



# CITY COUNCIL STAFF REPORT

DATE: November 5, 2014

CONSENT AGENDA

SUBJECT: AIR SERVICE INCENTIVE PROGRAM FUNDING AWARD TO WESTJET AIRLINES.

FROM: David H. Ready, City Manager

BY: AIRPORT

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## SUMMARY

This action seeks authorization for the allocation of Air Service Incentive funding to WestJet Airlines for expanded air service between Palm Springs International Airport and the two Canadian cities of Vancouver and Calgary.

## RECOMMENDATION:

1. Approve Air Service Incentive funding for WestJet Airlines in an amount not to exceed \$52,500.
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 seventeen new or expanded routes into PSP by ten different airlines including WestJet, Virgin America, Air Canada, Frontier, United, Allegiant, Alaska, Delta, Sun Country, and American.

All of these seventeen new or expanded air service routes, funded by the Palm Springs International Airport Air Service Incentive program, have been a contributing factor to the airport's record growth in passengers and visitors to the entire Coachella Valley. For example, 2013 was already a record passenger activity and airline capacity year, and 2014 now proves to be an all-time record year with counts up 9.4% year-to date in total passengers.

WestJet Airlines, which is one of PSP's fastest growing airlines and provides direct service to five Canadian cities, has announced it will be increasing air service capacity to Vancouver and Calgary this season. Based on the magnitude of the increase the airline is eligible and has requested participation in the Air Service Marketing Incentive Program. The amount of marketing funding under consideration today is in accordance with the program's eligibility. WestJet has served the greater Palm Springs market for many years with seasonal service to Edmonton, Winnipeg and Toronto, and year round to Vancouver and Calgary. These Canadian cities are PSP's only direct international destinations and one of the Valley's fastest growing markets for both tourism and part-time resident status. The added capacity to Vancouver and Calgary by WestJet Airlines will allow for growth in origination and destination passenger travel, and provide enhanced connections to Canada and other international cities.

The ultimate goal of this marketing incentive funding is to provide short term fortification of the airline's own marketing and facilitate the routes ultimate self-sustaining status.

The Airport Commission voted unanimously at its October meeting for this funding support as presented.

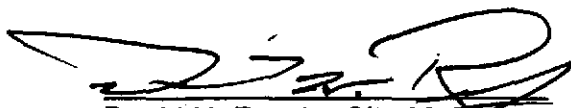
FISCAL IMPACT:

Because WestJet is increasing capacity in January 2015, with 15% to 45% added frequency, they will be eligible for an aggregate amount not-to-exceed \$52,500. Funding for this expenditure will be debited from the Airline Incentive Fund account 415-6002-45521 which has an approximate \$250,000 balance.

These marketing and promotional fund expenditures from the PSP Airport Air Service Incentive Program are an investment in future air service growth. The resulting increased passenger traffic will generate a direct and indirect economic financial benefit to the airport and the Valley's tourism industry. Increased airport revenues from Passenger Facility Charges (PFC's), food and gift sales, car rentals, vehicle parking fees, aircraft landing fees, fuel flowage fees, and other sources all contribute to a viable return on investment.



Thomas Nolan  
Executive Director, Airport

  
David H. Ready, City Manager