



DENVER

REYKJAVIK

D E N V E R - R E Y K J A V I K

Icelandair Incentive Agreements
Presented to Denver City Council
February 2012

ICELANDAIR 



DENVER INTERNATIONAL AIRPORT
TOGETHER WE SOAR

Agenda

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- DIA's International Passengers & Air Service Incentive Program
- Icelandair Service Proposal
- Advertising & Promotional Services Agreement
- Landing Fee Agreement
- Benefits to DIA, Metro Denver & State
- Summary

1



Denver's International Passengers

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- DIA: 52 million annual passengers
 - 2 million are international
- Europe ranks as Denver's largest international market
 - 32 percent of DIA's international passengers – 650,000 – are traveling between Denver and Europe
 - Denver is underserved to Europe based on current level of nonstop service



DIA Air Service Incentive Program

- On par with our competition
 - Dallas/Ft. Worth: up to \$5M in incentives for a new route; \$8M maximum per carrier
 - San Diego and Phoenix: Similar to DIA's program
- DIA's 2011-2012 Air Service Incentive Program
 - Incentives available in first two years of service
 - Limited to specific regions of the world
 - Must meet minimum frequency requirements
 - Marketing funds: \$1.5M maximum
 - Operational waiver (landing fee and remain overnight fee): calculated based on weight of aircraft

Icelandair Service Proposal

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- Initial discussions with Icelandair began in 2004
 - Serious negotiations initiated by Icelandair in Aug. 2010, site visit to Denver in May 2011, service announcement in Sept. 2011
- Icelandair will offer four weekly flights from Denver to the carrier's hub in Reykjavik, Iceland beginning May 2012
 - Service will operate with 183-seat Boeing 757 aircraft
 - 22 business-class seats, 161 economy-class seats
 - 7 hours, 18 min. Denver-Reykjavik; 7 hours, 55 min. Reykjavik-Denver
 - Passengers can connect to/from more than 20 cities across Icelandair's European network
- In Dec. 2011 Icelandair entered into a partnership with Frontier Airlines



Icelandair Route Map



Projected New Passengers

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- It is estimated that a nonstop Denver-Reykjavik (KEF) flight will carry 57,906 annual passengers
 - Nearly 53 percent of these annual passengers – 30,582 – will be new passengers traveling through DIA
 - Of those new passengers, 87 percent will be passengers traveling Denver-Iceland and Denver-Europe
 - 13 percent will be connecting over Denver from another city (e.g., Phoenix) to fly to Iceland and points in Europe



Advertising & Promotional Services Agreement

- Two-year term
- Maximum value of \$1.5 million
 - Year 1: \$1M
 - Year 2: \$500K
- Anticipated expenditure: \$928,000
- Icelandair to provide comprehensive marketing strategy to be approved by DIA
- Scope of work includes:
 - Publications, events, materials, advertising campaigns, marketing programs, advertisements and other approved activities
 - Materials and campaigns will promote benefits for DIA, highlighting DIA as the international gateway to the Rocky Mountain region
 - DIA logo and “Denver International Airport” to appear on ALL materials

7



Landing Fee Agreement

- Two-year term
- Maximum value of \$500K
 - Year 1: 100% waiver of landing fees and RON fees
 - Year 2: 50% waiver of landing fees
- Anticipated expenditure: \$268K
 - Based on four days/week in first year; five days/week in the second year



Benefits to DIA, Metro Denver & State

- Increases service to Europe, Denver's largest international market
 - 22% increase in flights
 - 16% increase in capacity
- Investment by Icelandair demonstrates strength of Denver market
- Return on Investment (ROI) to DIA: 2 years
- Economic Impact to City & State:
 - Over \$28M in annual economic impact
 - Nearly 300 jobs across the region and state
 - Nearly \$9M in additional wages

Summary

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- Two contracts for approval
 - Each contract is a two-year term
 - \$500K landing fee agreement
 - \$1.5M advertising and promotional services agreement

***NO TAXPAYER FUNDS WILL BE USED
FOR THIS INCENTIVE***

10





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