

## **COMMONWEALTH PORTS AUTHORITY**

### **AIR CARRIER INCENTIVE PROGRAM**

The Commonwealth Ports Authority (CPA) hereby establishes an air carrier incentive program for the Francisco C. Ada/Saipan International Airport, Benjamin Taisacan Manglona International Airport, and the Tinian International Airport. The program aims to promote competition, attract new air carriers, and increase scheduled direct passenger service to unserved and underserved destinations.

The air carrier incentive program will be available from September 1, 2018 through August 31, 2023, for a total period of five years, to all airlines that meet the program requirements. Each eligible air carrier is limited to a one or two-year incentive period, and no air carrier may participate in the incentive program after August 31, 2023. The CPA at its sole discretion may shorten or suspend the air carrier incentive program period. Any extension to the air carrier incentive program will require CPA board approval.

Air carriers seeking to participate in the CPA air carrier incentive program must submit a completed air carrier incentive program application. The Commonwealth Ports Authority will review the application and provide a response to the applicant within fifteen (15) business days.

#### **INCENTIVE PROGRAMS**

##### **1. New service to unserved destinations**

This incentive is available to new entrant carriers and incumbent carriers. Air carriers who establish new direct flights from the Francisco C. Ada/Saipan International Airport, Benjamin Taisacan Manglona International Airport, or the Tinian International Airport to a destination currently not being served shall be eligible for the incentive program. The service must provide no less than two scheduled non-stop round-trip qualifying flights per week. To qualify as a new service route, the air carrier shall not have served that market for a period of three months prior to the inauguration of service provided herein. To qualify for the incentive, the air carrier must be the first air carrier to submit an incentive program application that is approved for the new service route.

The eligible air carrier shall receive on qualifying flights a seventy five percent (75%) discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge for the first year of service. For the second consecutive year of service, the discount shall be reduced to fifty percent (50%).

##### **2. New Entrant Carrier**

Air carriers who do not currently service the Francisco C. Ada/Saipan International Airport, Benjamin Taisacan Manglona International Airport, or the Tinian International Airport and have not provided service for a period of twelve months prior shall be considered new entrant carriers and may be eligible for the incentive program. The new entrant carrier must provide no less than two scheduled non-stop round trip qualifying flights per week to be eligible for the incentive program.

New entrant carriers who apply to service destinations currently served by incumbent air carriers will only be eligible for a one-year incentive program. The eligible new entrant carrier shall receive a seventy five percent (75%) discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge for a period not to exceed one year.

New entrant carriers who apply to service unserved destinations will be eligible for a two-year incentive program. The eligible air carrier shall receive a seventy five percent (75%) discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge for the first year of service. For the second consecutive year of service, the discounts shall be reduced to fifty percent (50%).

### **3. Additional flights to specific destinations**

This incentive is available for new and incumbent carriers. Air carriers who establish additional direct flights to the Francisco C. Ada/Saipan International Airport, Benjamin Taisacan Manglona International Airport, or the Tinian International Airport from a destination that has been identified by CPA as underserved, shall be eligible for the incentive program. The added service must provide no less than two scheduled non-stop round-trip qualifying flights per week without any loss in previously scheduled service to the same destination 60 days prior.<sup>1</sup>

The CPA has identified the following destinations as underserved for the Francisco C. Ada/Saipan International Airport: Tinian, CNMI; Rota, CNMI; Narita-Tokyo, Japan; and Haneda-Tokyo, Japan. For the Benjamin Taisacan Manglona International Airport and the Tinian International Airport, the CPA has identified the following destinations as underserved: Guam.

Eligible air carriers may enroll in a one-year incentive program for qualifying flights. The eligible air carrier shall receive a seventy five percent (75%) discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge for the first year of service.

#### **TERMS AND CONDITIONS**

All air carrier incentive program agreements will not exceed a 24-month period for each qualifying air carrier and no agreement may continue past August 31, 2023.

The costs associated with the air carrier incentive program will not be included in the rate base for airlines operating at the Francisco C. Ada/Saipan International Airport, Benjamin Taisacan Manglona International Airport, and the Tinian International Airport.

To be eligible to participate and receive any incentives under the CPA air carrier incentive program, an air carrier will need to submit a fully completed CPA air carrier incentive program application and subsequently execute the CPA air carrier incentive agreement.

Air carriers must continue to be current in all its financial and other obligations with and to the Commonwealth Ports Authority to remain eligible for any and all incentive programs.

Air carriers may not swap service to extend incentives. Air carriers participating in the incentive program are prohibited from cancelling existing service on an incentivized route. If the air carrier has reduced

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<sup>1</sup> If an incumbent airline is already serving a destination chosen to be incentivized, the incentive is available only for new scheduled service to that destination without any loss in previously scheduled service to the same destination. For example, if the air carrier already offers three flights weekly to the destination being incentivized and adds two more flights under the incentive for a total of five flights, the two additional flights would qualify for the incentive, but not the first three flights. If the air carrier changes its schedule, adding two new flights but dropping one for a total of four flights to the named destination, the air carrier would qualify for the incentive on one new flight only.

service to an incentivized destination, it will not be eligible to receive incentives for new flights to other markets targeted under this incentive program.

<b>INCENTIVE PROGRAM SUMMARY</b>			
<b>Incentive Program</b>	<b>Eligibility</b>	<b>Incentive (1<sup>st</sup> Year)</b>	<b>Incentive (2<sup>nd</sup> Year)</b>
New Service to Unserved Destinations	2 year incentive	75% discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge	50% discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge for second consecutive year of service
New Entrant Carrier (destination currently served by an incumbent carrier)	1 year incentive	75% discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge	N/A
New Entrant Carrier (destination not currently served by an incumbent carrier)	2 year incentive	75% discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge	50% discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge for second consecutive year of service
Additional Flights to Specific Destinations	1 year incentive	75% discount on the Landing Fee, the Departure Facility Service Charge, and the International Arrival Facility Service Charge	N/A