



CITY COUNCIL STAFF REPORT

DATE: October 1, 2014

CONSENT AGENDA

SUBJECT: AIR SERVICE INCENTIVE PROGRAM FUNDING AWARD TO AIR CANADA.

FROM: David H. Ready, City Manager

BY: AIRPORT

SUMMARY

This action seeks approval for an allocation of Air Service Incentive funding to Air Canada route for new service between Vancouver, Canada and Palm Springs International Airport.

RECOMMENDATION:

1. Approve Air Service Incentive funding for Air Canada route in an amount not to exceed \$50,000.
2. Authorize City Manager to execute all necessary documents.

STAFF ANALYSIS:

To promote the growth of commercial airline service at Palm Springs International Airport, an Air Service Incentive Program was approved by the City Council in 2010. The intent of the program was to provide marketing assistance to both new and existing PSP air carriers that elect to operate new or expanded air service. To date, the City Council has approved funds to support sixteen new or expanded routes into PSP by ten different airlines including WestJet, Virgin America, Frontier, United, Allegiant, Alaska, Delta, Sun Country, and American.

These new and expanded services, funded in part by the Palm Springs Airline Incentive Program, have been a contributing factor to the Airport's substantial growth in passengers and visitors to the City of Palm Springs and the Coachella Valley. Calendar year 2013 exceeded previous years in passenger activity and airline capacity, and 2014 already points to a new capacity year with counts up 9.4% at 1,864,781 total passengers, compared with the prior twelve month period.

Recently Air Canada has announced it will be starting new air service between Vancouver and Palm Springs on December 18, 2014 and continuing through April 12, 2014 flying the Airbus model 319. Air Canada is Canada's largest domestic and international airline serving more than 180 destinations on five continents.

Air Canada rouge is Air Canada's new leisure airline, part of the Air Canada Leisure Group with Air Canada Vacations. Air Canada Vacations and Air Canada rouge offer competitively priced travel to exciting leisure destinations in Europe: Dublin, Edinburgh, Manchester, Lisbon, Barcelona, Nice, Rome, Venice, and Athens, multiple destinations in the Caribbean such as Cuba, Costa Rica, Jamaica and the Dominican Republic and destinations in Mexico and the U.S. As a wholly-owned subsidiary, Air Canada rouge is backed by Air Canada's 75-year reputation for safety and reliability and Air Canada Vacations' 30 plus year history of vacation travel excellence. Since the launch in July 2013 of Air Canada rouge, Air Canada has deployed its leisure carrier to a growing number of Caribbean, Mexican, European and select sun destinations in the United States.

The Airport Commission voted to recommend this award at its September meeting.

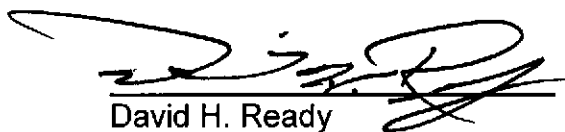
FISCAL IMPACT:

The expenditure for this promotional support is a maximum not-to-exceed amount of \$50,000 and funds have been budgeted and are available in the Airline Incentive Program Account No. 415-6002-45521.

Marketing and promotional funds offered through an air service incentive program are an investment in the future growth of air service to PSP. Increased passenger traffic from the additional airline service will generate both direct and indirect economic benefits. The added passenger traffic will result in higher levels of revenues to the Airport through the Passenger Facility Charges (PFCs), food and gift concessions, car rentals, vehicle parking fees, aircraft landing fees, fuel flowage fees and other sources.



Thomas Nolan
Executive Director, Airport



David H. Ready
City Manager