ESSENTIAL AIR SERVICE AND SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAMS

(110–34)

HEARING

BEFORE THE

SUBCOMMITTEE ON
AVIATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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April 20, 2007

SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Aviation

FROM: Subcommittee on Aviation Staff

SUBJECT: Hearing on Essential Air Service and Small Community Air Service Development Programs

PURPOSE OF HEARING

The Subcommittee will meet on Wednesday, April 25, 2007, at 2:00 p.m. in room 2167 of the Rayburn House Office Building to receive testimony regarding the Essential Air Service (EAS) and Small Community Air Service Development (SCASD) programs, and what changes, if any, should be made to these programs in the upcoming Federal Aviation Administration (FAA) reauthorization bill.

BACKGROUND

In 1978, believing that market competition among airlines would improve service and lower fares for the traveling public, Congress passed the Airline Deregulation Act of 1978. This landmark legislation eliminated Federal controls over domestic fares and routes served and allowed market forces to determine price, quality, and quantity of domestic commercial air service.

Since the passage of the Airline Deregulation Act, aviation has become an essential form of travel for much of the nation. The number of commercial air travelers has grown dramatically, from 312 million travelers in 1980 to 740 million in 2006, an increase of 137 percent. Overall, airline deregulation has brought better service at lower prices to the majority of communities around this country. However, many small- and medium-sized communities have struggled to obtain and retain commercial air passenger service, because they often lack the population base and economic activity to generate the passenger traffic necessary to make air service consistently profitable. Even if a community is large enough to

sustain a basic level of service, it may still have difficulty attracting enough air carriers to provide consumer choice or low fare competition.

The two main programs that seek to address these problems are the EAS program, which was established as part of deregulation, and the SCASD program, which was established more recently, in the Aviation Investment and Reform Act for the 21st Century (AIR 21) (P.L. 106-181).

I. Essential Air Service (EAS) Program

At the time the Airline Deregulation Act was enacted, 746 communities in the United States and its territories were listed on air carrier operating certificates as receiving scheduled air service. Prior to deregulation, air carriers' certificates generally required carriers to schedule and provide two daily round trips at each point on their certificates. The prospect of allowing carriers to terminate scheduled service without prior government approval raised concern that communities with lower traffic levels would lose service entirely, as carriers shifted their operations to larger, potentially more lucrative markets.

Congress addressed this concern by establishing the EAS program as part of the Airline Deregulation Act. The EAS program guaranteed that communities served by air carriers prior to deregulation would continue to receive a certain level of scheduled air service, thereby retaining a link to the national air transportation system. The program was initially authorized for a ten-year period, from 1978 to 1988, with funding provided by the general fund of the Treasury.

In general, the Airline Deregulation Act ensured continued service by authorizing the Civil Aeronautics Board (CAB), whose duties were later transferred to the Department of Transportation (DOT), to require carriers to continue providing service at these communities. If an air carrier could not continue that service without incurring a loss, DOT could then use EAS funds to award that carrier, or another carrier, a subsidy. These subsidies are intended to cover the difference between a carrier's projected revenues and expenditures and provide a minimum amount of profit.

Under the EAS program, DOT determines the minimum level of service required at each eligible community by specifying a hub through which the community is linked to the national network; a minimum number of round trips that must be provided to that hub (typically two daily round-trip flights, six days per week); certain characteristics of the aircraft to be used; and the maximum permissible number of intermediate stops to the hub. Where necessary, the Department pays a subsidy to a carrier to ensure that the specified level of service is provided. Most certificated points do not require subsidized service. The highest number of communities subsidized during the program's history was 405 in 1980. As of April 1, 2007, DOT was subsidizing service at 145 communities (41 in Alaska and 104 elsewhere in the U.S.).

Air carriers, not the communities themselves, apply directly to DOT for EAS subsidies. Air carriers set the subsidy application process in motion when they file a 90-day notice of intent to suspend or terminate service. If no air carrier is willing to provide replacement air service without a subsidy, DOT solicits proposals from carriers that are

willing to provide service with a subsidy. Carriers requesting a subsidy must document that they cannot profitably serve the community by submitting financial data, including projected operating expenses and operating revenues that would result from serving the community. DOT then reviews these data, selects a carrier based on statutory selection criteria, and sets a subsidy amount to cover the difference between the carrier's projected cost of operation and its expected passenger revenues, while providing the carrier with a profit margin equal to five percent of total operating expenses, as required by statute.

A. Program Reauthorized in 1987, and Minimum Level of Service Increased

The EAS program was reauthorized by the Airport and Airway Safety and Capacity Expansion Act of 1987 (P.L. 100-223), which expanded the EAS program and extended it for ten more years, through fiscal year 1998.

The 1987 reauthorization act specified an increased minimum level of service -- termed "basic" essential air service -- for any community that was eligible for service under the earlier program and was actually receiving service during any part of FY 1998. "Basic" essential air service required the following:

1) service to a medium- or large-hub airport[1];
2) service with no more than one intermediate stop to the hub;
3) service with aircraft having at least 15 passenger seats at communities that averaged more than 11 passenger enplanements a day in any year from 1976-1986;
4) under certain circumstances, service with pressurized aircraft; and
5) flights at reasonable times taking into account the needs of passengers with connecting flights.

In addition, the 1987 reauthorization act provided for a higher level of service -- termed "enhanced" essential air service -- which communities could obtain either by agreeing to a subsidy-sharing commitment or by agreeing to risk the loss of basic service if the DOT-funded enhanced service failed to meet agreed levels of passenger use. Finally, the 1987 reauthorization contained provisions by which certain new communities could participate in the program if they were willing to pay part of the total subsidy.

At the time the 1987 reauthorization act was enacted, EAS program funding was insufficient to implement the service upgrades to meet the new standards for "basic" essential air service, or support enhanced service or service at new points.

B. Initial Efforts to Establish Eligibility Criteria

In June of 1989, the Dire Emergency Supplemental Appropriations Act of 1989 (P.L. 101-45) was enacted, providing additional funds for EAS, but also requiring that no subsidy paid for any service to or from an EAS point in the contiguous United States could exceed $300 per passenger.

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[1] The nation's commercial airports are categorized into four groups based on the annual number of passenger enplanements -- large hubs, medium hubs, small hubs, and nonhubs. A large hub enplanes at least one percent of all passengers, a medium hub 0.25 to 0.99 percent, a small hub 0.05 to 0.249 percent, and a nonhub less than 0.05 percent. The 30 large hubs and 37 medium hubs together enplane about 89 percent of all passengers.

On December 19, 1989, DOT further modified the EAS program, establishing by regulation (14 CFR 398.11) more stringent eligibility criteria, which became effective January 1, 1990. These criteria were established in response to funding shortfalls in the EAS program. The regulation provided that if, in any fiscal year, appropriations for EAS were insufficient to maintain essential air service at the places receiving such service, and Congress provides no statutory direction to the contrary, appropriations shall not be available for EAS to otherwise eligible places that have a rate of subsidy per passenger in excess of $200 or are located less than 70 highway miles or more from the nearest medium or large hub airport, 55 highway miles or more from the nearest small hub airport, or 45 highway miles or more from the nearest non-hub airport that enplanes 100 passengers or more per day. An exception to these criteria was made for some state capitals, and points in Alaska, Hawaii, and the Pacific.

C. 1990 Reauthorization Increased Funding and Rejected DOT's Eligibility Criteria

In the Aviation Safety and Capacity Expansion Act of 1990, which was enacted as part of the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508), Congress provided $38.6 million for the EAS program each year from FY 1992 through FY 1998, from the Airport and Airway Trust Fund, to allow DOT to implement the upgraded "basic" essential air service authorized by the 1987 reauthorization act. As shown in Table 1 below, this $38.6 million funding level was actually provided for two years (FYs 1992 and 1993) before it became the target of budget cuts in annual appropriations acts.

In addition, the 1990 reauthorization act prohibited DOT from declaring any existing EAS point ineligible for federal subsidy on the basis of the amount of per-passenger subsidy or any other basis not specifically set forth in statute. This trumped the regulation issued by DOT in December 1989.

Table 1. EAS Program Funding and Communities Served, FYs 1992 - 2007

Fiscal Year	Number of Communities	EAS Funding (in millions)
1992	130	$38.6
1993	126	38.6
1994	112	33.4
1995	107	33.4
1996	97	22.6
1997	95	25.9
1998	101	50.0
1999	100	50.0
2000	106	50.0
2001	115	50.0
2002	123	113.0
2003	126	101.8
2004	140	101.7
2005	146	101.6
2006	151	109.4
2007	145*	109.4

*As of 4/1/07.

D. Eligibility Criteria Established in Annual Transportation Appropriations Acts

The FY 1994 Transportation Appropriations Act (P.L. 103-122) imposed a limitation of $33.4 million on the EAS program, and established new criteria limiting eligibility for the program. These criteria provided that a community is ineligible to receive subsidized essential air service if it is within 70 miles of a medium or large hub, or if its subsidy exceeds $200 per passenger (unless it is more than 210 miles from a medium or large hub). Under these criteria, DOT was required to discontinue subsidy support for essential air service at 12 communities in FY 1994.

These criteria were repeated in each annual appropriations act from FY 1994 through FY 1999, before being enacted as permanent law in the FY 2000 DOT Appropriations Act (sec. 332 of P.L. 106-69). These eligibility criteria continue in effect today, but have never been codified in Title 49 of the United States Code.

In addition, as shown in Table 1 above, the annual appropriations acts from FY 1994 through FY 1997 continued to limit EAS funding, and the number of communities served continued to decline.

E. 1996 Reauthorization Provided Dedicated Funding Stream for EAS

The Federal Aviation Administration Reauthorization Act of 1996 (P.L. 104-264) provided a dedicated funding stream of $50 million per year for EAS, to be derived from FAA's overflight fee[2] collections or any amounts otherwise provided to the FAA. This provision was effective in increasing the funding level for the program to at least $50 million annually beginning in FY 1998. DOT used these funds to restore compliance with the "minimum level of service" requirements established in the 1987 reauthorization act.

The 1996 reauthorization act also removed the September 30, 1998, sunset date by which the program would otherwise have ended, thereby permanently authorizing the EAS program.

F. 2001 To Present: Effect of Airlines' Weak Financial Condition on EAS Program

For a variety of reasons, including a slowing economy and the terrorist attacks of September 11, 2001, the airline industry suffered staggering financial losses from 2001 through 2005. According to the Air Transport Association, U.S. passenger and cargo airlines sustained $35 billion in net losses during this period, before earning what is expected to be a $2 - $3 billion profit for 2006. In response to these significant losses, the airlines took drastic steps to cut costs and reduce capacity, which often included reducing or eliminating service to small- and medium-sized communities.

As shown in Table 1 above, a total of 106 communities required EAS subsidy in 2000 (32 in Alaska and 74 elsewhere in the U.S.). The number of subsidized communities subsequently increased each year before reaching 154 subsidized communities in 2006. The

[2] Overflight fees are charged by FAA to cover the cost of air traffic control and related services provided to aircraft that neither take off from, nor land in, the United States.

situation now appears to be improving somewhat. Within the last eight months, 11 communities have come off subsidy. At seven of these communities, the carriers are continuing to serve, but on a subsidy-free basis; at four, they exceeded the statutory $200 subsidy-per-passenger cap.

EAS program costs increased substantially after 2001. An emergency supplemental appropriation of $50 million was provided for EAS in the FY 2002 Department of Defense Appropriations Act (P.L. 107-117, signed into law 1/10/2002) for emergency expenses to respond to the September 11, 2001, terrorist attacks. This increased EAS funding to a total of $113 million for FY 2002. In February 2002, DOT increased the subsidies paid to EAS air carriers by an amount equal to 30 percent of the carriers' forecast revenue on an interim basis (DOT Order 2002-2-13). DOT adjusted the subsidies in recognition of the EAS carriers' "precipitous rise in costs" accompanied by a "substantial drop in revenue" that followed the events of September 11, 2001. The order expressed a concern that, absent some acknowledgment of the carriers' financial position, some carriers could be forced to cease operations. Although the financial condition of the airline industry has now stabilized, the cost of the EAS program has not returned to pre-2002 levels.

G. 2003 Reauthorization Contained Several EAS Reforms

The Vision 100 - Century of Aviation Reauthorization Act (Vision 100) (P.L. 108-176) included several provisions aimed at increasing the effectiveness of the EAS program, including the Alternate Essential Air Service Pilot Program, the Community Flexibility Pilot Program, the Code-Sharing Pilot Program, the EAS Local Participation Program, and the Marketing Incentive Program.

Under the Alternate Essential Air Service Pilot Program, instead of paying compensation to an air carrier to provide essential air service to an eligible place, DOT is authorized to provide assistance directly to a unit of local government or a State having jurisdiction over the eligible place. The grant assistance may be used by the local government or State for any of the following purposes: (1) to pay an air carrier that will use smaller aircraft to provide the air service, possibly at increased frequencies; (2) to pay an air carrier to provide on-demand air taxi service to and from the eligible place; (3) to provide scheduled or on-demand surface transportation to and from the eligible place and an airport in another place; (4) to provide regionalized transportation services to and from all the eligible places in a region; and (5) to purchase aircraft to provide transportation to and from the eligible place, including the purchase of a fractional share in an aircraft. This authority has never been used because no community has applied to participate in this pilot program. The Administration's draft FAA reauthorization bill would repeal this pilot program.

Under the Community Flexibility Pilot Program, at up to ten eligible places, instead of paying compensation to an air carrier to provide essential air service, DOT is authorized to provide a grant to the airport sponsor. The grant would be equal in value to twice the compensation paid to provide EAS at that place in the most recent 12-month period. The grant may be used for any project that is eligible for assistance under the Airport Improvement Program, is located on the airport property, or will improve airport facilities in a way that would make such facilities more usable for general aviation. In return for such a grant, the eligible place must elect to forego any essential air service for a ten-year period.

This authority has never been used because no community has applied to participate in this pilot program. The Administration's draft FAA reauthorization bill would repeal this pilot program.

Under the Code-Sharing Pilot Program, DOT is authorized to require major air carriers serving large hub airports to participate in multiple code-sharing arrangements with EAS carriers when DOT determines that such multiple code-sharing arrangements would improve air transportation services. The lack of code-sharing arrangements between EAS carriers and the major carriers that serve the particular hubs to which EAS communities seek access continues to be identified as an impediment to effective EAS service. However, the mandatory code-sharing authority provided in Vision 100 has never been used.

Under the EAS Local Participation Program, DOT was directed to designate not more than ten EAS communities located in proximity to hub airports and require such communities to pay a ten percent local share of their EAS subsidy costs for a four-year period. Due to language subsequently included in annual appropriations acts, this program was never allowed to take effect. The Administration's draft FAA reauthorization bill would repeal this pilot program.

Under the Marketing Incentive Program, DOT is authorized to provide grants of up to $50,000 to sponsors of airports serving an eligible EAS community to develop and implement a marketing plan to increase passenger enplanements. An additional $12 million per year was authorized for this program, but funding was never appropriated. Therefore, this authority has never been used. The Administration's draft FAA reauthorization bill would repeal this pilot program.

