

Columbus Airport Minimum Revenue Guarantee (MRG)
Airline Recruitment Frequently Asked Questions

The Columbus Airport Commission is developing multiple sources of risk mitigation funding for non-stop service between Columbus and Charlotte, connecting to more than one hundred cities around the world. The new service will help to lower fares and make local air service more accessible.

The key incentive to recruiting new service is a Minimum Revenue Guarantee (MRG), under which Columbus Airport and its community partners share the risk in launching new service with the carrier providing the service. The funding will be a mix of local support, airport incentives, and federal Grant money, totaling more than \$1.5 million.

The Airport has already been awarded a federal Department of Transportation Air Service Grant of \$750,000 for service to Charlotte. The local funding will join the federal funding to illustrate to potential carriers the demand for service and its potential to be successful. It is important to note *Grant funding will be drawn upon first* – before any local commitments are drawn upon.

The Airport’s goal is to develop sufficient local commitments on a timeline for a service launch by the end of 2017. This list of frequently asked questions was compiled to answer the most common concerns.

Carrier Eligibility

If multiple airlines are interested, on what will the selection be based? Who will decide?

This program is developed on a “first come, first served” basis. Once pledges have been collected, the Airport and community leaders will meet with all potential carriers to discuss the guarantee and its parameters. The first qualified airline to offer to launch service will be the first airline with which the group negotiates. It will be imperative that the carrier offering service to Charlotte be able to do so under the American Airlines code.

Revenue Guarantee Reporting

What will be the communications process for keeping stakeholders informed regarding whether, and for how much, the fund was tapped to cover revenue shortfalls?

Each quarter the airline will report its financial results to the Airport. The Airport will then disseminate the results to contributors. If the airline’s revenue did not meet the pre-negotiated target, funds will be drawn first from the Airport Grant funding. Only after the airline has drawn the full \$750,000 will funds be drawn from local contributors. The Airport will have the option to cancel the service with 30 days’ notice if it believes the full federal funding amount will be exhausted.

Will I receive regular updates on the route’s performance? Who will send me those updates?

Updates will be provided on a quarterly basis, within 30 days from the end of each quarter. Interim updates on percentage of seats filled, on a monthly basis, will be provided by the consultant. Monthly data is not available until four months after the month has closed.

Is this a revenue guarantee or are we guaranteeing them a profit margin? How is the amount determined?

This is not a profit guarantee. It is a guarantee of total revenue. In negotiations, the airline will state its required revenue per segment operated. This amount will be audited by the consultant and negotiated. Once the amount is agreed upon, the community will agree to guarantee that minimum level of revenue, with an agreed-upon amount of maximum exposure.

Information on Pledges

Can I get a list of who has committed financial support and how much they're investing?

The list of contributors will remain confidential, unless specific contributors allow for the publication of their identity.

Is the money actually spent for this tax deductible since the Airport is a non-profit governmental agency, or would it have to be considered a business expense?

This project is not set-up as a foundation. Funds committed are not tax deductible. Funds committed may be considered business expenses.

Banking and Other Guarantee Logistics

Can you invoice me for my pro rata share, as needed, rather than tying up my dollars in an account for two years?

Funding for the program must either be committed in cash or covered by a letter of credit which can be drawn upon. Invoicing is not an option. The airline will only sign the agreement if the cash is on hand, or covered by a letter of credit.

In which bank(s) will my dollars be kept? Will all of the money be kept in one account or divided into multiple accounts to ensure it is FDIC protected?

For cash contributions, funds will be kept in partitioned accounts and will be FDIC insured. The bank carrying these accounts has not yet been chosen.

If not all of the revenue is spent during this two-year program, will my share be returned to me or invested in securing a different route?

Funding for this project that is not used will be returned to each contributor. Each new route will require a separate pledge.

Once we do this, will this become the norm with any airline we speak with about new service to any destination?

Although it might not be apparent in Columbus, revenue guarantees for new routes are the norm throughout the industry, and it's been that way for more than a decade. Since 2001, airlines in North America have launched more than 100 new routes with community revenue guarantees. In meetings over the last two years, virtually all carriers have explained the value of a revenue guarantee in ensuring passengers use the new flights.

Revenue guarantees will be the tool used in the future to recruit new flights in almost all North American markets. Columbus can either be as competitive as possible, or fall behind competing markets.

If Funding is Not Secured by the Deadline

If sufficient pledges are not secured, is there a lesser amount that an airline would accept?

We will continue to recruit new service regardless of the amount raised. There is no guarantee, at any amount, service will begin. The larger amount of funding we have available, the better the opportunity we have for service.

If the February 2017 deadline for generating pledges/cash is missed, will you extend that deadline?

Potentially. We want to ensure we have the best package of funding possible for the carrier. If it takes longer, we will likely proceed. It could push the start date of service back, however.