

ACI-NA Airport Economics & Finance Conference

Affiliate Airlines and Airport-Airline Agreements

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Today's Discussion

- Airport-Airline Agreements formalize the relationship between an airport and regional carriers

- Many regional carriers are considered “Affiliate Airlines” under Airport-Airline Agreements
 - How do you define an Affiliate Airline?
 - Why would you want to be an Affiliate Airline?
 - Who reports air traffic and pays the bills?
 - What input does the Affiliate Airline have at the airport?

Sample Small-Hub Northeast Airport



How do you define an Affiliate Airline?

- Airports use myriad Affiliate Airline definitions:
 - Wholly-owned subsidiaries
 - All seats sold in the name of Signatory Airline
 - Operates under the same trade name and uses essentially the same livery
 - Airlines with a code sharing agreement

- Many airports require both the Affiliate Airline and Signatory Airline to formally declare their relationship
 - Especially important to have a clear definition under mergers and acquisitions

Why would you want to be an Affiliate Airline?

- Affiliate Airlines typically do not sign the Airport-Airline Agreement
 - Often only have to sign an operating license
- Affiliate Airlines may be granted some of the rights of Signatory Airlines
 - Signatory landing fee rates
 - Exempt from ground handling fees
 - Exempt from fuel flowage fees
 - Exempt from 20% allocation in joint use formulas
 - Preferential use of gates
- If a regional carrier leases space in the terminal, it may prefer to sign the Airport-Airline Agreement

Who reports activity?

- **Affiliate Airline reports own activity**
 - + Airport can identify activity by operator
 - Affiliates Airline may operate for multiple Signatory Airlines
 - With frequent schedule changes, hard for airport staff to stay on top of who should be reporting
- **Signatory Airline reports for Affiliate Airline**
 - + Easy to identify Affiliate activity by Signatory Airline
 - Signatory Airline may group activity by multiple affiliates as one airline (e.g. US Airways Express)
- **Many Airport-Airline Agreements make the Affiliate Airline primarily responsible for filing activity reports, with a guarantee by the Signatory Airline**

Who pays the bills?

- Terminal rentals typically paid by Signatory Airline

- Activity-based charges can be assessed to either Affiliate Airline or Signatory Airline
 - Landing fees, 80% of joint-use formulas, etc.
 - As with activity reporting, Affiliate Airline is often primarily responsible with a guarantee from the Signatory Airline
 - Airline and airport preferences vary

- Affiliate Airline payments under Signatory Airline bankruptcy

What input does the Affiliate Airline have at the airport?

■ Capital project consultation

- Affiliate Airline activity often grouped with Signatory Airline's activity for MII vote
- Affiliate Airlines invited to PFC consultation meetings under FAA Regulations
- Some Airport-Airline Agreements let Signatory Airlines vote for Affiliate Airlines

■ Annual rates and charges meetings

■ Station manager meetings