H. Administration's EAS Proposal

The Administration's draft FAA reauthorization bill proposes several changes to the EAS program. According to the Administration, the EAS program has remained fundamentally unchanged since its inception with the Airline Deregulation Act of 1978, while the aviation landscape has changed dramatically with the spread of the hub-and-spoke system, regional jets, and low-fare carriers. Without fundamental change to the EAS program, the Administration argues that subsidy costs will continue to rise.

The Administration's proposal would essentially freeze the program at the status quo, i.e., if a community is receiving EAS subsidy as of the date of enactment of the FAA reauthorization bill, then it would continue to remain eligible for the program. However, no new communities could enter the program, even if they had received service prior to deregulation. Under the Administration's proposal, eligibility for EAS subsidy in the future would continue to be limited to communities that are more than 70 driving miles from the nearest large- or medium-hub airport, and at which the subsidy per passenger does not exceed $200 if the community is less than 210 driving miles from the nearest large- or medium-hub airport.

The Administration also proposes to limit EAS funding to $50 million per year. As $50 million would not be sufficient to support all currently subsidized services, all communities would be ranked on the basis of isolation (i.e., driving distance to a medium- or

large-hub airport) and the most isolated would receive subsidized air service to the extent allowed by the funds available. As a result of this proposed funding cut, approximately one-half of the 145 communities that currently receive EAS funding would be dropped from the program. (The actual number could be more or less depending on the rates at which contracts are renewed.)

II. Small Community Air Service Development Program (SCASD)

The SCASD program was established by AIR 21 as a pilot program to make grants to small communities to help them enhance their air service. The program was initially authorized on a pilot basis for FYs 2001 - 2003. The program was then reauthorized for an additional five years, through FY 2008, in Vision 100.

DOT is authorized to award SCASD grants to up to 40 communities each year that are served by small hub or nonhub airports[3] (as classified in 1997) and have demonstrated air service deficiencies. Because the grants are provided on a one-time basis, their purpose is to create self-sustaining air service improvements. By statute, DOT must give priority consideration to communities (1) that have air fares higher than average for all communities; (2) that provide a portion of the cost of the project from local funding sources other than airport revenue; (3) that have or will establish a public-private partnership to facilitate air carrier service to the public; (4) at which service will provide material benefits to a broad segment of the public that has limited access to the national air transportation system; and (5) that will use the assistance in a timely manner. The grants may be made to a single community or to a consortium of communities. In addition, the authorizing legislation provides that no more than four grants each year may be in the same state, and that if funds are used to subsidize air service, the subsidy cannot last more than three years.

While small hubs and nonhubs are eligible to apply for SCASD grants, nonhub airports have been the main beneficiaries of the program. Only nine of the 108 grants awarded during FYs 2004 - 2006 (the non-pilot years of the program for which DOT data are readily available) were for communities served by small hub airports.

A. Demand Has Exceeded Available Funding

Demand for this program has far exceeded the funding available. When this program received its initial funding of $20 million in FY 2002, DOT received 179 applications totaling more than $142.5 million from communities in 47 states. The program continued to receive approximately $20 million in each of FYs 2003 through 2005, and $10 million in each of FYs 2006 and 2007. The number of applications has declined each year to 170 in 2003, 108 in 2004, 84 in 2005 and 75 in 2006, but total funding requested still exceeds amounts available for the program.

[3] Communities that do not currently have commercial air service are also eligible, but when they seek SCASD grant funds to secure air service, they must have met, or be able to meet in a reasonable period, all necessary requirements of the FAA for the type of service involved in their grant applications.

B. Types of Projects Funded

Under the SCASD program, communities have been given a great deal of flexibility in the use of grant funds in the hope that they will develop creative solutions to their air service problems. According to the Government Accountability Office (GAO), individual project goals have included adding flights, airlines, and destinations; lowering fares; upgrading the aircraft serving the community; obtaining better data for planning and marketing air service; increasing enplanements; and curbing the leakage of passengers to other airports. According to GAO, to achieve these goals, grant sponsors used a number of strategies, most commonly including subsidies and revenue guarantees to the airlines, marketing to the public and to the airlines, hiring personnel and consultants, and establishing travel banks in which a community guarantees to buy a certain number of tickets. Less common strategies at the time of GAO's review included buying an aircraft, subsidizing the start-up of an airline, and taking over ground station operations to reduce the costs for an airline.

Program results have been mixed. Only 23 of 157 projects had been completed as of September 30, 2005 (when GAO last reviewed the program). According to GAO, while officials at 19 of those 23 airports reported improvements to air service or fares during the life of the grant, only about half said that the improvements appeared to be self-sustaining after the grant was completed. At DOT's request, the DOT Inspector General recently initiated an evaluation of the SCASD program, but information from that evaluation is not yet available.

C. Relationship to EAS

Nothing in statute prevents an EAS community from also receiving a SCASD grant. Communities receiving subsidized air service under the EAS program are eligible to apply for funds under the SCASD program. Indeed, a number of EAS-subsidized communities have applied in past years and some have received grant awards. Of the 108 grants awarded from FY 2004 - 2006, 17 were for EAS-subsidized communities. However, according to DOT's Order 2007-2-22, which solicits SCASD program grant proposals for FY 2007, grant awards to EAS-subsidized communities are limited to (1) marketing or promotion projects that support existing or newly subsidized air services; or (2) new air services, such as on-demand air taxi service. Furthermore, the DOT Order states that funds will not be authorized for EAS-subsidized communities to support either additional flights by EAS carriers or changes to those carriers' existing schedules.

D. Administration's SCASD Proposal

The Administration has requested no funds for the SCASD program in FY 2008, and its draft FAA reauthorization bill does not propose to extend the authorization for this program beyond its current sunset date of September 30, 2008.

WITNESSES

MEMBER PANEL

The Honorable Terry Everett
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Congressman
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HEARING ON ESSENTIAL AIR SERVICE AND SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAMS

Wednesday, April 25, 2007,

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
SUBCOMMITTEE ON AVIATION
Washington, DC.

The committee met, pursuant to call, at 2:00 p.m., in Room 2167, Rayburn House Office Building, the Honorable Jerry F. Costello [chair of the committee] presiding.

Mr. COSTELLO. The Subcommittee will come to order.

The Chair will ask all members, staff and everyone to turn their electronic devices off or on vibrate.

The Subcommittee is meeting today to hear testimony on the Essential Air Service Program and the Small Community Air Service Development Program.

I will give my opening statement and then recognize the Ranking Member to give his opening statement. We welcome everyone here today at our Subcommittee hearing on the Essential Air Service and the Small Community Air Service Development Program.

As a long-time supporter of these programs, I believe that connecting small communities to the national air transportation system is vitally important for the local communities and should continue to be of national interest. The EAS was created in 1978 as part of the Airline Deregulation Act. It was designed to ensure that small communities did not lose their air service.

The EAS program was to last for only 10 years. However, it was renewed for another 10 years in 1987 and was made permanent in 1996. There is widespread support in Congress for this program and for attempting to obtain more service to smaller communities. It is important that people who live in small communities have access to the national air transportation system, and EAS ensures this service, by keeping the cost of rural air service from becoming prohibitive to the consumer.

I was disappointed in the Administration's fiscal year 2008 budget, which provided only $50 million for the EAS program, $77 million less than authorized by Congress and almost $60 million less than provided in the fiscal year 2007 continuing resolution. If the Administration's budget proposal was adopted by the Congress, almost half of the communities that receive EAS funding would be dropped from the program.

In its FAA reauthorization proposal, the Administration also proposes to freeze the program at the status quo and limit EAS funding to $50 million per year, which is insufficient to meet the current needs. I strongly oppose freezing the program or limiting funding to $50 million per year. Small towns and rural areas rely on reliable air transportation to attract and retain businesses. Limiting essential air service will effectively cut many of these communities off from our air transportation network. I cannot and will not support chipping away at important rural air transportation service.

In previous Subcommittee hearings, some have suggested adjusting the $200 per passenger subsidy cap to account for inflation since it has not been adjusted since the cap was first proposed by the Department of Transportation in 1989. I am interested in hearing from the GAO and other witnesses on this proposal.

Another program of importance to small and rural communities is the Small Community Air Service Development Program. While this program is less than 10 years old, it has been very well received by small communities and demand for funding has far exceeded funds available for the program.

From my experience with the program, it focuses on improvements at individual airports by allocating resources directly to those who are most familiar with their needs: the local communities. It is my understanding that the GAO's review of the program found that the results were mixed. I am interested in hearing from our witnesses on further ways to improve and maximize benefits from the program.

Rural airports are an economic lifeline for small communities, encouraging business investment and creating opportunities for economic growth in the communities they serve. We must continue our commitment to the EAS and the SCASD programs.

With that, I will recognize the Ranking Member of the Subcommittee, Mr Petri, for any opening statement that he may have, and would ask unanimous consent at this time to allow two weeks for all members to revise and extend their remarks and to permit the submission of additional statements and materials by members.

Without objection, Mr. Petri is recognized.

Mr. PETRI. Thank you very much, Mr. Chairman.

As you pointed out, today's hearing will focus on air service to small communities. Air service is the economic lifeblood of our Nation. It keeps communities, businesses and families connected over great distances. Since deregulation, the annual number of commercial air travelers has grown by 137 percent to 740 million passengers in 2006. Overall, airline deregulation has brought better service and lower prices to the majority of communities around this Country.

Unfortunately, many small and medium size communities located throughout the Nation have not seen the benefits of deregulation. They have struggled to obtain and retain commercial air passenger service. The few communities that are large enough to sustain a base level of service have been unable to attract multiple carriers to provide consumer choice or low fare competition. Since 9/11, the airline industry, as we all know, has suffered staggering financial losses. In the process, airlines have taken steps to cut

costs and reduce capacity, which often includes reducing or eliminating service to the areas that can least afford to lose it.

Fortunately, the airlines are slowly returning to profitability. I hope that this change in the marketplace will result in greater service to small communities.

Witnesses we have before us today will share their views of the essential air service and small community air service development programs. Some of the witnesses have been involved in innovative programs to help stimulate air carrier service and strengthen passenger demand. I look forward to hearing about their experiences.

I am also interested in the witnesses' thoughts about the potential impact of very light jets and air taxis on the provision of air service to rural communities.

So I thank you all for participating, and particularly would like to welcome our distinguished colleagues from Alabama and California, Terry Everett and Mike Thompson. I yield back, Mr. Chairman.

Mr. COSTELLO. The Chair thanks the gentleman, and recognizes the gentleman from Oregon, Mr. DeFazio, for his opening statement or any comments.

Mr. DEFAZIO. Thank you, Mr. Chairman. I will be brief.

I heartily endorse the sentiments expressed both by you and the Ranking Member. I think that the key question that confronts the Committee now, as it has in the past, is in a deregulated environment, are we going to move toward a system where basically most people in America who live outside of a major hub airport have to drive for hours to access air service. I don't think that is an acceptable future for the Country, for our small and mid-size communities, in the deregulated environment. It is going to require Government intervention, and Government intervention in this case with these two programs I think can be improved upon.

I look forward to hearing from the witnesses and gathering suggestions on how we might enhance air service into smaller communities and not just fight a rear guard action on these existing programs.

Mr. COSTELLO. The Chair thanks the gentleman and recognizes the gentleman from Iowa, Mr. Braley, for any opening statement or comments he may have.

Mr. BRALEY. Thank you, Mr. Chairman, and thank you for holding this hearing on the Essential Air Service Program and the Small Community Air Service Development Program. I hope to hear today how these two programs can continue to assist small and rural airports.

Growing up in a small town of 1,500 that had a general aviation airport and knowing how important it was to the lifeblood of my community, it is very important as I go forward in my work here on behalf of my constituents in Iowa's First District, my home State of Iowa has benefitted tremendously from both of these programs, thanks to the coordination between the airports, airlines, communities and Federal Government.

The Small Community Air Program has been a particular benefit and has allowed Iowa air passengers greater prices and flexibility in their air fares. I believe the Small Community Air Program is essential to ensuring that small and rural communities have access

to our Nation's air transportation network. As air traffic suffered in the wakes of the attacks of September 11th, small and rural airports felt a tremendous impact. When airlines costs go up and enplanements go down, the airlines narrow their focus on urban areas. While I understand the business principles behind these practices, I also understand that there are a lot of families and businesspeople in Iowa who need convenient access to air travel.

The Small Community Air Program is a way to remedy this problem, by incentivizing air service to small communities. I strongly oppose the Administration's request as it relates to the Small Community Air Program. I feel that this program is highly valuable to America's heartland and I support reauthorization of the program. The economic survival of many small communities depends on access to air travel. This access to air travel depends on the viability of the small community air program.

I have invited a resident of Dubuque, Iowa to share with us his success story with the Small Community Air Program. Mr. Bob Grierson is the Airport Manager at Dubuque Regional Airport and has seen first-hand how this program provides direct benefits to communities. I look forward to his testimony and I thank him and the rest of the witnesses for testifying today.

Thank you, Mr. Chairman.

Mr. COSTELLO. Thank you.

The Chair now recognizes the gentlelady from the District of Columbia, Ms. Norton.

Ms. NORTON. Well, Mr. Chairman, understand that I am a big city girl, so I won't take much of your time. But I do want to say why I think this a very important hearing and reauthorization of the EAS program is also of great importance to the entire Congress. After all, I have seen even here and in larger cities how the current condition of the airlines makes them clamp down on service whenever possible. Everyone knows that small and rural communities would be easy targets without intervention. They need our protection or they will simply be cut down and cut off.

I identify with small and rural communities in another way, because I have been there in the worst way, charter service was cut off in the District of Columbia for more than four years. To the credit of this Committee, in the strongest bipartisan way, it was finally opened, but only after every other airport in the United States had been opened and only after the Chairman and—this is in the last Congress—the Ranking Member took the stick to the TSA.

In order to do so, we even had an amendment in their reauthorization, they ignored it. Chairman Young had to threaten to hold people in contempt. Finally it was started, but Mr. Chairman, it was started in a way that says everything about how far we have gotten after 9/11. It was started in a way that makes it close to impossible to even want to come in here on charter service. We can't do any better than to require for very small planes to have armed guards. What? Should their guns be drawn? We had better make sure these regulations go far enough. Armed guards, if you come in with an airplane, you have to stop at some gateway airport. What do they do then, frisk you again after frisking you at

the first place? I would think we would be the laughingstock of the world if this were better known.

Mr. Chairman, at a later date, I am going to ask if a hearing can be held on the conditions under which people can fly in here. More than my complaints, sir, you have three or four members of this Committee who have been driven apoplectic because they fly small airplanes. I think they should be seen as proxies or representatives of those who have now even still been kept from coming into the Nation's capital, because TSA and the Department of Homeland Security haven't been able to figure it out after four years. Woe be unto us if it has taken them this long and if this is their remedy. I think they can do better if we press them just as the Committee pressed them in order to get the airport open in the first place.

I thank you very much, Mr. Chairman.

Mr. COSTELLO. The Chair thanks the gentlelady. We would be happy to work with you and your staff on attempting to schedule a hearing.

If there are no other opening statements or comments from members, we will move to our first panel, which of course will be to hear from our two colleagues, Congressman Terry Everett, from Alabama's Second District and Congressman Mike Thompson from California's First District, who testified before the Subcommittee just last week.

The Chair at this time would recognize our colleague, Congressman Terry Everett.

