



**Volaris Incentive Agreements  
Business Development Committee**  
June 23, 2015



**DENVER INTERNATIONAL AIRPORT**  
*TOGETHER WE SOAR*

# Presentation Outline

- Why do we offer incentives?
- Denver International Airport Air Service Incentive Program
- Volaris Service in Denver
- Guadalajara Incentive Overview
- Chihuahua Incentive Overview

## Why do we offer incentives?

Goal of DEN's air service incentive program:  
***To increase nonstop air service and passenger traffic  
at Denver International Airport.***

- Airlines make a tremendous investment when starting a new route – an aircraft can be valued at up to \$200M
- Using an aircraft in Denver means they are not using it in another market
  - we are competing for airplanes
- The first two years are critical to the long-term success of a new route, and this is the period we support with an incentive
- The vast majority of peer airports also offer incentives – it is a highly competitive process

# DEN Air Service Incentive Program

- Current incentive program period from September 1, 2013 through August 31, 2015
- All international markets are eligible
- Service to Mexico: \$1M per market for daily, year-round service
  - Incentive is prorated for less than daily service
  - Carriers choose if they want operational offsets, marketing funds or a combination of both
- Carriers must keep service in the market for two full years (24 months) following service initiation
  - If service is cancelled within this 24-month period, the carrier must refund the incentive amount
- Carriers are eligible for a maximum of two incentivized markets per period

# Volaris at Denver International Airport: Mexico City began in 2012; Guadalajara & Chihuahua added in 2014

## Volaris Service at Denver International Airport June 2015



*America's Favorite Connecting Hub....  
Where the Rocky Mountains Meet the World.*

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## Guadalajara Incentive Overview

- Once-weekly service began July 7, 2014; service has since increased to twice-weekly
- Market had previously been served in 2006 by Frontier Airlines
- Volaris chose the Operational Incentive – waiver of landing fees, FIS fees, international gate use fees
- Contract term/amount: Two years, maximum of \$1M
  - 2014 estimated incentive: \$74K
  - 2015 estimated incentive: \$276K
  - 2016 estimated incentive: \$131K
  - **Total estimated incentive: \$481K**
- Cost for Volaris to operate one Denver-Guadalajara round-trip flight: \$34,380; annualized to \$3.58M (twice-daily service)
  - Our incentive offsets less than 8 percent of the operating costs of this service

## Chihuahua Incentive Overview

- Once-weekly service began July 12, 2014
- Market had never been previously served, and represented the first Chihuahua-U.S. market for Volaris
- Volaris chose the Operational Incentive – waiver of landing fees, FIS fees, international gate use fees
- Contract term/amount: Two years, maximum of \$1M
  - 2014 estimated incentive: \$58K
  - 2015 estimated incentive: \$115K
  - 2016 estimated incentive: \$62K
  - **Total estimated incentive: \$235K**
- Cost for Volaris to operate one Denver-Guadalajara round-trip flight: \$25,205; annualized to \$1.3M (once-daily service)
  - Our incentive offsets less than 9 percent of the operating costs of this service

## Measuring Success

- The Denver-Guadalajara market grew by 60 percent in the first nine months of service, reaching nearly 30,000 annual passengers
- Denver-Guadalajara is one of the most successful new routes in their history
- The Denver-Chihuahua market grew by 500 percent in the first nine months of service
  - Denver now ranks as the largest U.S.-Chihuahua market with nearly 10,000 annual passengers
- As a completely untested market, Chihuahua is taking more time to mature, the growth is significant but the fares are low





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