

# Mayor and Council Communication

**DATE:** 03/09/21

**M&C FILE NUMBER:** M&C 21-0180

**LOG NAME:** 55AFW AMAZON AFFILIATES CARGO CARRIER OPERATING AGREEMENT

## **SUBJECT**

(CD 7) Authorize Execution of a New Cargo Carrier Operating Agreement with Amazon.com Services Inc.'s Affiliate Airlines as Identified in Each Agreement as Atlas Air, Inc. and Southern Air, Inc. (Each Wholly Owned Subsidiaries of Atlas Air Worldwide Holdings, Inc.), and Air Transport International, Inc. (ATI), ABX Air, Inc. and Sun Country, Inc. (Each Wholly Owned Subsidiaries of Air Transport Service Group, Inc.) at Fort Worth Alliance Airport

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## **RECOMMENDATION:**

It is recommended that the City Council authorize the execution of a new cargo carrier operating agreement with Amazon.com Services Inc.'s Affiliate Airlines as Identified in each agreement as Atlas Air, Inc. and Southern Air, Inc. (each a wholly owned subsidiary of Atlas Air Worldwide Holdings, Inc.), Air Transport International, Inc. (ATI), ABX Air, Inc. and Sun Country, Inc. (each a wholly owned subsidiary of Air Transport Service Group, Inc.) at Fort Worth Alliance Airport.

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## **DISCUSSION:**

On or about September 24, 2019, an Informal Report informed the City Council that Amazon.com Services, Inc. (Amazon) was opening a regional air hub adjacent to Fort Worth Alliance Airport (Alliance) and construction was nearing completion with operations expected to begin by October, 2019. At that time, the City granted Amazon's affiliate airlines permission to use the airport via a cargo carrier operating agreement, which set the amounts for landing fees and other special charges assessed at Alliance.

The Cargo Carrier Operating Agreements with Amazon's affiliate airlines are scheduled to expire April 1, 2021, which aligns with Federal Express Corporation's Cargo Carrier Operating Agreement expiration date. The short-term agreement allowed Amazon to begin their operations and flights out of Alliance while a longer-term cargo carrier operating agreement was being negotiated. Under the terms of the new operating agreement, landing fee rates for Amazon's affiliate cargo carrier airlines will increase from \$1.49 per one thousand pounds to \$1.65 per one thousand pounds. The landing weight is based on aircraft Maximum Certified Gross Landing Weight (MCGLW).

Amazon currently has five affiliate airlines that will be operating out of Alliance: Atlas Air, Inc. and Southern Air, Inc. (each wholly owned subsidiaries of Atlas Air Worldwide Holdings, Inc.), and Air Transport International, Inc. (ATI), ABX Air, Inc. and Sun Country, Inc., (each wholly owned subsidiaries of Air Transport Services Group, Inc.). Each of the affiliate airlines will enter into separate cargo carrier operating agreements with the City on the following terms:

- A term beginning April 2, 2021 and expiring April 1, 2041
- Landing Fees are based on MCGLW of aircraft landing at Alliance at a rate of \$1.65 per one-thousand pounds with an \$85.00 minimum, adjusted annually based on the upward percentage change in the Consumer Price Index (CPI), or 85% of the City's published Non-Signatory Landing Fee Rate, whichever is the lesser.
- Special Charges by the City may be assessed for parking on a public ramp, special licenses and permits, special services requested by the Airline and costs for removing disabled aircraft. The rate for the Special Charges is based on reasonable, documented out-of-pocket costs and expenses plus twelve percent (12%).

The cargo carrier operating agreements associated with Amazon affiliate airlines is projected to generate first year revenue of approximately \$1,557,200.00. Under the Management Agreement between the City of Fort Worth and Alliance Air Services, which manages Alliance, Alliance Air Services receives sixty-five percent (65%) of funds collected under the cargo carrier operating agreements and the City receives thirty-five percent (35%) of these funds. The funds are disbursed monthly to the City of Fort Worth Aviation Department. The cargo carrier operating agreements comply with airport policy as well as City, state, and federal guidelines.

**ADVISORY BOARD APPROVAL:** On February 4, 2021, the Aviation Advisory Board voted to recommend that the City Council approve the Cargo Carrier Operating Agreements.

Fort Worth Alliance Airport is located in COUNCIL DISTRICT 7.

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: Atlas Air Worldwide Holdings, Inc. & Air Transport Service Group, Inc.

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## **FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendation and execution of the lease, funds will be deposited into the Municipal Airport Fund. The Aviation Department (and Financial Management Services) is responsible for the collection and deposit of funds due to the City.

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Expedited