TESTIMONY OF THE HONORABLE TERRY EVERETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA; THE HONORABLE MIKE THOMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. EVERETT. Thank you, Chairman Costello, Ranking Member Petri.

I would like to begin by thanking you for allowing me to appear here today. The issue of rural air service is important to me, and it is important one which affects millions of Americans. As many of my colleagues from rural and small communities across the Country can attest, the weekly flights to and from Washington can be a trying experience. The many inconveniences associated with these flights are also experienced by our constituents.

The Essential Air Service and Small Community Air Service Development programs seek to address the problems associated with rural air service by providing assistance to small communities across the Country. While southeast Alabama does not have a community served by EAS programs, two airports in the Second District have been recipients of the Small Community grant programs. These grants have bene helpful to my district.

In 2003, Dothan, Alabama received a Small Community grant. Presently, Atlanta Southeast Airlines, or ASA, is the only airline which provides service into Dothan. The Dothan airport used the grant to develop a marketing program to increase enplanements, a program that was really very successful. I will ask that this record of that program be made a part of the record, please.

Mr. COSTELLO. Without objection, so ordered.

Mr. EVERETT. In 2005, Montgomery, Alabama also received a small community grant to expand air services in the State, though it has not yet been able to spend any of the money allocated. The grant was awarded to increase service between Montgomery and Detroit. Under the terms of the grant, the Montgomery Airport Authority would use the money to have a route operated by Northwest Airlines between Montgomery and Detroit. However, Northwest Airlines declared bankruptcy shortly after the grant was awarded in 2005. As a result, all new plans for expansion were frozen, because the proposed direct route between Montgomery and Detroit would be served by Northwest Airlines.

Since they are in bankruptcy, when they applied to, the Montgomery Airport Authority applied to be allowed to change the grant to another airline, it was informed that the grant was awarded to the airport in order to expand services for Northwest Airlines. Montgomery said it would like to expend the funds on a new purpose, but it would have to submit a new application.

While a Small Community grant program provides much-needed assistance to provide air service in southeast Alabama, there are several problems which are not addressed by these programs. I would like to bring some of them to your attention. Air service to small and medium size communities, like Dothan and Montgomery, are left at the whim of corporate airlines, whose neglect oftentimes results in lengthy delays and cancellations. This service impacts both business travelers and families, and impedes the ability of the communities to attract and retain economic development.

As I mentioned earlier, Dothan is served by only one airline, ASA. According to their own statistics, ASA flights from Dothan to Atlanta are delayed 50 percent of the time. It is the only location to which ASA flies from Dothan.

In addition, ASA flights from Atlanta to Dothan are delayed 70 percent of the time, that is right, 7 out of 10 flights leaving Atlanta to Dothan are delayed. This record has led Dothan residents to refer to ASA as the Accidentally Scheduled Airlines.

I was particularly interested in comments of both the Chairman and the Ranking Member on how important it is for rural America and small towns to have airline service. But I tell you, I really fear that things are going to happen in a negative way if a lot of these schedules are allowed to continue, not only the delay, but the possibility of price increases.

Let me real quickly just say that I would like to submit these e-mails I received of complaints from my constituents for the record, and read one quick paragraph. This is toward price schedule, rather than delays. This is from a Mr. Kevin Henson, Dothan, Alabama. It says, for example, in early November, "I went online to book air travel to Las Vegas for a February leadership convention. A seat from Dothan to Las Vegas through Atlanta was going to cost just over $1,700. Having just moved from Fort Walton Beach, I compared their price for their airport and found the same ticket for just over $300."

That is a $1,400 difference. Fort Walton Beach is only 120 miles from Dothan, Alabama.

So I again thank you, Mr. Chairman and Ranking Member, for allowing me to testify here today. I really do fear that unless we

do something that we are going to see small airline service in rural America and to small cities disappear. Thank you again.

Mr. COSTELLO. We thank you for your testimony, and the e-mail will be inserted in the record without objection.

Mr. COSTELLO. At this time, the Chair recognizes the gentleman from California, Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman, Ranking Member Petri and other Committee members. I appreciate the opportunity to come back. I think I have spoken before the Committee more in the last two weeks than I did when I was on the Committee. I appreciate your indulgence.

I too support the EAS programs and concur with everything that the Chair and the Ranking Member and just about everyone else has said. These programs are incredibly important to rural communities and to the people who live in this rural communities. I appreciate the opportunity to be here today to be able to talk about a bill that I have, H.R. 237. It is a bill that I introduced with Mr. DeFazio.

This bill specifically helps EAS programs in areas that are in worse shape than some others. As everyone knows, airports, small ones, big ones and even private ones are able to get Government grants. The problem that some of the EAS airports have is they can't come up with their matching portion of the grant. As we know, we recognized this as a problem after September 11th, because we reduced it down from 10 percent to 5 percent.

But even 5 percent is a heavy lift for some of these rural communities. So what this bill does, it exempts from their share of cost if they meet a list of very specific and very demanding criteria. The criteria are, the unemployment rate in that area, and this is in the most recent 24 month period, must be at least 1 percent greater than the national average, or the per capita income is 80 percent or less than the national average, or a special need occurs. This could be a natural disaster, a human disaster, a military base closure, something that really limits the community's ability to generate these funds.

This would provide important help for these communities. And I don't think there is anywhere and there are a number of airports that fall into this category. As a matter of fact, there are three of them on this Committee, other than the ones, the area that Mr. DeFazio and I represent.

But I think our area represents this very, very well. If you look at the northernmost part of my district, in Del Norte County, which is impacted even more, because about 80 percent of the property up there is owned by the Government and generates no tax base. And Mr. DeFazio's Brookings part of Oregon, these are areas that are trying to grow economically. They have great demands for tourism. It is just impossible to get there from here. If it weren't for the air service, it would be real tough to conduct any business there. It would be tough to get medical help if you need it, in the case of a public safety issue. It would be tough to get out of that area.

So a good quality and expanded airport becomes even more necessary. If this bill were adopted, it would be much easier to do that,

and it would benefit the communities all around them a great deal and allow them to grow and expand economically.

So I thank you for the opportunity and I look forward to seeing the bill on suspension.

[Laughter.]

Mr. COSTELLO. I don't know who else caught that, but on the suspension calendar.

The Chair thanks both Congressman Everett and Congressman Thompson for your testimony. It is customary, due to our schedules, that we allow you to leave without question at this time. We thank you for your testimony and look forward to working with you on your bill.

The Chair would ask the second panel to come forward, please. I will introduce the witnesses as they are coming to the table.

Faye Malarkey—I am sorry. We almost left out Mr. Dillingham, who is a regular witness before the Committee. Dr. Gerald Dillingham, who is the Director of Physical Infrastructure Issues with the Government Accountability Office; Mr. Michael Reynolds, the Deputy Assistant Secretary for Aviation and International Affairs at the Department of Transportation.

Gentlemen, if you are prepared to move forward with your testimony, the Chair would ask both of you to summarize your testimony. Your full statement will be entered into the record. The Chair would ask that you summarize your testimony in five minutes or so. Then members will have the opportunity to ask questions.

Dr. Dillingham, you are recognized at this time.

TESTIMONY OF GERALD L. DILLINGHAM, PH.D, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE; MICHAEL W. REYNOLDS, DEPUTY ASSISTANT SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF TRANSPORTATION

Mr. DILLINGHAM. Thank you, Chairman Costello, Mr. Petri, members of the Subcommittee.

My written statement that was submitted for the record discusses some options that the DOT and the Congress could consider for reforming the EAS and the Small Community Air Service Development Programs. To provide some context for that discussion, the statement first discusses what our studies have shown about the development and impact of the two programs.

With regard to the EAS program, the principal impact of the EAS program has been consistent with its legislative objective of providing Federal subsidies for eligible communities to ensure that they continue to have access to air services. Our studies have shown that over the last decade, the number of communities receiving subsidized service has increased significantly. Federal funding for the program has also risen by more than four-fold, and the average subsidy per community and per passenger has increased substantially.

It has also been argued that the program is not providing the quality of services or fares to attract local passenger traffic. This argument tends to be based on the low number of passengers using

the service and what is called leakage to larger, nearby airports. Our work further suggests that if the Federal subsidies were removed, air services would end at many of these communities.

Mr. Chairman and members of the Subcommittee, as you know, the underlying EAS statutes have remained fundamentally unchanged since their inception nearly 30 years ago, while at the same time the aviation landscape has changed dramatically, especially with respect to the development of the hub and spoke systems, the growth of regional jets and the expansion of low cost carrier services. These circumstances suggest that there are reasons to consider reforming the programs.

With regard to the Small Community program, during the five years that the program has been operating, there have been 182 grants awarded. To date, 74 grants or about 40 percent of those grants, have been completed. When we conducted our review of the program in late 2005, 23 grants had been completed. Although our analysis has not provided a comprehensive evaluation of the program, it does provide a preliminary look at some of the program's outcomes.

For those completed grants, we found that the majority of those communities reported service or fare improvements, as well as an increase in the number of enplanements. We also found that the majority of the communities reported that the improvements were still in place after the grant was completed, and nearly 50 percent of those improvements were self-sustaining.

Now I want to turn to a discussion of potential reforms and options for these two programs. Our written testimony provides in some detail various legislative options to reform the EAS program. For example, the current EAS statute requires a one size fits all approach as virtually all communities are guaranteed two round trips a day with a 15 seat or larger aircraft.

There are clearly some communities that are receiving subsidized services that are within easy driving distance of more frequent and less expensive air service. Data shows that passengers are especially willing to drive a couple of hours to a nearby major hub with a low fare carrier, such as JetBlue and Southwest. Also, some communities' traffic data show that they do not need a 15 seat or larger aircraft to provide enough capacity to meet market demands.

Regarding the Small Community Air Service program, I understand that DOT has recently begun to implement our recommendation from 2005 to evaluate a larger sample of completed programs than was available to us at that time. This evaluation should provide some useful information to the Congress and DOT, including identification of some additional lessons learned from successful projects.

Mr. Chairman and members of the Subcommittee, in conclusion, for many small communities, air service is not and might never be economically viable for airlines. However, in many cases there are limited alternative means for the residents of small communities to connect to the national air transportation system. Reforms to EAS and the Small Community Air Service program could incrementally improve the programs. But continued subsidies will likely be needed to maintain air service to many small and rural communities. It will be the Congress' weighing of priorities that will ultimately

decide whether or not these programs will continue in their current form or whether other options will be pursued.

Thank you, Mr. Chairman.

Mr. COSTELLO. Thank you, Dr. Dillingham.

The Chair now recognizes Mr. Reynolds.

Mr. REYNOLDS. Mr. Chairman, Ranking Member Petri, thank you for inviting me to this hearing.

I appreciate the opportunity to discuss with you and the Subcommittee the Essential Air Service Program and the Small Community Air Service Development Program. It is clear that air service in this Country has changed dramatically over the past several years. Many of these changes have been positive. The growth of low fare carriers, for example, has made affordable air transportation available to millions of people across the Country. While this is a good development overall for consumers, we recognize that it can create new challenges for some small communities. Many consumers are willing to drive places with a broader array of air service options, making it more difficult for some individual airports to sustain their traffic levels. This leakage can result in a struggling community airport, but not necessarily consumers who lack access to the national air transportation system.

The challenge that we face is one of adjusting these programs in an efficient and effective manner to account for such changes. All of us, including the Federal Government, as well as States and local communities themselves, need to reexamine the way we approach small community air service. Recognizing that Federal Government involvement in smaller community air service has not kept pace with the changes in the industry, we have initiated some important reevaluations of the programs that we manage.

Let me first address the EAS program. The laws governing our administration of this program have not changed significantly since its inception nearly 30 years ago, notwithstanding the changes that have taken place in the airline industry, as Dr. Dillingham indicated. As currently structured, the EAS program acts only as a safety net for some small communities by providing threshold levels of subsidized service.

The Administration has proposed changes to the EAS program in the current FAA reauthorization proposal, as well as in the latest budget request. The goal of our proposed changes is to focus the program's resources on the most isolated communities. The first change we propose is to limit eligibility to those EAS communities that currently receive subsidized air service. Second, we would rank all of the communities by their degree of isolation, with the most isolated being funded first until available funds were exhausted. Last, we are proposing a $50 million funding level.

It is important to note the continued growth of the EAS program over the last few years. In the three fiscal years before the terrorist attacks of September 11th, the Department was subsidizing service to about 100 communities and the budget was $50 million a year. We are now subsidizing service at 145 communities and our budget is $109 million for fiscal year 2007. Over time, we expect that this program will continue to expand if it is not reformed.

On our other program, the Department is now in its sixth year of administering the small community air service development pro-

gram, which provides grants to smaller communities to address air service and fare issues. For fiscal year 2007, funding for the program is $10 million, and applications for grants are due this Friday.

Since it began, we have made many awards to communities throughout the Country and authorized a wide variety of projects seeking to address the diverse types of problems presented to us and to test different ideas about how to solve them. Over the past six years, the Department has made more than 180 grant awards. However, because the majority of the projects involve activities over a two to four year period, and because many communities have sought and received extensions for their grants, only now are some of them coming to the point of completion. In this regard, the Department's Inspector General recently began reviewing the outcomes of the projects that have been completed to date. We hope to have at least preliminary results from the IG's review in June.

The Federal Government, however, is only one piece of the equation. States and communities will also need to review their air service in the context of the changed industry structure and service patterns to seek fresh, new solutions to maximize their air service potential, including regional intermodal approaches, and expansion of public-private partnership to meet these challenges.

In closing, Mr. Chairman, I can assure you that the Department is committed to implementing its Small Community Air Service Programs in the best and most efficient manner. We look forward to working with you and the members of this Subcommittee and full committee as we continue to work toward these objectives.

Thank you again. I will be happy to answer any of your questions.

Mr. COSTELLO. We thank you.

Mr. Reynolds, I am not quite certain that I understand the concept of public-private partnership in dealing with these programs. Would you explain what you are looking at as far as a public-private partnership to help small communities?

Mr. REYNOLDS. I think this is in the vein of the small communities reaching out to the businesses in their regions to help build understanding and awareness of the importance of the air service and to help promote the local air services that they do have, and perhaps attract air services. One of the criteria in the Small Community Air Service Development Program, one of the priorities that we give when we are judging applications is for communities that have engaged in public-private partnerships. So it is just a matter of the local community working with local officials beyond Government officials, so that local businesses are involved as well.

That is the extent of that. There is no specific idea regarding the private sector involvement.

Mr. COSTELLO. So it is outreach to the local community?

Mr. REYNOLDS. That and working with the air carriers themselves as private sector entities.

Mr. COSTELLO. In reading your written testimony, you indicate that the EAS program is often viewed as an entitlement as opposed to an investment. You talk about how communities, instead of an investment of any time and effort, in other words, it is an entitlement program, the community doesn't have to do anything to get

it, and that needs to be addressed. I assume that is what you are talking about, private-public partnership?

Mr. REYNOLDS. Yes.

Mr. COSTELLO. Is that correct?

Mr. REYNOLDS. That is correct.

Mr. COSTELLO. At the same time, when the Department is recommending in the reauthorization bill that we have built this private-public partnership and outreach program and getting the community involved, as opposed to just viewing this as an entitlement, we cut the program significantly, which according to our estimation, and no one has challenged the figures that we have, that it would cut at least in half the number of airports now that receive service under the EAS. Would you challenge that or is that roughly a correct figure, that half—is that correct?

