



CITY COUNCIL STAFF REPORT

DATE: January 4, 2017

CONSENT AGENDA

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

FROM: David H. Ready, City Manager

BY: AIRPORT

SUMMARY

This action considers an allocation of Air Service Incentive funding to Air Canada Rouge for new airline service between Toronto, Canada, and Palm Springs International Airport.

RECOMMENDATION:

1. Approve Air Service Incentive funding for Air Canada Rouge 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 objective of this program was to provide marketing assistance to both new and existing PSP airlines as an added incentive to introduce new or expanded air service. To date, the City Airport Commission and Council has ratified marketing incentive funds to support seventeen new or expanded routes into PSP by several airlines including WestJet, Virgin America, Frontier, United, Allegiant, Alaska, Delta, Sun Country, Air Canada, JetBlue and American.

These new and expanded airline services supported by the marketing incentive funding program have been a contributing factor to PSP Airport's record growth in passengers and visitors to the entire Coachella Valley. Calendar year 2016 statistics through November exemplify this and suggest a high probability of a new airport annual record for passengers.

ITEM NO. 1.E.

In December 2014, Air Canada Rouge commenced air service between Palm Springs and Vancouver, Canada. That service represented the return of Air Canada to PSP Airport after nearly a decade of absence. The Vancouver service is ongoing and, this season, Air Canada introduced a wide-body B767 aircraft on this route, the largest scheduled aircraft ever at PSP Airport. Air Canada announced earlier this year that they would add a second Canadian route, and direct service to Toronto commenced on December 14, 2016, and is scheduled to last through April 30, 2017. The flight is operating on Wednesday, Friday and Saturday using a 136-seat Airbus 319.

Air Canada is Canada's largest domestic and international airline serving more than 180 destinations on five continents. Air Canada Rouge, launched in July 2013, is Air Canada's leisure airline, part of the Air Canada Leisure Group with Air Canada Vacations, which offer competitively priced travel. Since 2013, Air Canada has deployed its leisure carrier to a growing number of Caribbean, Mexican, European and select sun destinations in the United States. 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.

The Airport Commission voted in favor of providing Air Canada marketing incentive funds in an amount not to exceed \$50,000. Air Canada Rouge will be increasing the overall seat capacity to Toronto by over 50 per cent and this qualifies for this level of funding from the Marketing Incentive program.

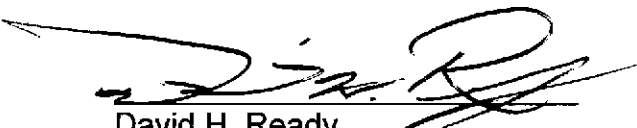
FISCAL IMPACT:

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. Upon approval of this program award, the incentive fund will have a balance of \$172,000. Funds are not released to the airline until they have completed a Palm Springs specific destination advertising program and provide sufficient proof of the advertising for review by staff.

Marketing and promotional funds offered through an air service incentive program are an investment in the future growth of air service at PSP Airport. Increased passenger traffic from the additional airline service generates direct and indirect economic benefits including higher amounts of revenues to the airport through 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