifying Air Service will be waived.

Once the Incentive Period has commenced under this Landing Fees Incentive, that Incentive Period shall not be extended beyond its original term for an Airline that later adds weekly operations to the same destination, but the Landing Fees will be waived for such additional operations. An Airline that subsequently initiates additional Qualifying Air Service to another New Market or Existing Market will be eligible for a separate Incentive Period and corresponding Landing Fee Incentive.

4. Upgauging Incentive

An Airline that initiates Qualifying Upgauging will be eligible for a fifty percent (50%) reduction in its Common Use Fees and Landing Fees for the flights associated with such Qualifying Upgauging, for the duration of the Incentive Period.

5. Marketing Incentive

An Airline providing Qualifying Air Service may be eligible to receive financial marketing assistance (Marketing Incentives) during the applicable Incentive Period as follows:

- A New Entrant Airline that provides Qualifying Air Service shall be eligible for a New Entrant Marketing Incentive of \$150,000. An Airline shall not be eligible for the New Entrant Marketing Incentive after the expiration of the initial Incentive Period or twelve (12) months from the initiation of the Qualifying Air Service, whichever is sooner.
- An Airline that provides Qualifying Air Service to a New Market shall be eligible for a Marketing Incentive of \$150,000 for daily nonstop service, or a proportionate amount for less than daily service. For example, if an Airline begins Qualifying Air Service to a New Market three times weekly, the Airline will be eligible for \$64,285 ($3/7 = 43\%$, applied to \$150,000). An Airline that adds flight frequencies after initiation of the Qualifying Air Service shall be eligible for an increased level of *pro rata* Marketing Incentive for the remaining duration of the Incentive Period. This Marketing Incentive shall be available in addition to the New Entrant Marketing Incentive.

An Airline may be eligible for multiple Marketing Incentives with concurrent or overlapping Incentive Periods. While an individual Incentive Period for an individual initiation of Qualifying Air Service shall be no longer than 24 months (or 36 months for Seasonal Service), an Airline is not limited in the total length of time it may receive Marketing Incentives under this Program.

The Marketing Incentives are only available under the following terms and conditions:

- a) The Airline must submit a promotional plan to the Authority that identifies:
 - The Qualifying Air Service to be promoted;
 - The proposed timeline of planned promotional activities;
 - The medium or media to be used in the promotion;
 - The proposed budget for the promotion; and
 - Contact information for the person representing the Airline with regard to its planned promotional activities.
- b) The Authority must have reviewed and approved all promotional materials and Qualifying Marketing Expenses before they will be qualified for financial assistance under this Program.
- c) All promotional materials and activities submitted for financial assistance under this Program must include the Airport in the content, and such materials must be consistent with the Airport's current branding and reputation management strategies, as determined by the Authority in its sole discretion.
- d) The Authority will directly pay for Qualifying Marketing Expenses invoiced by third parties (not to include any internal Airline promotional expenses) or reimburse the Airline for Qualifying Marketing Expenses if the Airline provides proof of such Qualifying Marketing Expenses satisfactory to the Authority (including original invoices from the service or product provider) within one hundred and eighty (180) calendar days after the end of the promotional campaign or activity.
- e) The Authority will only pay for eligible Qualifying Marketing Expenses incurred during the applicable Incentive Period.

V. LIMITATIONS, TERMINATION, AND REVISION OF INCENTIVES

Total incentives under this Program (Terminal Use Fee waivers, Landing Fee waivers, and payments for Qualifying Marketing Expenses) are capped at \$500,000 per calendar year, or a *pro rata* amount of that cap for any portion of a calendar year after the adoption or before the termination of this Program. The Authority is under no obligation to provide waivers or payments under this Program beyond such capped amount.

An Airline will not be eligible for any Program incentives associated with the restart of any service it voluntarily discontinued within the previous eighteen (18) months, even if such service would otherwise be Qualifying Air Service or Qualifying Upgauging. This prohibition notwithstanding,

the Authority may in its sole discretion determine that such restarted service is Qualifying Air Service or Qualifying Upgauging and eligible for incentives under this Program if the Airline demonstrates that the cessation of the service was due to extraordinary external circumstances.

In the event an Airline does not provide the Qualifying Air Service or Qualifying Upgauging for the minimum 12-month period and/or fails to comply with any other condition or requirement for the Program, the Airline shall be billed and shall pay the Authority all rentals, fees, and charges waived under this Program for all past, present, and future flights as if no incentives under this Program had been granted.

The Authority reserves the unilateral right to revise the Program, including any incentives, or terminate this Program in its entirety, if such action is necessary to comply with any federal law, rule, regulation, order, policy or requirement.

This Program is subject to and subordinate in all respects to federal law and FAA rules and regulations, including without limitation the federal grant assurances executed by the Authority in connection with the Airport, as the same may be amended or replaced from time-to-time, and the FAA's Policy Regarding Air Carrier Incentive Programs, effective December 7, 2023. The Program may be amended, modified, or discontinued at any time by the Authority for any reason or as required by federal law, FAA rules and regulations, or the terms of the Authority's grant assurances.