Mr. REYNOLDS. That is correct, at a $50 million funding level, yes.

Mr. COSTELLO. So we are telling these communities, we are going to cut you in half, and half of the airports that receive EAS service today will not receive it if the FAA reauthorization as proposed by the Administration goes through. But we want you to invest in your local communities by doing public relations.

What are we saying to them, we are going to take away the money so you are left on your own and you find the money to provide the service? Isn't that what we are saying in the FAA's reauthorization proposal?

Mr. REYNOLDS. I think we are just trying, as a general matter, to encourage communities, whether there are Federal dollars involved or not, whether it is the EAS program or the Small Community program, that the local communities need to become more involved in any of the air services that they have.

Mr. COSTELLO. I think everyone would agree with that. But for us to say to them, obviously they would have air service, if they could afford to have it. The whole purpose of the creation of the program was to fund EAS services in areas that could not afford, number one, and it is not profitable for the airlines to come in and provide the service. So we created this national program. Your agency and the Administration is proposing, to cut it in half but start a public relations program, the way I read it.

Let me ask another question, Mr. Reynolds. Under Vision 100, the Department of Transportation was authorized to adjust the subsidy paid under the EAS program to carriers if expenses were significantly increased. We obviously have seen a major increase in fuel in just the past few years.

That discretion was never exercised by the Department, is that correct?

Mr. REYNOLDS. Yes.

Mr. COSTELLO. Is there a reason why, or what are your thoughts concerning that?

Mr. REYNOLDS. We received a couple of applications two or three years ago, on a couple of routes that carriers wanted the increased amounts of money paid under the contract. At the time, we did not fund that discretionarily, because we did not believe we had sufficient funds, if all air carriers were to come in, we would not have sufficient funds to do that.

More generally, carriers already have an opportunity, if they are losing money, if the burden of providing that EAS service because of change in circumstances is so great, there is already a provision for them to pull out of the community and they can file notice to leave. When that is done it would trigger a rebid of service. So they could rebid at a higher level. Of course, they would potentially run the risk of another carrier coming in and offering it for a lower amount. But there is already an existing mechanism for carriers, if they are having trouble providing the service, to withdraw and potentially get more money under a rebidded contract.

Mr. COSTELLO. Dr. Dillingham, I mentioned in my opening remarks that some have suggested that we index the $200 per passenger subsidy cap under the EAS program. That has not been adjusted since its creation in 1989. I wonder what your thoughts are on the issue?

Mr. DILLINGHAM. Mr. Chairman, in principle, you would think that that is a good idea. You have a set figure that has been in place for 20 plus years. I think that the Congress and DOT would have to think about the potential consequences of making that kind of adjustment. Keeping it at $200, one of the impacts of that is that as airline costs grow, it has a tendency to push some communities out of the program, because they go over the $200 cap. Now, that means that the program gets smaller.

On the other hand, if you sort of index it, there is a possibility that the program will maintain the communities that are in it, but also expand as well, because they can meet that $300. So it is in principle a good thing. One has to think about the consequences of it, how the Congress or DOT wants this to play out.

Mr. COSTELLO. Thank you.

Before the Chair recognizes the Ranking Member for any questions that he may have, I would ask that pursuant to Rule 3(d) of the Rules of the Committee on Transportation and Infrastructure, I ask unanimous consent for the gentleman from North Carolina, Congressman Shuler, a member of the full Committee, to participate in today's Aviation Subcommittee hearing.

Without objection, so ordered.

The Chair recognizes the Ranking Member, Mr. Petri.

Mr. PETRI. Thank you very much.

I have a couple of questions. One was requested by my colleague from North Carolina, Howard Coble. I think it may have been because of a problem he encountered in his own district. Recently we have learned that some EAS and Small Community Air Service Development Program airports that have successfully attracted air service ran into a problem when the Transportation Security Administration refused to provide screening services. So they go ahead and they get their service, but they can't actually do it, I guess, because of not meeting security guidelines.

Are you aware of that issue? Is there anything we can do to address it?

Mr. REYNOLDS. Thank you, Ranking Member Petri. I am aware of the issue. Of course, the TSA is no longer part of the Department of Transportation. We provide our grants and clearly, this is an issue I think maybe a few of the communities have encountered.

I certainly can't speak for TSA and their ability or inability to provide screening where it currently doesn't exist, if a community has been able to do it. We certainly are happy to talk to the TSA about it. I know that they have their own issues on the budget front as well. We are happy to try and work with them, if that may help. But it is not anything that has been brought to our attention as a major problem. So I am not sure of anything we could do directly at the Department of Transportation.

Mr. PETRI. There are two other questions for either of you, if you have any thoughts on it. One has to do with what Representative Everett mentioned. I experienced years ago in my own district in Wisconsin, where you have someone who is providing, I guess, essential air service, and the service is not exemplary. In his case, he said 70 percent were not on time. In our case, they would take off from another airport and decide to land or not land, depending on how many tickets they sold at the other airport and this sort of thing. Or at least that was our feeling. The flights never seemed to actually arrive on many days. Are there things we could do about structuring the program so that we could have some guidelines as to level of service or something and then reopen it for other bidders?

Then the second question has to do with the change in aviation. I know there have been small planes for a long time. But there is a huge growth now in this new intermediate market, they call it air taxis or whatever—these small jets that most businesspeople are very enthusiastic about, because they think it will provide real access for the business traveler to many small communities. I suspect a lot of fixed-base operators are thinking of leasing or having access to those planes so that they can be available.

So what is essential air service? Would it be better to open up the program to provide people with the option of helping put deals together to provide this type of service in their communities if it would help economic development rather than something for some people going on vacation somewhere? This is very nice, but they could probably do it out of an airport 50 or 60 miles away and it wouldn't have the impact on business development in that particular community that it is targeting. Should we make the subsidy available for people who need it to have very efficient travel, because of getting parts to a factory or because of having to have repair people there or other business needs in an otherwise rural area? Do either of you have any comments on either of those questions? I certainly would appreciate it.

Mr. REYNOLDS. I think we both have some thoughts on that.

I will let Dr. Dillingham go first.

Mr. DILLINGHAM. Mr. Petri, in regard to air taxis and the extent to which air taxis can be a mechanism for providing services, certainly I think that is a possibility. I think that in the course of doing our work we found at least one community in the Small Community Development program that had in fact gotten a grant to develop an on-demand service. So we know that is possible.

On the other side of the coin, though, a lot of small communities prefer to have scheduled air service as part of that economic development emphasis. If you wanted to do this under the EAS program, then there would have to be some change in the rules in

terms of air taxis. Because the EAS program prescribes 2 a day, 15 seats or larger, which is not what an air taxi ordinarily is. But certainly, the possibility is there.

Mr. REYNOLDS. Yes, Congressman Petri, to your first question about some of the service quality issues, the contracts under EAS do come up every two years. One of the things that does weigh into consideration when we are looking at the bids is the community input. So clearly if a community is very dissatisfied with the quality of the service, that can influence the decision of whom the Department ultimately chooses.

Secondly, our office is frequently in contact with these communities on a regular basis. When these problems do come up, we do try and intercede on their behalf to some degree and work with the carriers. If the schedules are truly imbalanced, we try and work again with the carrier to see if they can provide more reasonable schedules.

To your second question, yes, I think that very light jets, the new breed of aircraft that are becoming available, present a lot of great opportunities in the future. They are just now coming online. So it is a little early to say what impact they will have.

But I think that the more service options there are out there, the more service providers, the different types of equipment, the more possibilities you will have to serve businesses and others in those communities. It may be that a small jet, a few times a day, is better and more economical than two flights under the current system, or that it is more of an on demand. We don't have traffic today, or the people get together and decide they are going to travel several days a week.

I think that does present possibilities, and there is a pilot program that unfortunately no one has subscribed to in the law that would allow that sort of thing to happen. Maybe with VLJs coming online, that may be a greater possibility.

Mr. COSTELLO. Dr. Dillingham, you wanted to comment?

Mr. DILLINGHAM. Yes, just as a footnote, I wanted to remind Mr. Petri that we have a study underway for you and the Chairman looking at the VLJs. One of the issues that we are trying to understand is how can this fit into the current national airspace system and where can we make it a useful addition. We hope to have that study to you and those findings before the end of the year.

Mr. COSTELLO. Thank you.

The Chair recognizes the gentleman from Oregon, Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

I am a bit puzzled by the position of the Administration in this matter. We are saying we can't afford $50 million to serve approximately 50 communities. First off, with your new standard here, applying the limited budgetary amount, you have talked about cutting the program in half, have you drawn up a list, given your new criteria, of what communities would lose their air service?

Mr. REYNOLDS. Yes, we know which communities would be involved.

Mr. DEFAZIO. Could we have that list, please?

Mr. REYNOLDS. Absolutely.

Mr. DEFAZIO. We would like to have that list. Mr. Chairman, I think that would be useful for the Committee.

But then to the point, I was just out at Seattle, saw their wonderful new runway project. Do you know how much Federal money went into that, AIP?

Mr. REYNOLDS. I am not familiar off-hand with that. I know it is a significant sum.

Mr. DEFAZIO. I think it was many hundreds of millions of dollars. So we are going to help out the people of Seattle or the people of Chicago or the people of "name the airport" with AIP funds. But somehow, there are 50 communities, we are just going to cut them off? I just find that to be very shortsighted. If you are going to support deregulation and continue deregulation, and cut off the communities, then you are abandoning the idea of an integrated national system, universal access to an integrated national system of air transport.

Is that the position of the Administration?

Mr. REYNOLDS. I think the position is to focus the limited resources that we do have, when you are talking about private service providers versus public infrastructure, that it has been 30 years since deregulation. The decision was to let the market work its way with air services. It has been 30 years since deregulation. It was originally——

Mr. DEFAZIO. So your answer is yes, that is the position of the Administration, those people should get in their cars and start driving a really long way to the airport.

Dr. Dillingham, what is the term of an EAS contract, how many year?

Mr. DILLINGHAM. I believe it is two years. Yes, two years.

Mr. DEFAZIO. Do you believe that we might be able to let a more competitive, have more competition for contracts if we allowed a longer term?

Mr. DILLINGHAM. Yes, sir, the logic says that that would be the case.

Mr. DEFAZIO. So is the Administration proposing that perhaps to save money in the EAS program, get more competition in there, we would increase the term?

Mr. REYNOLDS. Well, increasing the term would reduce the frequency of competitors offering different services.

Mr. DEFAZIO. But you might get a lower bid. I have had it put to me by a number of regional providers that if they were guaranteed more than two years, and had a prospect of being able to build a market, that they might be able to, the costs and subsidies required could be less.

Mr. REYNOLDS. To be honest, I don't know that we have specifically had a position on whether it could possibly go longer than that. Off-hand, I don't know of any reason why we would be fundamentally opposed to that. I think it just requires a little more thought and study. Of course, again, it helps keep more competition if people can more frequently bid on the service. Yes, there is perhaps argument to be made on behalf of longer term stability. Of course, costs and a lot of other things may change in the interim and the carrier could find itself held in for a longer period and be unhappy about the longer period as well. It is a balancing issue.

Mr. DEFAZIO. Right. We could allow, they could bid, we could say we will allow contracts up to five years, if you want to bid on a five

year contract, if you think you have enough hedging for your fuel costs or whatever else out there, that you can make a predictable bid for five years, then go to it. If you want to bid a shorter term, no less than two, no more than five. I just have had credible operators within the industry say to me that they would look at other contracts than what they currently have if they could be assured of a longer term. Otherwise they are not going to make the investment in the aircraft.

Mr. REYNOLDS. I think we are open to the idea at this point and would be happy to think on it further.

Mr. DEFAZIO. Okay, thank you. Thank you, Mr. Chairman.

Mr. COSTELLO. I thank the gentleman.

The Chair recognizes at this time the gentleman from Arkansas, Mr. Boozman.

Mr. BOOZMAN. Thank you very much, Mr. Chairman.

As somebody from a rural State, certainly this is something that really does concern us and I am very interested in. The question I would have is, what is the most important thing that we can do to help our small airports? What would you say that we need to be doing to bolster these?

Mr. REYNOLDS. That is a good question. It is very difficult. On and off for the last 12 years, I have been dealing with these issues directly and indirectly. There is clearly no silver bullet to improving services in a lot of smaller communities. Each one has its own set of circumstances.

Again as a general matter, it is very important for local communities to try and become involved. Anything that can provide incentives for local communities, States, local businesses that can become involved in their local air services can make a big difference. People tend to sometimes take their air services for granted until they are diminished to a very low level or about to go away. Sometimes then it is too late.

So we are happy to work with this Committee on any ideas that it may have going forward, through reauthorization or otherwise, in these areas. The Inspector General is making a review of our Small Community Air Service Development Program. There may be lessons that can be learned from that, from the successes as well as the failures, as to what might work for particular communities in terms of their involvement of time and resources.

Mr. DILLINGHAM. Mr. Boozman, we had a chance to look at a sample of programs when we looked at the Small Community programs. What we found as a general principle was, to the extent that the risk can be mitigated for the airlines, the more likely you are to have more enhanced and robust service and fares. The kind of risk mitigation things that seemed to work best were revenue guarantees or participating in a marketing program. Oftentimes, airlines don't have, these size airlines don't have the resources to conduct a marketing campaign for a small community. But again, as Mr. Reynolds said, working with the community, those kinds of things that mitigate risk seem to be the most useful things that can be done in the short term.

Mr. BOOZMAN. I guess along that line, it was probably three or four years ago, I was with a group with Congressman Mica, Congressman DeFazio. I was referring to our trip out west a few years

ago. In fact, it might have been in your district where they talked about banking airline miles to help, they had a situation where they actually kind of prepaid the local businesses, prepaid mileage and things like that.

Do we offer suggestions like that? Do we kind of accumulate best practice management like that that is made available to our small airports in an effort to help them?

Mr. REYNOLDS. We are just now beginning to do that. Again, the Inspector General's review, which just began, and we hope to have preliminary results in a few months, we hope will offer a playbook perhaps, or at least a menu, an a la carte menu, if you will, of ideas that might work for different communities. Certainly travel banks of various sorts are a possibility. That has been explored in a few of the Small Community grants that we have given. Some have had more success than others. So that certainly is a possibility. So there may be some options there that can be laid out more clearly once that review is done, and certainly based on some of the earlier look that the GAO did at these grants.

Mr. BOOZMAN. I am very supportive of the current program. It does make sense, though, that regardless of what is done, that that type of thing would take pressure off the system. If we can help the smaller communities help themselves, again, it seems like it would be helpful.

Thank you very much. Thank you, Mr. Chairman.

Mr. COSTELLO. The Chair thanks the gentleman from Arkansas.

At this time, the Chair recognizes the gentleman from Iowa, Mr. Braley.

Mr. BRALEY. Thank you, Mr. Chairman.

Dr. Dillingham, Vision 100 created a number of pilot programs aimed at increasing the effectiveness of the EAS program, including the Alternate Essential Air Service pilot program, the Community Flexibility pilot program, the Code Sharing pilot program and others. Yet none of these programs have been used.

Why do you think these pilot programs were not successful?

