

OPERATING POLICY # 30

DULUTH AIRPORT AUTHORITY AIR CARRIER INCENTIVE POLICY

Initial Implementation Date: June 2018

Revised: April 16, 2024

SUPERSEDES

This Air Carrier Incentive Policy supersedes the 2018 Community Air Service Development Incentive Policy and is compliant with the guidelines set forth by Federal Aviation Administration's (FAA) Air Carrier Incentive Program guidance issued December 7, 2023. The general principles of that guidance include:

- Discrimination between carriers participating in an Air Carrier Incentive Program (ACIP) and non-participating carriers must be justified and time limited.
- A sponsor may not use airport revenues to subsidize air carriers.
- A sponsor may not cross-charge non-participating carriers or other aeronautical users to subsidize ACIP carriers.
- The terms of an ACIP should be made public.
- Use of airport funds for an ACIP must not adversely affect airport operations or maintenance.

DEFINITIONS

Incentives: are a fee reduction or waiver of landing fees, terminal rent and fees, or the use of airport revenue for acceptable marketing costs. Marketing of any new service may be paid by Duluth Airport Authority (DAA) either directly to the marketing provider or be provided to the air carrier only after the carrier has submitted a marketing plan to the DAA Executive Director, paid the marketing provider and submitted an invoice with supporting documentation to the DAA.

New Service is defined as:

- Non-stop service where non-stop service has not been offered for a minimum of twenty-four (24) consecutive months.
- New entrant carrier serving Duluth International Airport (DLH) who has not offered scheduled service for at least twenty-four (24) consecutive months.
- Seasonal nonstop service, where non-stop service is not currently offered for less than seven months of the calendar year and has not been offered for a minimum of twenty-four (24) consecutive months.
- A *Significant Increase* in capacity on preexisting service to a specific airport destination provided by:
 - An incumbent is defined by the number of seats and/or frequencies increased per week in the ACIP.
 - A new air carrier is defined by the minimum number of seats and/or frequencies per week in the ACIP.

AIR CARRIER INCENTIVE PROGRAM

The ACIP maximizes available commercial air service that supports economic growth, stability, and quality of life in the region. It identifies airport destinations, incentivized by the DAA for new service. The promotional incentives to airlines aim to:

- Increase travel using DLH and/or
- Promote air carrier competition at DLH.

The ACIP shall be updated at the discretion of the DAA. The program is approved by the DAA Board of Directors. Once adopted it shall be posted on DLH's website for 30 days before becoming active.

ELIGIBILITY:

The ACIP is available to any commercial airline who does or is willing to provide regularly scheduled service to and from DLH. There is no obligation to provide incentives to commercial airlines for those destinations not listed in the ACIP.

LENGTH OF PROGRAM

Use of an incentive limited to new service is not in itself unjust discrimination and therefore compliant with FAA grant assurances provided that qualifying incentives are limited to:

- One (1) year for routes already served and meeting the definition of Significant Increase in service. Incentives are limited to the new capacity added and not the existing capacity in the case of an incumbent carrier significantly increasing capacity on the route.
- Two (2) consecutive years for nonstop service to an airport destination not currently provided.
- Three (3) consecutive years for nonstop service to an airport destination not currently served seasonally.

Any agreed to incentives require the air carrier to provide the new service for no less than applicable durations provided above. Discontinuing the new service early will subject the air carrier to incentive recoupment per the terms of the Incentive Agreement.

In the event the length of program offered causes any violation of grant assurances or other similar covenants, rules, or regulations, the ACIP and the Incentive Agreement shall be amended to provide for compliance to any such requirement.

LIMITED BUDGET

Due to limited budget for new service to an airport destination not currently served from DLH, the DAA may restrict incentives to one carrier, the first air carrier that establishes the new service. This restriction will be noted on the ACIP.

AIR CARRIER INCENTIVE AGREEMENT

An incentive agreement shall be executed between the air carrier and the DAA detailing the incentives available pertaining to the new service being offered and the terms governing their use.