

AUSTIN-BERGSTROM INTERNATIONAL AIRPORT
INTERNATIONAL AIR SERVICE INCENTIVE PROGRAM

In order to expand the availability of international air services at Austin-Bergstrom International Airport ("Airport"), the City of Austin Aviation Department ("Department") is introducing an International Air Service Incentive Program ("Program"). Under this Program, incentives will be available to any carrier that introduces nonstop air service to at least one currently unserved destination outside the United States with 12 or more scheduled departures monthly.

1. Level One Incentives.

- A. Landing Fee Incentive. Certificated air carriers that provide non-stop round trip international scheduled air service with 12 or more departures per month to a destination outside the United States that is not served with direct non-stop service by another air carrier serving the Airport on the date the air carrier submits its request under paragraph 3.C to participate in the Program shall be entitled to a reduced Landing Fee on such air service of \$1.00 per 1000 lbs MCGLW (Maximum Certificated Gross Landed Weight) for a period of 12 months from initiation of such air service. If the air carrier discontinues service or reduces the frequency of service to the international destination below 12 departures per month prior to the completion of the 12 month period, the foregoing incentive shall be null and void from inception. Unless the air carrier can demonstrate that the discontinuance of service was caused by events beyond the control of the airline, the Department may invoice the air carrier for the difference between the amount of Landing Fees originally invoiced by the airport and the full amount of Landing Fees attributable to such international flights at the published rate in effect at the time the air service was rendered. Such invoices for additional Landing Fees are due and payable within thirty days of receipt of invoice. To qualify for Level One Incentives under this Program, an air carrier must initiate service to the new non-stop international destination within two years from the effective date of this Program.
- B. Marketing Incentive: The Department will provide a variety of public relations, media strategies, advertising, and trade opportunities to promote new air service to the Airport for business and leisure passengers. The Airport's marketing incentive program is tailored to the characteristics of each specific route and the carrier providing the new service, and is primarily directed at maximizing exposure to the local media and travel and tourism trades. The Department uses established strong partnerships with local travel, tourism, and business entities to organize inaugural events and generate publicity in key business publications. The Department arranges introductions to key decision-makers at local businesses and organizations, arranges familiarization trips for tourism trade representatives and facilitates access to targeted databases of partner organizations. The Department utilizes its in-house advertising program to supplement the airline's key advertising message with advertising in the Airport terminal and on the Airport web site. This provides free exposure daily to thousands of travelers, meeters, greeters and the general public. For airlines willing to provide tickets for promotions, Department staff will also barter the tickets for advertising and promotional media time.

2. Level Two Incentives.

- A. Qualifications. A certificated air carrier that:

- (1) Initiates non-stop round trip international scheduled air service from Austin-Bergstrom International Airport with 12 or more departures per month to each of not less than four new destinations outside the United States that are not served with direct non-stop service by another air carrier serving the Airport on the date the air carrier submits its request under paragraph 3.C to participate in the Program ("Qualifying Routes") within a period of not less than one year from commencement of operations of the first new international route, and
- (2) Transports the following minimum aggregate numbers of international enplaned passengers on the Qualifying Routes in the following time periods from initiation of such air service:

Year One	150,000
Year Two	235,000
Year Three	380,000

shall be entitled to reduced Landing Fees for the Qualifying Routes, and to Marketing Incentives, as described in paragraphs 2.B. and 2.C below.

B. Landing Fee Incentives.

- (1) Certificated air carriers that meet the minimum qualifications set forth in paragraph 2.A shall be entitled to the following Landing Fee schedule on flights operated on Qualifying Routes:

Year One:	No Landing Fee
Year Two:	1/3rd of the Landing Fee then in effect at the Airport
Year Three:	2/3rds of the Landing Fee then in effect at the Airport
- (2) The Level Two Landing Fee Incentives:
 - (a) are applicable solely to Qualifying Routes, including additional Qualifying Routes in excess of the minimum of four Qualifying Routes required to qualify for Level Two Landing Fee Incentives, operated by the air carrier from the Airport; and
 - (b) will continue to apply if the air carrier ceases to operate a Qualifying Route during the term of the incentive, and (i) the discontinued flight is replaced with a Qualifying Route to an alternative new international destination reasonably acceptable to the City, (ii) the air carrier continues to operate not less than four Qualifying Routes, and (iii) the air carrier continues to meet its volume commitments described in paragraph 2.A.(2) above.
- (3) One or more flights on a Qualifying Route in addition to the minimum twelve per month shall not be considered additional Qualifying Routes, but each flight on a Qualifying Route shall be entitled to the Landing Fee incentives described in this paragraph 2.B, provided that the air carrier continues to meet the minimum requirements in paragraph 2.A.(1) and (2).
- (4) To qualify for Level Two Incentives, an air carrier must commence operations on the first Qualifying Route within two (2) years from the effective date of this Program, and have commenced operations on at least four Qualifying Routes within one year from the date of commencement of operations of the first

Qualifying Route. Additional Qualifying Routes must commence operations within five (5) years from the effective date of this Program to qualify for Level Two Incentives.