Mr. DILLINGHAM. The first thing I would say is, I wouldn't say they weren't successful. I would go with your first comment that in many cases, they were not used. There are a number of reasons that we have found that they were not used. In some cases, DOT announced the program and made it known to the communities. The communities decided for one reason or another that they did not want to participate in the program.

There were a couple of cases where the programs were not funded. DOT decided not to fund the program. Mr. Reynolds spoke about one earlier in terms of the resources they had. They determined that from our reading of it, they wanted to fund the actual services that were being requested, rather than these programs. In one case, the Congress ordered that the program not be funded.

We looked at this, because we couldn't figure this out. Some of the reforms that we were thinking made sense were included in some of these pilots programs. What we concluded was, we think that rather than repeal these programs as is being suggested in the current reauthorization, that they might need to be looked at and see if they can be incentivized in such a way that they will be useful to the small communities. In other words, try to find out from

the communities, maybe as a part of the DOT IG study, I don't know whether that will be beyond the scope, but ask the communities why they didn't participate, see if there is an incentive that can be changed, so that the communities would be.

For example, one of the programs said, we will give your community a two year grant if you will give up your EAS subsidy for ten years. Well, getting two for ten, communities figured that really wasn't a good exchange.

So the short answer is, there are lots of reasons. But we think there is still some merit to looking at these programs.

Mr. BRALEY. Well, I am new here, so you will have to forgive me. I think back in Iowa, if people were told there was a program that was put in place and no one utilized it, that by definition that program is not successful. And if you are talking about ways to incentive small airports from participating in the programs, and you are talking about things that could be done, I guess I am confused why that input has not been sought so that these programs can be tailored, so that they are successful.

Mr. DILLINGHAM. I will pass that question over to Mr. Reynolds, and he can ask why they did or did not check with the communities in terms of why they didn't participate.

Mr. BRALEY. I will give him that chance. I have another question for you before I turn to Mr. Reynolds. One of the things that is not currently part of the requirements to participate in the EAS service plan is that you submit a marketing plan. One of the things I want to ask you is whether you believe that requiring a marketing plan would be helpful in increasing enplanements under the EAS program.

Mr. DILLINGHAM. Yes, sir, I think they would be helpful. When we looked at the Small Community program, it was one of the leading positive initiatives in terms of that program. So to the extent that more people know about the service and the fares and so forth, it has to be a positive thing.

Mr. BRALEY. All right, thank you.

Mr. Reynolds, one of your recommendations in your testimony, or one of the comments you made in your written remarks, was that the financial conditions of the network carriers has added further uncertainty for the regional co-chair partners. As someone who depends on those regional co-chair partners every time I come out here to work, and who has had a nightmare of personal experiences dealing with delays, where justifications are provided by regional co-chair partners at a rural airport that are inconsistent with the delay explanations I receive at a hub airport.

I would like you to elaborate on your comment and talk about what recommendations can be made to improve that instability that exists.

Mr. REYNOLDS. The larger instability of the major carriers is that they have obviously gone through a very difficult period since September 11th. We are starting to see some more positive results more broadly. I think that the better financial results throughout the industry are, we hope, certainly cutting across all sectors, including the regional air carriers, many of which did relatively well compared to their larger compatriots during the last few years.

As to the specific issues of the customer service of the regional partners, certainly that is a concern. I can't speak to why they were given inconsistent information at different times. That is obviously something that is not very good for either's customer service, and we certainly hope and expect the airlines to do better in terms of the information it provides.

In terms of a healthy, stable airline industry across the board, that will probably mean better healthy, stable relationships between the majors and the regionals, as well as just healthier and stabler regionals.

Mr. COSTELLO. The Chair thanks the gentleman and recognizes Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

I have a question for Mr. Reynolds. Mr. Reynolds, you are the Deputy Assistant Secretary for Aviation. You are aware, of course, that this hearing is for the purpose of making necessary changes in the EAS program as a part of the FAA reauthorization. You may also be aware that this Committee, in the strongest bipartisan terms in the last FAA reauthorization put in an amendment, it was my amendment, that required that the necessary regulations be passed to open small charter service general aviation at Reagan National Airport, after waiting some time, certainly more than a year and I think even more than that. The Committee got angry, frankly. The whole notion of ignoring a committee, when in fact there is a statutory provision, seemed particularly insulting to the entire Committee.

I mentioned in my opening statement that the Chairman threatened to hold the responsible parties in contempt. Thereafter, there came forward a set of regulations that cast real doubt upon the ability of the Department to protect the American people. And I say this, not only as a member of this Committee, but as a member of the Homeland Security Committee, on which I have served since it was formed.

These regulations required a private security guard who was in essence the functional equivalent of an air marshal, carrying a gun. Someone who had to be hired to carry a gun on a plane, a small plane. It required that these small planes, this general aviation be screened twice in some cases. First, at the place of origin and them come down to a gateway and be screened again.

These are but the two most flagrant and quite frankly, astonishing requirements. First, I have to ask you, if these requirements have been altered at all after now, what is it, five years, has the Department learned enough so that it can protect us in the ordinary course of business without such draconian measures?

Mr. REYNOLDS. I believe the regulations you are referring to, if they were promulgated by the Federal Aviation Administration, it was probably done in close cooperation with the Department of Homeland Security and the Transportation Security Administration.

Ms. NORTON. It was done in cooperation with GSA, who I must tell you, had come forward earlier with some regulations. So they had the regulations, but had refused to publish them. But this occurred in the FAA reauthorization.

Mr. REYNOLDS. You will have to forgive me, unfortunately I am not intimately familiar with this particular rulemaking, as it was in the Federal Aviation Administration. I am certainly aware of it. So I can't speak to what changes may have been made more recently with regard to it or what lessons may have been learned.

My office tends to focus on the economic regulatory issues associated with the airline industry, rather than the FAA, the operational issues that are the purview of the FAA within the Department of Transportation. I would be happy to try and provide a written response on behalf of the Department after I contact the Federal Aviation Administration on your question, however.

Ms. NORTON. I very much appreciate that, Mr. Reynolds. May I ask that within 30 days we get a written response, addressed to the Chairman and the Ranking Member, concerning the status, whether there have been any changes?

Secondly, how many planes, how much general aviation has flown into Reagan National since these regulations were passed, and any comments from the public that may be in the position of the agency. You heard the Chairman say that we intend to hold a hearing. To the extent that we can show that the agency has done anything except sit on this as your final answer, to protecting the Nation's capital when planes come in, we would be very pleased to know it.

I must say, I represent the District of Columbia. I have no reason to want anything but the most stringent kind of protection for the city where I was born, where my father was born, my grandfather was born, where my great-grandfather was born. My affection for this city knows no end.

Then I have great responsibility. So it is not likely that I would say that I believe, both as a member of this Committee and as a member of the Homeland Security Committee that the United States of America can do better than that. So I would appreciate within 30 days a letter addressed to the Chairman, perhaps a copy to me, and of course to the Ranking Member.

Mr. REYNOLDS. I would be happy to provide that for you.

Mr. COSTELLO. The Chair thanks the gentlelady and recognizes the distinguished Chairman of the full Committee, Chairman Oberstar.

Mr. OBERSTAR. Well, Mr. Chairman, I greatly appreciate your continuing work on aviation and the partnership with the gentleman from Wisconsin, Mr. Petri, and the continued presence of the gentleman from Tennessee, former chair of the Subcommittee. It is going to take our combined efforts to move this reauthorization along smartly and effectively and in support for the future of aviation.

But essential to the future of aviation is essential air service. I would say without a shadow of a doubt that had essential air service language not prevailed in the 1978 Deregulation Act, deregulation might not have occurred. It certainly would not have occurred in the way that it has happened, because there would have been way more resistance to the notion of taking the Government out of market entry and pricing, and protection of community interests.

As it was, the Deregulation Act raised a number of concerns and has continued to over the years. Every time you get a little disrup-

tion, a hiccup of some sort, such as the problem with Northwest Airlines in Detroit, the problem with JetBlue more recently and the carriers don't seem to learn from one another how they need to conduct their business, there are repeated calls for re-regulation, get the Government back in the business of deciding market entry and pricing.

And our Committee completed a five day review of aviation and surface transportation matters with European community authorities, with members of the European Parliament committee on transportation, the transport minister of the European Community, Jacque Barrot, and authorities in France as well. We made very clear that the new Open Skies bilateral that does not include ownership and control, it is a good thing and it is going to stay in place. And while there are subsequent negotiations, don't expect the Congress to stand still for foreign ownership of U.S. airlines that will result in loss of air service to small communities. That is clearly what would happen. We know. We have seen it happen just with domestic ownership of U.S. airlines.

I think the vote, 291 to 137, I pointed out to the Europeans, had that occurred in European parliamentary action, the government would fall, there would be new elections, the landscape would change. That is not the way our system works. But it sure sent a message to DOT and to the State Department about the interest that members of Congress have in protecting air service to their vulnerable communities. Essential air service is a critical part of it. We have seen it eroding over the years.

I sat, I don't know, somewhere down here in 1978, maybe further down. We didn't have as many members on the Committee then. I think there were 40 total, 45 total members on the Committee on both sides. But I offered the amendment to hold in air service in the aftermath of deregulation until succeeding service could be provided. And secondly, essential air service to provide service to small towns with limited options, distant from, there wasn't hub and spoke. No one was even talking about hub and spoke service. But I knew there was going to be a concentration, most of us know at the time, there was going to be a concentration of air service in a deregulated environment.

I concluded my debate with Mr. Howard, was it Howard, the Chair? No, Vince Johnson was in the chair. I said, Mr. Chairman, if this amendment doesn't pass, there are towns in my district that are so remote that the only way, without air service, to get there is to be born there. And the place was full, a big crowd. I don't know how I got the idea, but there it was, and everyone laughed. When the laughter subsided, the Chair put the question and the amendment passed. It was one of those fortuitous moments of legislative history.

But it is not a joke. It is a reality. And in 1996, we took essential air service a step further with the funding of EAS through the over-flight fees. So you have a guaranteed account, a floor of $50 million. Over time, that number has been increased through general revenues. But it see-saws back and forth over time. Some Appropriations Committee at one time or another put some standards in that didn't go through our Committee, didn't go through the au-

thorization process. It was simply a product of OMB and the appropriators in the House and the Senate.

So there has been a good deal of arbitrariness to this process of assuring air service to small communities. And however good our road system is, however good the rail is and where we have intercity passenger rail, the public's imagination is stirred by aviation. We are determined in the reauthorization to strengthen essential air service.

I am puzzling over a new policy or new promulgation by the DOT on the grant application form, "grant funds will not be authorized for EAS-subsidized communities to support either additional flights by EAS carriers or changes to those carriers' existing schedules." What is the underlying—there was no explanation for it. It just appeared. What is the explanation for it?

Mr. REYNOLDS. That was consistent with some of our earlier guidance that we provided. We didn't want the small community grants to conflict with what is going on in EAS. For example, if you provided service on top of existing EAS service, you would basically have Federal dollars competing. So you could ultimately damage—for example, someone could go over the $200 cap because the EAS paid for service was being hit to the detriment—it was being detrimentally affected by the new Smaller Community service to a new hub. So we didn't want them to be competing.

We have and do provide—EAS communities can receive Small Community grants. We just try and prevent them from coming in conflict. We just don't want the Federal dollars working at odds. That is really the point there.

Mr. OBERSTAR. That is not bad if you have enough money in the Small Community Grants program. I think that is due to expire and that funding has not been sustained at an acceptable level. Some communities have done very imaginative things with those Small Community grants. They have bene able to create small commuter service airlines and the business community in various towns has been energized to provide service.

But in this era of bankruptcy of carriers, we are seeing scaled-back service by major airlines and their regional carriers, changing the character of the regional carrier, changing the way they are managed. We are just seeing a diminution of air service to small towns. In southern Illinois, Mount Vernon Airport, is a good example. I was there a few years ago with our former colleague. All around, we need you to put your creative thinking cap on and work with the Committee as we shape legislation to strengthen community service airlines.

Mr. REYNOLDS. I would be happy to do that, Mr. Chairman.

Mr. OBERSTAR. And there are circumstances I will cite. There was a carrier that was interested, under EAS, in providing service from Duluth to Chicago. I cite this as a case study. It happened elsewhere around the Country. As part of the service, this carrier wanted slots, which are hard to obtain at O'Hare. But I smelled something going on, just sort of something in the air. I said, fine, but those slots do not attach to the carrier. I negotiated with DOT and FAA to provide the service, get the EAS funding. But when you leave the service, the slots go back into the pool, they do not attach to the bank account of the carrier.

Are there other circumstances around the Country where their asset values attach to such EAS operations?

Mr. REYNOLDS. I believe the only EAS point that is going into a controlled airport is Lebanon, New Hampshire, going into LaGuardia. Other than that, I don't believe there are any more services presently under EAS that are going into Chicago or DCA, for example. JFK, of course, really doesn't cater to that service as much, although that is changing as JetBlue and other carriers change the nature of their services at JFK.

So at the moment, there are actually a few slots that are tagged for service to West Virginia that no one wanted to avail themselves of. If someone wants to provide service to the communities in question, those slots or slot exemptions would be withdrawn from the carrier using them now. Because no one wanted them, we didn't want the capacity going unused. So we let other carriers use them in the meantime.

But there are provisions for slots to be provided for essential air service, if that is needed. Of course, EAS is not airport specific as much as it is community specific, and a determination could say that you shall go to New York, which of course could include LaGuardia, JFK or even Newark, as opposed to a specific airport.

Mr. OBERSTAR. Thank you. Does the Administration have a position on one, dollar amount of support for EAS; two, numbers of communities to be served in EAS, either spelled out in legislation or in some more general fashion?

Mr. REYNOLDS. The Administration has proposed $50 million to fund EAS.

Mr. OBERSTAR. That is the bare minimum. That is what we are getting out of the over-flight fees.

Mr. REYNOLDS. That is correct, sir. So that would be about 81 of the currently 145 communities.

Mr. OBERSTAR. That is all that the Administration proposes to limit by dollar amount?

Mr. REYNOLDS. That is correct. Of course, as always, as frequently happens, the Administration makes a proposal regarding EAS funding and Congress fully funds the program. That seems to happen year after year. The reforms that we are proposing, at a fully funded program of about $110 million, would cap the program at those that are currently being subsidized, as opposed to adding any new communities in the future.

Mr. OBERSTAR. Dr. Dillingham, do you have a view on that issue of whether there is a baseline universe of communities that ought to be continued in the EAS program or an expansion thereupon?

Mr. DILLINGHAM. Mr. Chairman, I think we agree with you that many small communities need to be connected to the national airspace system, that that in fact was the Congressional intent at that point. We don't have a set number, but we say that things have changed since this original legislation was passed, and including the fact that the Government is operating at a deficit at this point. So we need to find a way to get the maximum use out of the resources that are available. We don't have a set number, but certainly it should be part of the system.

Mr. OBERSTAR. Thank you very much.

Thank you, Mr. Chairman. I appreciate the extra time.

Mr. COSTELLO. Thank you.

Mr. PETRI. Mr. Chairman, I would ask unanimous consent that a statement by our colleague Howard Coble be included in the record.

Mr. COSTELLO. Without objection.

Mr. COSTELLO. The Chair thanks Dr. Dillingham and Mr. Reynolds for their testimony. We have another panel that we will hear from.

