

April 4, 2023

Docket Operations, M-30
United States Department of Transportation
1200 New Jersey Avenue SE, Room W12-140
West Building Ground Floor
Washington, DC 20590-0001

Re: Comments of the Port of Seattle and Seattle-Tacoma International Airport on Draft FAA Policy Regarding Air Carrier Incentive Program, Docket No. FAA-2002-1204

To Whom it May Concern:

The Port of Seattle, owner and operator of Seattle-Tacoma International Airport (“SEA”), hereby submits its comments in response to the Draft FAA Policy Regarding Air Carrier Incentive Program, Docket No. FAA-2022-1204, 88 Fed Reg. 7502 (Feb 3, 2023) (“Draft Policy”).

Seattle-Tacoma International Airport is the largest airport in the Pacific Northwest, and is a primary international gateway for both passengers and cargo across a wide swath of the United States stretching both to the east and south. In Washington State alone, SEA supported almost \$22.5 billion in economic activity and 151,400 jobs in 2017, making it one of the largest economic drivers in the region.¹

The Port of Seattle has offered a New Air Service Incentive Program for many years, and has found it to be an invaluable tool in discussions about potential new air services. In 2006, the year before the introduction of SEA’s first incentive program, SEA offered 9 long-haul international services; today that number has almost tripled, to 26. The primary goal of the program is of course to mitigate a small amount of the enormous risk an air carrier must take in launching a new market. However, SEA has also found immense value in the relationship and knowledge-sharing between airport and air carriers that develop as a result of collaborating on joint marketing projects as part of the incentive program.

The Port of Seattle strongly supports the FAA’s adoption of a policy “grounded more in basic principles rather than in a detailed list of prohibited practices...[with] the intention to provide more flexibility for airport sponsors to design particular incentive programs while remaining in compliance with Federal obligations...” In the over fifteen years that SEA has been managing an incentive program, it has become clear that not only is the industry continually changing, but

¹ “Sea-Tac International Airport Economic Impacts.” Community Attributes Inc. January 2018.

that individual airports have very different air service needs and challenges that they seek to address with incentive programs.

Attempts to describe (or proscribe) specific practices will invariably result in unintended consequences when trying to craft a policy that applies to such a wide variety of stakeholders, from small communities trying to regain commercial service to large, congested hub airports seeking to expand their global networks. The Port of the Seattle therefore urges the FAA to provide airports with the broadest possible flexibility and discretion to design programs that address each airport's unique goals and challenges, while of course staying within the FAA's broader obligations.

With that being said, the Port of Seattle has several specific comments and requests for clarification on the Draft Guidelines as written, as noted below:

1. Payments for Marketing New Services: Reimbursements to Carriers for Pre-approved Activities Should not be Considered a Prohibited Subsidy

The Draft Policy's new, blanket prohibition on the transferring funds to a carrier in all circumstances is both impractical and unduly burdensome for airports. SEA fully supports the FAA's prohibition against providing unrestricted funds to a carrier to use as they wish and has always considered that type of payment to be a prohibited subsidy under existing policy. However, reimbursing a carrier for funds that have been used on pre-approved marketing projects is often the only realistic way for SEA to market incentive-eligible services. SEA works closely with new air carriers to develop a joint marketing plan for the use of incentive funds, and requires all plans and individual creative materials to be pre-approved by the airport. Carriers are eligible for reimbursement only after submitting extensive documentation and original invoices for each project. Under no circumstances would a carrier be reimbursed for general airline marketing activities or any other expense that did not directly promote the carrier's new Seattle service and Seattle-Tacoma International Airport.

Under the proposed restrictions, the Port of Seattle/SEA would be required to enter into contractual agreements with each individual vendor and marketing provider, many of which are located overseas and which may number in the dozens for a single new international service. This would present an enormous challenge for both marketing firms as well as for the airport. As a government agency, the Port of Seattle's contracting procedures are complex and time-consuming, precluding the flexibility and speed that is necessary for a successful marketing campaign. Furthermore, the Port of Seattle could in some instances be required offer marketing contracts through an open RFP process, which would require even more time and defeat the entire purpose of being able to offer an incentive to a new carrier in the first place.

2. Clarification on the Eligibility of Competitive Services

The Port of Seattle is seeking clarification of the definition of “New Entrant Carrier,” particularly as it applies to the eligibility of new routes operated by carriers with existing operations at an airport. Is the definition of “New Entrant Carrier” as “an air carrier that was not previously providing any air service to an airport” intended to apply to a carrier not previously serving an airport destination, or an air carrier not previously operating at the sponsor airport (i.e., new entrants to a particular market, as opposed to new entrant carriers to the sponsor airport)? Based on use of the term in other parts of the document, it appears to mean the former and should be clarified as such.

If, however, the term is intended to apply only to new entrants to the airport sponsor (as the term is commonly defined in the airport industry) then the Port of Seattle strongly supports allowing so-called competitive services (i.e., a new service to an existing destination operated by a carrier that may have other existing operations at the sponsor airport) to remain eligible for incentives. As a large hub airport, SEA has numerous international markets that are already served by one (or more) carriers, but that would benefit from a new carrier to the market increasing the level of service. New, competitive services provide increased options to the traveling public, increase beneficial competition amongst an airport’s carriers, and often provide new or additional access on connecting itineraries not available on incumbent services.

3. Transparency

The Port of Seattle supports the FAA’s commitment to transparency. Complete details of SEA’s New Air Service Incentive Program have been publicly available on the Port of Seattle’s website since the program’s inception. Any reauthorizations or changes to the program are approved in public sessions of the Port of Seattle Commission, which are recorded, indexed, and also available online. The Port of Seattle sees no issues in requiring airport sponsors to post the details of their incentive plans, as these plans have always been subject to public disclosure and remind interested carriers that airport sponsors are not able to offer additional incentives beyond what is stated in the official program.

The actual costs of the Port of Seattle’s incentive program, as well as budgeted costs for the following year’s program, are provided in the Port’s overall budget and plan of finance which are available to the public online and are presented regularly to aeronautical users and other airport stakeholders. Answers to specific, individual queries are available through public records requests. The Port of Seattle feels that these measures provide a high degree of transparency and oversight of the program, without requiring the posting of redundant and potentially misleading information.

The Port of Seattle also wishes to clarify the FAA’s statement that “an airport sponsor is expected to provide public notice of an ACIP at least 30 days before signing an agreement with a carrier to implement an incentive.” The Port of Seattle understands this to mean that an air carrier incentive program must be announced and active for at least 30 days before a carrier is able to take advantage of the program, not that 30 day public notice must be made for each and every carrier taking advantage of an existing program. The latter would introduce serious



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concerns from a commercial and competitive standpoint, as airport operators are expected to maintain strict confidentiality about new services up to the air carrier's official, public announcement.

The Port of Seattle looks forward to continued collaboration with the FAA in developing flexible tools for airports of all sizes to incentivize the growth of the country's air service.

Sincerely,

A handwritten signature in black ink, appearing to read "Kazue Ishiwata". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kazue Ishiwata
Head of Air Service Development
Seattle-Tacoma International Airport
Port of Seattle