C. Marketing Incentives. Certificated air carriers that meet the minimum qualifications set forth in paragraph 2.A shall be entitled to receive the Level One marketing support described in paragraph 1.B.

D. Reports and Notices. In order to ensure ongoing compliance with the terms and conditions of the Program, an air carrier that is participating in the Program shall:

- (1) give the Department written notice of any change in its scheduled operations to or from the Airport no later than the earlier of (a) the date such schedule change is published in the Official Airline Guide or similar schedule publication media, or (b) 60 days in advance of effective service change date;
- (2) within ten business days after the end of each month, submit to the Department a monthly report in electronic format (MS Word, Excel, or similar) on the number of Qualifying Routes operated during the reporting month, and the aggregate number of enplaned passengers transported from the Airport in the reporting month; and
- (3) within twenty (20) business days after the end of each year of operation at the Airport, submit to the Department a written report signed by a senior officer of the air carrier certifying the number of Qualifying Routes operated during such year, and the aggregate number of enplaned passengers transported from the Airport in such year.

The Department shall have the right at any reasonable time upon written notice to audit and inspect the books and records of a participating air carrier to ensure compliance with the terms and conditions of the Program or the accuracy of any report submitted under this section.

E. Non-Compliance with Level Two Incentive Program.

If an air carrier fails to:

- timely initiate the required number of Qualifying Routes,
- discontinues one or more Qualifying Routes such that the number of new international destinations served during the incentive period by the air carrier from the Airport is less than four,
- fails to achieve its volume commitments in paragraph 2.A.(2) above, or
- fails to timely submit any report required under paragraph 2.D above

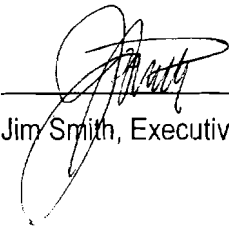
the Department shall give written notice to the air carrier. If the air carrier does not cure the non-compliance within thirty days after receipt of the notice, all Level Two Incentives shall terminate immediately, and the air carrier must reimburse the Department all Landing Fee Incentives received by the air carrier under the Level Two Incentive Program within the twelve months prior to termination. If the Level Two Incentive Program is terminated, the air carrier may qualify for the Level One Incentive Program for its remaining international routes for a single year from commencement of operations of each route. In the event of termination of the Level Two Incentives, the Department may invoice the air carrier for the

additional Landing Fees due at the published rate in effect at the time the air service was rendered. Such invoices for additional Landing Fees are due and payable within thirty days of receipt of invoice.

3. General Provisions.

- A. Incentives Non-Transferable. International Air Service Incentives may not be transferred or assigned to another air carrier, except a carrier that succeeds to substantially all of the incentivized air carrier's assets by merger or acquisition.
- B. Effective and Expiration Date. This Program is effective on the date formally adopted by the Department, and shall remain open for enrollment for a period of two (2) years. To qualify for the Incentives under this Program, an air carrier must initiate service on at least one new international route within two years from the effective date of this Program.
- C. Contract Requirements. To qualify for the incentives in this Program, an air carrier must be a party to either an Austin-Bergstrom International Airport Use and Lease Agreement (signatory airlines), or an Austin-Bergstrom International Airport Airline Operating Agreement (non-signatory contract airlines), and must submit a written request to participate in this Program. Such request shall identify the Qualifying Routes and schedule such carrier plans to operate, including its good faith estimate of the number of enplaned passengers to be transported on such Qualifying Routes, and must commit in writing to comply with all provisions of the Program, expressly including, but not limited to, the obligation to reimburse the Department for incentives received by the air carrier in the event of termination of the program for non-compliance by the air carrier, as provided in paragraphs 1.A and 2.E. If an air carrier's Use and Lease Agreement or Operating Agreement expires or is terminated for any reason, the air carrier's right and entitlement to incentives under this Program will automatically terminate as of the date of contract expiration or termination, without notice.
- D. Competitive Applications. If two air carriers announce plans to serve the same new international destination, the incentives available under this Program shall be payable to the first carrier that publishes service to the new destination in an environment which enables a passenger to make a reservation, subject to full compliance with the requirements of the Program by such air carrier.
- E. Subject to Applicable Law. The Program is subject to all applicable laws, statutes, rules, regulations (including, but not limited to, Federal Aviation Regulations set forth in Title 14 United States Code of Federal Regulations), and the provisions of any agreement between the City and the United States concerning the operation or maintenance of the Airport, required as a condition precedent to the transfer of federal rights or property to the City for Airport purposes, the expenditure of federal funds for the development of the Airport, or to impose or use passenger facilities charges under 49 U.S.C. § 40117. The Department may, without incurring any liability to participating air carriers, amend or terminate the Program, including any payments or fee discounts under the Program, upon advice of its legal counsel, if necessary to comply with the requirements of applicable law, and agreements with the United States as a condition precedent to the granting of funds for the improvement of the Airport or to impose or use passenger facility charges under 49 USC §40117.

CITY OF AUSTIN DEPARTMENT OF AVIATION



Jim Smith, Executive Director

May 1, 2008

Effective Date