Mr. Reynolds, before you leave, you made a commitment to Ms. Norton to respond to her questions in writing. Also, you made a commitment to get a list of those essential air service airports that will be eliminated under the Administration's proposal. You indicated that the list is available now, so I would ask that you fax that tomorrow, and we will give you a fax number to fax it to, either yet today or tomorrow and then respond to Ms. Norton's inquiries as well.

The Chair thanks Dr. Dillingham and Mr. Reynolds, and would ask the second panel to come forward, please.

While the second panel is coming forward, let me mention to members and to those who are in the room, we are scheduled to go back in the full House at 3:30. We will immediately have five recorded votes. So we will get to our witnesses, get as much of the testimony as we can. But if need be, we will come back immediately after the last vote. So there are five scheduled votes, after the last vote we will come back.

Let me introduce our witnesses and call on a couple of our colleagues here to introduce witnesses as well. Faye Malarkey is the Vice President, Legislative Affairs, Regional Airline Association. Bill Hansell is the immediate past President of the National Association of Counties. Mark Courtney, the Airport Director for the Lynchburg Regional Airport in Lynchburg, Virginia.

At this time, the Chair would call on our colleague, Mr. Braley, to introduce his witness that his on the panel.

Mr. BRALEY. Thank you, Mr. Chairman. I would like to introduce Bob Grierson, who is the Airport Manager for the Dubuque Regional Airport. I am very pleased that Mr. Grierson has agreed to testify because I believe it is important for the Subcommittee to hear of the success of the Dubuque Airport. It is also important to the City of Dubuque, the Dubuque Chamber of Commerce and the Iowa Department of Transportation to have him here representing aviation in Iowa.

So thank you, Mr. Grierson, for joining us, and I am looking forward to your testimony.

Mr. COSTELLO. The Chair would call on our colleague from North Carolina, Mr. Shuler, to introduce Mr. Edwards.

Mr. SHULER. Thank you, Mr. Chairman.

On a quick note, after my travels being a freshman to and from, I should have actually selected this Committee as a Subcommittee because of my travels in airports. I want to thank you for extending the invitation for me to recognize David Edwards, a constituent and a great member of our community that we so appreciate. Mr. Edwards has 19 years of experience working in airport management, most recently as the Director of Asheville Regional Airport in western North Carolina. Prior to his time at Asheville Regional

served at Titusville-Cocoa Airport Authority, Greater Orlando Airport Authority and the Dade County Aviation Department. Mr. Edwards also serves as a board member of the North Carolina Airports Association and President of the Southeast Chapter of American Association of Airport Executives.

I would like to welcome Mr. Edwards and welcome him to our Nation's capital.

Mr. COSTELLO. The Chair thanks the gentleman and at this time, welcomes our panel and would recognize and ask that each witness know that your full statement will be submitted and entered into the record. We would ask you to try and summarize your statement to five minutes. The Chair recognizes under the five minute rule at this time Ms. Malarkey.

TESTIMONY OF FAYE MALARKEY, VICE PRESIDENT, REGIONAL AFFAIRS, REGIONAL AIRLINE ASSOCIATION; THE HONORABLE BILL HANSELL, COMMISSIONER, UMATILLA COUNTY, OREGON; DAVID N. EDWARDS, JR., A.A.E., AIRPORT DIRECTOR, ASHEVILLE REGIONAL AIRPORT; ROBERT A. GRIERSON, A.A.E., AIRPORT MANAGER, DUBUQUE REGIONAL AIRPORT; MARK F. COURTNEY, A.A.E., AIRPORT DIRECTOR, LYNCHBURG REGIONAL AIRPORT

Ms. MALARKEY. Chairman Costello, Representative Petri and members of the Subcommittee, thank you for this opportunity to testify today on this important topic. My name is Faye Malarkey and I am Vice President for legislative affairs with the Regional Airline Association.

As you may know, regional airlines link together more than 600 communities in the United States. At more than 70 percent of these communities, regional airlines are the only source of scheduled air service. Nowhere is this service more important than at the more than 140 communities across the Country that receive service through the EAS program.

Since 9/11, more than 40 communities have been forced onto the EAS rolls and 17 EAS communities have been dropped out of the program. As members of the Subcommittee know, EAS was initially created as part of the Airline Deregulation Act of 1978 to ensure communities receiving scheduled air service back then would continue to receive it after deregulation.

Last year, appropriators in both chambers slated $117 million for EAS, but because Congress adjourned before passing a final package, the program continues to receive funding at 2006 levels. Congress also included a provision in the Deficit Reduction Act of 2005, appropriating an additional $15 million for EAS in fiscal year 2007 and 2008. Unfortunately, the revision contained a trigger mechanism permitting the release of funds only if Congress funded the program at $110 million. Because Congress simply extended 2006 funding levels, that level was not met and the additional funding has not been released.

The proposal you heard about this morning from my colleague, and also contained in the FAA's reauthorization package, would severely cut and potentially dismantle the EAS program, telling residents of these communities that convenient, reliable air service is a luxury and one they can't have. Instead, DOT would set up a

tiered system to grant subsidies to communities in descending order of distance from hub airports, starting in Alaska, and continuing until the funding runs out, which it is sure to do, long before DOT's obligation to EAS communities has been fulfilled.

Of 140 current EAS communities, 85 of them, including 36 in Alaska alone, are farther than 210 miles away from a medium or large hub airport. Dozens more are farther than 150 miles away from the nearest medium or large hub airport. While we have deep respect for our colleagues at FAA and DOT, if enacted, this proposal would be very harmful. We urge Congress to reject it.

One of the greatest factors contributing to small community air service loss has been the staggering impact of fuel price increases. As part of the competitive EAS application process, carriers negotiate subsidy rates that remain in effect for two years, projecting over the same time span for revenues and costs.

In cases of unexpected cost increases, EAS carriers lack a mechanism to renegotiate rates. Instead, they must file 90 day service termination notices in order to seek rates that cover increased costs. This fosters a sense of unreliability that undermines community trust in and use of the program.

This existing mechanism is not acceptable. One of the fundamental tenets of the EAS program states that no carrier should be expected to serve any market at a loss. Yet faced with climbing costs, carriers are unable to provoke rate changes without filing termination notices. Even after these notices are filed, DOT still holds carriers in the market at a loss for 180 days while the agency undertakes the competitive bidding process all over again.

In recent weeks, crude oil has climbed over $60 a barrel. To put this in perspective, please consider, EAS contracts have a two year life span. A winning carrier who negotiated a competitive contract a year ago would have done so based on cost projections of then-current fuel rates of $1.80 a gallon. That same carrier would then be providing the service with fuel costs at $2 a gallon and climbing. Because EAS carriers are strictly limited to 5 percent profit margins, rising fuel costs can turn once-profitable routes into losses very quickly.

Congress addressed the rate adjustment issue already. In Section 402 of Vision 100, DOT was afforded a rate indexing mechanism to make real time adjustments during periods of significantly increased costs. Unfortunately, DOT has been unwilling to implement the program to date, citing a lack of funds. In response, Congress included a provision in the Deficit Reduction Act of 2005, appropriating an additional $15 million to offset costs.

Unfortunately, the trigger mechanism, detailed earlier in this briefing, has not been met, so the funds have yet to be released. RAA asks Congress to include language in the expected FAA bill to require DOT to make real time rate adjustments and asks that Congress reverse the $110 million trigger for release of additional funding for fiscal years 2007 and 2008.

RAA also asks Congress to carefully examine all evidence suggesting that the EAS program is not facing a funding shortfall. The demonstrability of funding needs and expenditures relating to the program is closely tied to its management. DOT should not be allowed to cut service levels or eliminate points in order to lower ex-

penditures and retain fund without reinvesting in the program. In doing so, DOT trades a funding problem for a service commitment problem, one that carriers can do little to reverse.

In order to fully explore these issues, RAA requests that Congress require an audit on unspent, unobligated funds in the EAS coffers. To speak to Congressman DeFazio's earlier question, with respect to the DOT term length, currently with the increasing amount of aircraft being sold overseas, there are fewer available here in the United States for this type of service. The issue is financing.

Unfortunately, the airlines' ability to commit aircraft in a diminishing market has likewise grown more difficult. Aircraft financing models are not well suited to two year time commitments. By upgrading EAS contract terms to four or five year service commitments, existing carriers would be better able to review current contracts, and a significant barrier to market entry would be removed.

A recent press release from the FAA characterized our belief that the FAA's proposal would jeopardize service to small communities is a myth. I assure you, the FAA user fee scenario, if enacted as is, would certainly and undeniably increase regional airline costs and would certainly and undeniably reduce service to smaller communities.

The FAA's proposals could also directly affect the EAS program by blocking service to congested airports. Carriers simply cannot amortize the costs of increased fees over this type of aircraft that is typically deployed along EAS routes.

Mr. COSTELLO. Ms. Malarkey, we will put the rest of your statement in the record and we appreciate your testimony.

Ms. MALARKEY. Thank you.

Mr. COSTELLO. The Chair now recognizes Mr. Hansell.

Mr. HANSELL. Good afternoon, Chairman Costello, Ranking Member Petri and members of the Subcommittee on Aviation. My name is Bill Hansell, and I am a county commissioner from Umatilla County, Oregon. I am here representing the National Association of Counties, NACO, where I serve as immediate past president. I want to thank you for the invitation to testify on essential air service.

The county seat of Umatilla County is Pendleton, Oregon. Pendleton is the only commercial service airport in northeastern Oregon and has EAS service to Portland. Beginning in 2001, enplanements on our non-subsidized service provided by our only air carrier, Horizon Airlines, dropped dramatically. This was because of 9/11, which caused Horizon to change the flight schedule.

In 2004, Horizon made the decision to end non-subsidized service. Subsequently, Horizon was selected as the EAS provider. While we retain three flights per day, we did not get back our return flight from Portland in the late evening that had been earlier dropped. A later flight would require an overnight stay in Pendleton and a new crew adding, according to Horizon, $250,000 to the cost of their service.

This means that flying to Portland for the day to do business is no longer very practical. Prior to 9/11, Portland was the final destination for many of our passengers. Since then, our data shows

that many of the remaining passengers are simply flying through Portland on their way to other destinations.

There is nothing intrinsically wrong about that, except that our area citizens have lost the convenient, business-friendly service, and we continue to experience a 50 percent downturn from the pre-9/11 levels. Our airport and economic development staff are quite confident that Pendleton could return to the 15,000 passengers per year if we added a fair and reasonable amount to Horizon's contract, and we would soon be down the road of leaving the EAS program altogether.

EAS service is important to our region mainly because of economic development. My county is the number one food producing county in Oregon. EAS has allowed Umatilla County to continue to be the regional center of northeastern Oregon. For any company looking to relocate or expand our community, one of the first questions we are asked is, how far are you from a commercial airport. Because of EAS, we have had some success in attracting and retaining industry to our region.

Let me comment briefly on the Administration's proposal for EAS program. First and foremost, it would provide only $50 million in funding, limiting the program to 70 communities. Cutting 74 communities from the program is a bad idea. Pendleton, Mr. Chairman, would lose its service, as would Williamson County Regional Airport in your district, and the Chisholm Hibbing Airport in Chairman Oberstar's district.

NACO has a number of suggestions for improving the essential air service program. Number one, there needs to be more funding. It is certainly fair to say that the cost of fuel, equipment and operations of air service has increased. We also need more funds so we can subsidize better service. Like any other product or service, EAS has to be attractive to the customer.

Secondly, we believe that the 10 percent match requirement currently in law but never implemented should be eliminated. Many of the smaller rural communities that would be required to provide a local match are not able to find the tens of thousands of dollars the match would require.

Thirdly, we also ask this Subcommittee to help identify a guaranteed source of revenue for the EAS program. The Airport Improvement Program has it, the highway program, the transportation program, transit program both have it. A dependable source that assures communities and air carriers that the program will be fully funded would make EAS a stronger program.

Fourthly, the $200 subsidy cap should be increased and indexed. It has been in place since 1989 and while we are not opposed to the concept of a cap, one that hasn't been changed for 18 years needs adjustments.

Fifth, there needs to be more marketing of EAS service to the community. Marketing funding should be provided directly through the EAS program, and some thought should be given to requiring airlines who are bidding on EAS service to include a funded marketing plan in their proposal.

One final suggestion to improve EAS service is that we need to study approaches to encourage more airlines to bid on providing EAS service. More competition may result in better service.

As I conclude, let me also indicate NACO's support for the Small Community Air Service program. This program needs to be funded at a level that comes close to meeting the demand. This includes my testimony. I would be happy to answer any questions the Subcommittee members might have.

Mr. Chairman, if I also may bear upon your good graces, in order for me to get back to rural Eastern Oregon and my EAS airport, I have to fly out of Reagan National today at 5:20. So if I may at the appropriate time be excused to catch that airplane, I would greatly appreciate it.

Mr. COSTELLO. We would not want you to miss your plane, so please, whenever you need to leave, please do so, and we thank you for your testimony.

Mr. HANSELL. Thank you, sir.

Mr. COSTELLO. Mr. Edwards, you are recognized at this time. Again, as you hear the bells going off, we are on a countdown. We have about 12 or 13 minutes left.

Mr. EDWARDS. Chairman Costello, Ranking Member Petri, members and staff of the House Subcommittee on Aviation, thank you for allowing me the opportunity to participate in this important hearing.

My name is David Edwards, and I presently serve as the Airport Director for the Asheville Regional Airport, located in the pristine Blue Ridge Mountains of western North Carolina. I also serve as the Chairman of the Small Airports Committee for Airports Council International North America. ACINA members enplane more than 95 percent of the domestic and virtually all of the international and cargo traffic in North America. Nearly 400 aviation related businesses are also members of ACINA.

As you know, this is a critical year for aviation in the United States. The expiration of the FAA's programs, taxes and fees provides a historic opportunity to make the needed changes to enhance and strengthen our national air transportation system.

At the beginning of this year, there were 656 U.S. airports with scheduled airline service. More than two-thirds of these airports are only served by regional airlines and are generally considered small airports. These airports are vital for economic growth nationally and essential for the survival of many smaller communities.

Unfortunately, the environment in which small airports operate continues to remain fierce, high airfares, lack of airline competition, decreasing passenger traffic and leakage to bigger airports are just a few of the issues facing smaller airports today. Since its creation, the Small Community Air Service Development program has helped smaller communities like Asheville secure enhancements that are responsive to communities' air transportation needs. The program should be preserved, not eliminated, and funded at $50 million annually.

In 2002, the Asheville Regional Airport received a Small Community Air Service grant in the amount of $500,000. This grant and related matching funds were utilized to support new air service by Continental Airlines to Houston. I am pleased to inform you that the flight continues to successfully operate today, four years from its original inception date.

In addition, this grant was instrumental in preserving Continental's existing Newark service. That service commenced just months prior to the terrorist attacks of September 11th and successfully continues today.

Thanks in large part to this grant, during the two years following the inauguration of Houston's service, Asheville saw explosive growth with 20 percent increases in passenger traffic for both 2004 and 2005. The airport also attracted Northwest Airlines to begin service to Detroit and Minneapolis-St. Paul, as well as Delta beginning non-stop service to Orlando.

Prior to receiving this grant, Asheville was served by two commercial caries with non-stop service to four primary hubs. Today the airport has more than doubled those statistics with non-stop service to nine cities. The Asheville Regional Airport strongly believes that the original grant provided the impetus for the success over the last five years in the airport's ability to bring new price and service competition to western North Carolina.

Given the proven benefits of the program, the airport community was very disappointed that the Administration did not include any mention of the program in its proposed reauthorization legislation. We agree there are ways to improve the program and hope the Subcommittee will incorporate our following suggestions in the program itself in the new FAA reauthorization legislation.

First, the current program precludes communities that have previously received a grant under the program from seeking another grant to support the same or a similar type project. While this rule attempts to maintain a form of accountability, small airports that have been successful with previous grants should be allowed to expand on those same successful type projects.

Secondly, airports are barred from using airport revenues for direct air carrier subsidy, which is a permitted use of a Small Community Air Service Development grant funds, allowing airports that are eligible for grants under the program to use airport revenues or provide direct air carrier subsidies for a maximum of one year would give many small airports the additional flexibility needed to attract, maintain and expand upon the air service needs of their community.

Additionally, the restrictions pertaining the number of applications per State should be eliminated from the program, as several States have more than a dozen airports receiving schedule service. If an applicant has a sound application, it should stand on its own merit and not be limited by the four per State restriction.

Finally, we do not believe that the current program structure for the level of local contribution is appropriate. Small hub airports typically have greater access to capital and revenue versus non-hub airports. Therefore a sliding scale match contribution should be included within the program.

Turning to the essential air service program, I urge the members of the Subcommittee on Aviation to extend EAS during the reauthorization process and provide $110 million annually for meeting the demands and costs of the program. The Government has made a commitment to those airports and airlines and the program should be funded at least at the current level. The commercial air

transportation system is a system which warrants the support of air service to communities of all sizes.

In addition to both programs previously mentioned, the Airport Improvement Program and passenger facility charge remain vitally important for the implementation of capital programs at small airports. As such, Congress must approve at lest $3.8 billion in 2008, $4 billion in 2009, $4.1 billion in 2010 and the PFCs should be raised to only 750 and fully indexed for construction cost inflation.

In closing, I thank you for the privilege of sharing my experiences and thoughts. I look forward to answering your questions.

Mr. COSTELLO. We thank you, Mr. Edwards. Mr. Grierson?

Mr. GRIERSON. Good afternoon, Chairman Costello, Ranking Member Petri and members of the House Transportation and Infrastructure Subcommittee. Most particularly, thank you, Representative Braley, for inviting me to come before you today.

My name is Robert Grierson. I am the Airport Manager for the Dubuque Regional Airport and for the City of Dubuque. The Dubuque Regional Airport is a non-hub commercial service airport, located on the eastern Iowa border adjacent to the Wisconsin and Illinois borders, and provides air service and connectivity to the tri-State region. We are situated 180 miles due west of Chicago's O'Hare International Airport, and we are presently served by one airline with eight daily arrivals and departures to and from O'Hare.

In calendar year 2006, Dubuque had 47,000 passenger enplanements which reflects a 16.5 percent growth over the previous year. To give you some historical perspective, in calendar year 2000, Dubuque generated in excess of 58,000 enplanements, boasted three air carriers with service to two major hubs, with 26 daily arrivals and departures. By 2003, Dubuque was down to one carrier and could only generate 38,600 enplanements on six daily departures and arrivals. Our community could easily generate 200,000 passengers. We determined that through a number of ticket studies.

But we have lost 49 percent of the seats at our airport. We just didn't have the capacity any longer.

Thanks to the $610,000 grant that the U.S. Department of Transportation awarded Dubuque in 2003, we were able to reverse that trend. We had two primary goals as part of that grant. Goal number one was marketing. And it was simply to focus the awareness of the service being provided by American to the community and also to inform the community of the availability of an air carrier at the airport. So it was kind of a two-pronged approach within marketing itself.

To do this, we took $240,000 from the $610,000 grant and began working with the chamber of commerce, convention and visitors bureau and local businesses. We received in-kind contributions that assisted us to bring it up into billboard marketing, television, radio ads, newspaper ads. We continued that for a two-year program. From the $240,000, we brought it up to $354,000 worth of value.

Goal number two required expanding existing services through frequency and/or hub access. As I mentioned before, we are only dealing with O'Hare at this time. We would like to see an additional hub, but working with American, we sat down with the m

and said, gentlemen, what do we have to do, recognizing that American was an inch away from bankruptcy at that time, we said, what do we need to do to share the risk of this venture. And they said, cover the cost of our fuel. It was a new concept. Nothing I had ever dealt with before. And this was handled by my predecessor, I do want to point that out.

So $333,000 were put together in remaining funds and also contributions from the travel bank, which was put together through our community. We had a fairly large pot of funds then to cover the costs of the fuel for the fourth flight to and from Chicago O'Hare. At this time, there is also a transition over to regional jets.

Today, two years later, we still have this flight in place. We no longer have a fuel arrangement. We have over 70 percent load factors on this flight and our numbers are now up to 47,000. I consider Dubuque and this program to be a success story. We wouldn't have this service if it wasn't for that additional flight and for this program. And for that we thank you.

Now, positive attributes of the program, it is critical for the small and non-hub airports to increase service by use of marketing funds. These funds are provided to us that give us that impetus and that support we need to go forward with this sort of project.

The negative aspect is working with DOT. They keep recognizing this is a pilot program and treat it as a lab experiment. Communities need to have the flexibility to use the program for air service development and develop initiatives that fit each situation. As it stands, you can't get a second grant for your plan if it is the same or a follow-up to an existing method. In other words, if you market to one carrier, you can't go marketing to another, even if it is to a different carrier. That is one of our problems.

What I believe they need to do is rewrite the guidelines and award grants based on need, quality of the plan and community participation. While I have six recommendations, they are included in my submission, but quickly put, reauthorize the Small Community Air Service program. Do not restrict marketing to only one grant. We may seek multiple grants and solicit multiple carriers. Reduce the local match portion, I think to be consistent with AIP match requirements, but I have to admit, Mr. Edwards brings up a very salient point of having a sliding scale.

I believe in fully funding the program. Allow some flexibly following the award of funds. The aviation industry changes so dramatically and rapidly, you need to have some flexibility to address the change in the market.

Lastly, and this was brought up by your panel itself, we would like to get DOT to analyze how the program was working. With that, I am free to take any of your questions.

Mr. COSTELLO. The Chair thanks the gentleman.

The Subcommittee will stand in recess. We would ask the witnesses to return and we expect in 30 minutes, we would hope that you would be back here by 4:30. As soon as we can get back, we will hear Mr. Courtney's testimony and go into questions.

The Subcommittee stands in recess.

[Recess.]

Mr. COSTELLO. The Subcommittee will come to order.

At this time, the Chair recognizes Mr. Courtney under the five minute rule.

Mr. COURTNEY. Thank you very much, Chairman Costello.

My name is Mark Courtney. I am the Airport Director of Lynchburg Regional Airport. My testimony this afternoon will focus on the results and success of our first grant under the Small Community Air Service program back in 2002.

First of all, Lynchburg Regional Airport is a non-hub airport. We are also the primary commercial service airport serving central Virginia, with a population of just over 200,000. To give you an example, out of around 425 commercial service airports in the Country, we rank about 247 in terms of passengers. At the same time, we also consistently tend to rank about in the top 20 in terms of the highest airfares in the Country.

We applied for our first grant under the program in April of 2002 specifically to address problems and concerns that we had as a result of Lynchburg being so hard hit after service reductions after September 11th. Prior to September 11th, we had a total of three airlines, United, U.S. Airways and Delta. Prior to September 11th, we had a total of 19 daily departures. That plummeted down to a total of just 12 as a result of both service reductions by U.S. Airways as well as the complete elimination of all service by United Express. The result, of course, was that our daily departure seats, our capacity also plummeted, reaching a low of 305 daily departure seats by January of 2002.

Our traffic, of course, had an impact as well. We saw our traffic go down by as much as 40 percent and we bottomed out actually in 2003 at less than 100,000 passengers per year.

We also saw a tremendous increase in the number of our own local passengers using other airports. At the time, in September 2002, when we first went under grant, we were just handling a total of just four passengers out of ten in our service area, so just 41 percent we were capturing from our own service area, with the largest loss to Raleigh-Durham and Roanoke. Historically, we have been able to capture around 65 percent and 60 percent of our passengers. So that was a tremendous decline and loss of passengers.

A 2002 program, the proposal revolved around an upgrade in service to regional jets, with a minimum of three round trips per day. Of course, we wanted to see added seats to address the underserved market needs of the region, as well as an attempt to obtain some kind of a fare relief. We targeted the incumbent carriers in order to be able to keep our start-up costs as low as possible, and had the revenue guarantee go more towards their bottom line. We incorporated that public-private partnership with our local chamber of commerce, through formation of the air service development partnership.

We have relied upon a revenue guarantee methodology, we established through negotiation a revenue amount. And then we made up the difference. We have looked at it as one year in duration to be able to keep with the program to have quick results, and have proposed a $500,000 grant with a $100,000 local match. With the $500,000 earmarks in revenue guarantee and $100,000 for marketing and promotion, and that was the local portion.

We are one of 40 communities that were originally selected by DOT in June of 2002. We were awarded a grant in September of 2002. Then we went and made proposals to both U.S. Airways and Delta. Delta was the first to respond. We entered into an agreement with them in April of 2003. They announced the service actually, though, in March of 2003 and started up the new service in May of 2003, with three CRJ regional jet flights a day to Atlanta.

In terms of our passenger traffic results, we saw an immediate increase in the total number of passengers. However, we did not see such a related increase in terms of the load factor, the percentage of seats filled. So what we went to Delta with was the idea of having a sister city program in terms of pricing. We recognized that because of fare disparities with the nearby Roanoke Regional Airport, which is about an hour away, we were seeing discontinued leakage to Roanoke. We convinced Delta to offer comparable fares with Roanoke. They reluctantly agreed, but they did. Shortly thereafter we saw a jump in our load factors. Then by the fall, we were seeing load factors in the 70 percent range, which is excellent by any standards.

At the same time, we saw the market share increase. We had a better balance of service and more competitive forces at work.

Finally, you see in the middle there, we had a decrease in our fares with the sister city program. That of course stimulated additional passenger traffic. Then even toward the end of the program, even though fares started to go up, and again, these went up with Roanoke, they were co-rated, our passenger traffic held up relatively strongly, resulting in higher revenues and higher profit for the airline. So this is kind of the bottom line that we saw, and that we were below the target at the beginning of the program, we saw a return or comparable fares with Roanoke, we saw further stimulation because of fare competition, and then we saw revenues in excess of what had been targeted.

The keys to success for us, we started with a tremendously under-served market and we typically have been able to support 500 daily seats. We were down to 300. We started with a high yield revenue base which in essence was a high percentage of business travelers, which is very attractive to the airlines. We upgraded to jet service, which of course is very attractive to passengers and to air travelers. We lowered the air fares and obtained fare parity with Roanoke as a result of the sister city program, and then of course the local autonomy began to improve.

Since then, we saw traffic increase. It leveled off in 2006. Service levels and quality have remained relatively stable. However, fares have risen significantly. Local market demand is increased, but without additional capacity, we have seen fares go up substantially. Therefore, leakage has worsened, although revenues remain strong. We continue to be under-served and we are struggling to maintain what we have, even though we have much more potential.

As a result, we now have a new grant under the 2006 Small Community Air Service Development program, and that was awarded in September. We are trying to attract a third carrier, specifically United Express, back to Dulles. It has been a big challenge for us, but we are hopeful that we will eventually be successful with that.

With that, I would conclude my remarks. Thank you.

Mr. COSTELLO. We thank you, Mr. Courtney.

Let me ask you, in the private-public partnership, can you tell us what the chamber of commerce did for you?

Mr. COURTNEY. We have had a partnership with the chamber even pre-dating the actual grant program. But because we have a strong business community, we partnered with the chamber through their, by creation of an air service development partnership, that had as its members the largest users, business users, of the airport. What they did specifically for our grant was number one, they provided the local match. They individually provided matching funds to be able to make the grant possible.

Mr. COSTELLO. The chamber put up the local match?

Mr. COURTNEY. The businesses that made up the community, our partnership.

Mr. COSTELLO. They came up with the local share?

Mr. COURTNEY. That is correct.

Mr. COSTELLO. Okay. As far as a marketing program, other than the chamber going to the business community promoting this and the businesses putting up the local match, was there an advertising campaign?

Mr. COURTNEY. We instituted a multi-media advertising program that focused on TV, radio, print and billboard. We had a strong focus on of course, visually, with the improved service being jet service. Then once we had the fare parity, we were able to promote new lower fares. That was a key to getting the attention of our local air travel market.

Mr. COSTELLO. How was that funded?

Mr. COURTNEY. That was funded through the $100,000. But at the same time, we were able to augment that through a State grant program that the airport has available, so that we could maximize the amount of funds that were available when the opportunity was present.

Mr. COSTELLO. Very good. Ms. Malarkey, let me ask you, you state in your testimony that the DOT EAS restructuring proposal would severely cut or even eliminate the program altogether. I want you to elaborate on that if you will.

Ms. MALARKEY. As you know, for the past couple of years, we have seen the EAS program targeted for cuts by the Administration. It has been done in a variety of ways. It is either the community cost share match, which is, I don't think is still off the table, which would require communities to provide a portion of money that they may not have. We are talking about communities that are struggling to pay for essential services, trying to pay a significant amount of air service.

Also, the current proposal that is in the FAA reauthorization would set up this tiered system. So you start with Alaska and you go from there in the descending order of a nearby hub, you fund those communities until it runs out.

But the exigencies of this plan, first of all, you can't meaningfully fund this program at $50 million a year. Currently it is at $109 million, and that may or may not be enough this year. So we are talking in this Committee about halving it, you are more than halving it, you are cutting it by $59 million.

Secondly, there is no safety net for the new communities that come on. We think that essentially Congress made a promise to EAS communities during deregulation that they wouldn't lose their scheduled air service. We think that this forces Congress to go back on that promise and leave those new communities that are losing air service high and dry.

Also, it puts a cap on changing the routes and the frequency along routes of existing carriers. We have seen evidence, carriers have told me that any time you increase the frequency on a route, you increase the community's perception of reliability and you can increase ridership. That can bring the fares down. There were a couple of situations that I could provide to you where that actually led to some, now, of course, other factors weighed in. But there were some routes that became viable under those circumstances.

Mr. COSTELLO. Thank you. The Chair recognizes the Ranking Member, Mr. Petri.

Mr. PETRI. Thank you very much. I really just have one question for maybe each of you to address. That is, what would you think would be the single most important thing that we could do to help small regional airports in this reauthorization bill?

Ms. MALARKEY. I will take that first if I may.

The single most important thing that we need as carriers is to know that that service and the promise that we have made, the equipment commitments we have made, is going to continue. So we want full funding and consistent and stable funding for those programs. We don't want to feel that it would be subject to these cuts that get introduced and then rejected year in and year out.

Secondly, we want the funding of that Section 402. This becomes more and more important, as I mentioned, with fuel costs at $60 a barrel and climbing. The Federal Reserve Chairman said that he would not be shocked to see them at $3 a gallon by this year. So with that in mind, not having an ability to make real-time rate adjustments is really a significant hindrance for carriers that are operating the service.

Mr. EDWARDS. Mr. Petri, I don't know that there is just one solution here. I think it is a combination of options, which include the EAS program as we discussed and having it fully funded, a fully funded Small Community Air Service Development program, a fully and well funded AIP program and an increase in the PFC. I think if small airports are going to continue to be able to serve their communities, we need all of these programs to assist us to be successful.

Mr. GRIERSON. I really have to echo those same comments. Probably the single most important thing from my perspective, since we are not an EAS airport, I would say, support the Small Community Air Service program. But beyond that scope, you really have to look at the overall AIP system, how it is structured, how it is allocated, why are large airports getting such a disproportionate share of AIP funding, when all the smaller airports traditionally have had to scramble for everything they can get.

Keeping the 95-5 split has been very helpful for these smaller airports to be able to come up with that local match. Back when it was a 25-75 split, a lot of that money just was left untaken. So to me, having an affordable, implementable funding mechanism,

NAIP, I think is probably the single most crucial thing that we could have.

Mr. COURTNEY. For me, one of the things that we have noticed in terms of the Small Community Air Service Development Program is of course the fact that there is insufficient funding. But there is so much competition under that program, because it is so broad. Clearly, there are some essential air service airports that may or may not be well suited for this type of program.

Some of the larger airports, certainly small hubs, have the wherewithal, the financial wherewithal to be able to implement and come up with the funding and resources to be able to fund these kinds of things themselves. There is kind of a range of non-hub airports that have viable markets like ours, however, they cannot get the attention of the airlines and need increasing grant funds to be able to get us over the hump when it comes to getting the initial service back, because we have a record of success of keeping the service and supporting the service once we have it.

So I have indicated that I think it needs to be a little tighter.

Mr. COSTELLO. Thank you. The Chair recognizes Mr. Braley.

Mr. BRALEY. Thank you.

Mr. Grierson, can you talk a little bit about the links that you see between increased access to air service, such as that afforded through the Small Community Air program an the overall economic viability of the surrounding community, like Dubuque, Iowa?

Mr. GRIERSON. Certainly, Mr. Braley. Here is what it really comes down to for Dubuque and I am sure many other airports as well. If you don't have a major highway going right through your community, you are very limited as to how you can get people to your business, how you can get them to your State, to your area. Dubuque is right on the Mississippi. We get river traffic, but that is only good during the summer. So if you are going to get to Dubuque, you are either going to drive or you are going to fly.

The reality of it is, we have two-lane roads coming from Chicago out to Dubuque. Not very good for transporting goods and materials. We have John Deere as a major manufacturer and employer in the community. We also have headquarters of McGraw-Hill as well as many other major corporations located in our town. Air service is critical. The old saying is, if you can't get there, you can't do business. And that is really the case for Dubuque.

Mr. BRALEY. Some people have claimed that the Small Community Air Program is not working as well as expected. But the story you shared today of Dubuque is one of successes as a direct results of this program. Do you have any thoughts on why some other communities have trouble fully utilizing the program and any advice for them?

Mr. GRIERSON. This is where I think having a report from the DOT where they could publish the results of what has worked and what hasn't. Five years ago, it was very common for people to recommend a travel bank. Meetings that I had with American Airlines two months ago, they said, we don't want a travel bank. Some communities have undertaken efforts now to procure ground support equipment and to even have airport employees providing ticketing and baggage handling services and representing an airline. Amer-

ican said they don't want to have that liability placed on the airport.

So what is working one day is not necessarily working the other. But I would really like to see a report come from the FAA to show what has worked. In our case, the fuel purchase really worked. And the marketing, I think, is always going to be a constant.

Mr. BRALEY. You mentioned some recommendations in your testimony for the reauthorization. Can you tells how some of those recommendations are likely to increase the success rate of the Small Community Air Program?

Mr. GRIERSON. Some of the key areas of my six recommendations, number two, don't restrict marketing to only one grant. We may seek multiple grants to solicit multiple carriers. Some airports may take several years in negotiating with a single carrier.

You are penalized for your success. In our case we were able to market with $300,000 of the grant fund. Because we used those funds, we can never solicit a grant again for marketing. Well, if you are not going to market, how else are you going to bring in a carrier? You are being penalized for your own success in this case. So I think removing that restriction, recognizing that I may be going after American one day and United the next, and it may take me several years to get through a full negotiation process. So I think that is critical to allow us the flexibility to go after multiple carries over a time line.

Mr. BRALEY. Thank you.

Ms. Malarkey, in your testimony you mentioned recent DOT initiatives to solicit ideas on EAS reform. Can you tell us some of the ideas that you have heard from your members that would be relevant to making that a greater success?

Ms. MALARKEY. Yes. Our members, the things that we have outlined here in our testimony, of course, are paramount. One is the funding, two is the fuel cost adjustment that I have already detailed. Three is the extension of the DOT rates. We talked a little bit today about the difficulty of financing aircraft, more and more are being sold overseas.

So a significant barrier for new entrants and the kind of competition that would enhance the program is the inability to finance markets for these short-term periods. So we have asked that DOT consider a longer rate structure, four or five years, perhaps. Of course, it would be important under this rate structure for that Section 402 to be implemented, so the carriers could come in and get a cost adjustment.

Some of the other things that we have looked at are distance criteria and understanding that what is a reasonable distance in the east may not be a reasonable distance in mountainous terrain and other things like that. They tend to get parochial between the members. But those are the main issues that our members are discussing.

Mr. BRALEY. Thank you, Mr. Chairman. I yield back the balance of my time.

Mr. COSTELLO. I thank the gentleman, and the Chair thanks all of our witnesses here today. We appreciate your thoughtful testimony and want you to know, as we move forward to the reauthorization, that we will keep your testimony in mind.

With that, the Subcommittee stands adjourned. Thank you.
[Whereupon, at 4:55 p.m., the subcommittee was adjourned.]

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April 25, 2007

Rep. Bruce Braley
Opening Statement
Subcommittee on Aviation Hearing: *Essential Air Service Program/Small Community Air Service Development Program*

Thank you Mr. Chairman, and thank you for holding this hearing on the Essential Air Service Program and the Small Community Air Service Development Program. I hope to hear today how these two programs can continue to assist small and rural airports.

My home state of Iowa has benefited tremendously from both of these programs, thanks to coordination between the airports, airlines, communities, and federal government. The Small Community Air Program has been of particular benefit, and has allowed Iowa air passengers greater prices and flexibility in their airfare.

I believe the Small Community Air Program is essential to ensuring that small and rural communities have access to our nation's air transportation network. As air travel suffered in the wake of the attacks on September 11th, small and rural airports felt a tremendous impact. When airline costs go up and enplanement goes down, the airlines narrow their focus on urban areas. While I understand the business principles behind these practices, I also understand that there are a lot of families and businesspeople in Iowa who need convenient access to air travel. The Small Community Air Program is a way to remedy this problem, by incentivizing air service to small communities.

I strongly oppose the Administration's request as it relates to the Small Community Air Program. I feel that this Program is highly valuable to America's heartland, and I support reauthorization of the Program. The economic survival of

many small communities depends on access to air travel, and this access to air travel depends on the viability of the Small Community Air Program.

I have invited a resident of Dubuque, Iowa to share with us his success story with the Small Community Air Program. Mr. Bob Grierson, Airport Manager at Dubuque Regional Airport, has seen firsthand how this Program provides a direct benefit to communities. I look forward to his testimony, and I thank him and the rest of the witnesses for testifying today.

Thank you Mr. Chairman.

STATEMENT OF THE
THE HONORABLE JERRY F. COSTELLO
SUBCOMMITTEE ON AVIATION
HEARING ON
ESSENTIAL AIR SERVICE AND SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM
APRIL 25, 2007

- I welcome everyone to our subcommittee hearing on essential air service (EAS) and the small community air service development program (SCASD).

- As a longtime supporter of these programs, I believe that connecting small communities to the national air transportation system is vitally important for the local communities and should continue to be a national interest.

- EAS was created in 1978 as part of the Airline Deregulation Act. It was designed to ensure that small communities did not lose their air service.

- The EAS program was to last for only ten years; however, it was renewed for another ten years in 1987 and was made permanent in 1996.

- There is widespread support in Congress for this program and for attempting to obtain more service to smaller communities. It is important that people who live in small communities have access to the national air transportation system and EAS ensures this by keeping the cost of rural air service from becoming prohibitive to the consumer.

- I was disappointed in the Administration's FY 2008 budget which provided only $50 million for the EAS program - $77 million less than authorized by Congress and almost $60 million less than provided in the FY 2007 continuing resolution. As a result of this proposed dramatic cut, almost

half of the 145 communities that receive EAS funding would be dropped from the program, including Williamson County Airport in my congressional district.

- In its FAA Reauthorization proposal, the Administration also proposes to freeze the program at the status quo and limit EAS funding to $50 million per year – which is insufficient to meet current needs.

- I strongly oppose freezing the program or limiting funding to $50 million per year. Small towns and rural areas rely on reliable air transportation to attract and retain businesses. Limiting essential air service will effectively cut many of these communities off from our air transportation network and I cannot and will not support chipping away at important rural air transportation service.

- In previous subcommittee hearings, some have suggested adjusting the $200 per passenger subsidy cap to account for inflation since it has not been adjusted since the cap was established in 1989. I am interested in hearing from GAO and our other witnesses on this issue.

- Another program of importance to small and rural communities is the small community air service development program.

- While this program is less than 10 years old, it has been very well received by small communities, and demand for funding has far exceeded funds available for the program.

- From my experience with the program, it focuses efforts on improvements at individual airports by allocating resources directly to those who are most familiar with their needs – the local communities. It is my understanding that GAO's review of the program found that results have been mixed. I am interested in hearing from our witnesses on further ways of improving and maximizing benefits from the program.

- Rural airports are an economic lifeline for small communities, encouraging business investment and creating opportunities for economic growth in the communities they serve. We must continue our commitment to the EAS and the SCASD programs.

- With that, I want to again welcome our witnesses today and I look forward to their testimony.

- Before I recognize Mr. Petri for his opening statement, I ask unanimous consent to allow 2 weeks for all Members to revise and extend their remarks and to permit the submission of additional statements and materials by Members and witnesses. Without objection, so ordered.

Hearing
Essential Air Service and Small Community Air Service Development Programs
Subcommittee on Aviation
Remarks by Congressman Howard Coble
April 25, 2007

Thank you, Mr. Chairman for conducting this hearing. I have a keen interest in the Small Community Air Service Development Program as the Moore County Airport, located in my congressional district, successfully utilized the program. As a result of this grant, the Moore County Airport Authority was able to attract and maintain commercial air service for the Pinehurst/Southern Pines area on a seasonal basis. This service is vital to regional business interests and tourism-related industries located in Moore County.

I would like to briefly address some obstacles encountered by the Moore County Airport Authority in bringing the goal of commercial air service to fruition. As final preparations were being made for launch of service, the Moore County Airport was notified by the Transportation Security Administration that federal screeners would not be provided for the daily commercial flight. As a result, we had one agency, FAA, awarding dollars that were successfully utilized for their intended purpose, but another agency, TSA, was attempting to bar this investment from reaching its goal.

I appreciate the willingness of TSA to work with my office and subcommittee staff to resolve these concerns so that commercial air service was not jeopardized. I am also grateful that TSA has now federalized the screeners for Moore County Airport, ensuring that air carriers can continue to provide service to Pinehurst.

I bring this matter to the attention of my colleagues with the hope that similar circumstances can be avoided in the future. I thank the Chairman and Ranking Member for organizing this hearing and their interest in the Moore County Airport.

T&I Subcommittee on Aviation
Essential Air Service Program - Small Community Air Service Development Program
Statement of Congresswoman Doris Matsui
April 25, 2007

Thank you Chairman Costello and Ranking Member Petri for continuing this comprehensive series of hearings as we approach FAA reauthorization. And thank you to today's witnesses for providing testimony. In particular, I am glad to see my good friend Mike Thompson testifying here two weeks in a row.

The matter at the core of today's hearing is the value of air service to small communities. The Essential Air Service and Small Community Air Service Development programs target locations where it is not economically feasible for airlines to offer commercial service without subsidies.

If you live in one of the communities that benefit from these programs, I imagine you feel strongly about them. And I know many members have such communities in their district. But there is also some value to all of our constituents in having a commercial aviation system that allows them to get wherever they might want to go.

You never know what city or town your work or family obligations might bring you to. So, at some point, all of us—even those with major commercial airports near our homes—may benefit from having a system that extends to locations that airlines would not serve in the absence of these programs.

However, there is a cost associated with having such a system. And as everyone knows, this FAA reauthorization process, and this Congress generally, face tough budgetary constraints. So this hearing will be valuable in weighing the benefits of having air service to small communities against the cost of making that a reality. I hope that this reauthorization process will produce a policy that balances the needs of all our constituents in a fiscally responsible manner.

Thank you again to the witnesses for taking the time to be with us today and for providing testimony.

1

Statement of Rep. Harry Mitchell
House Transportation and Infrastructure Committee
Subcommittee on Aviation
4/25/07

--Thank you Mr. Chairman.

--Essential Air Service is critical to geographically large states like Arizona.

--The Administration is proposing steep cuts, which could cause literally half of the 145 communities who depend on the Essential Air Service Program to be dropped from it.

2

--For Arizona, this means cities like Kingman, Prescott, Page and Show Low could lose service entirely.

--I hope we can find a way to keep essential air service across Arizona, and across America.

--I yield back the balance of my time.

STATEMENT OF THE
THE HONORABLE JAMES L. OBERSTAR
SUBCOMMITTEE ON AVIATION
HEARING ON
ESSENTIAL AIR SERVICE AND SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM
APRIL 25, 2007

- In 1978, my 2nd term in Congress, I had to cast one of the most important votes of my career. The issue was airline deregulation. It was a difficult decision, and the Essential Air Service Program was an important reason why I ultimately felt able to vote in favor of deregulation.

- I believed that protecting small communities from losing air service was an absolute imperative. Air service provides a vital link that allows these communities to continue to participate in the Nation's economic growth. Indeed, without aviation, there are some towns in my district where the only way to get there is to be born there.

- We knew what would happen with deregulation -- air service to small communities would diminish as the airlines would shift service to more profitable routes serving more densely populated areas. And that is exactly what happened. Many small towns would not have air service today if we had not included the essential air service provision in the 1978 Deregulation

Act. And, while the original 1978 Act would have sunset the program after 10 years, it was later found that these small communities were still in need of Federal aid to ensure adequate air service, and the program has been continued.

- EAS was part of the deal that was made at the time of airline deregulation, and that deal still exists today.

- I have been a long-time supporter of the EAS program. Two decades ago, I, along with Congressman Hammerschmidt, the Ranking Member of the Full Committee, led an effort to extend the program for an additional 10 years in the 1987 Airport and Airway Safety and Capacity Expansion Act. In addition, the 1987 Act upgraded the level of service deemed to be essential from two flights a day, 5 times a week, with any size aircraft to two flights a day, 6 days a week, with 15 seat or larger aircraft.

- In the 1996 FAA Reauthorization Act, we continued to ensure that the EAS program was well funded by establishing a dedicated funding stream of $50 million per year. In addition, in recognition of the continuing need

for the EAS program, the 1996 Reauthorization Act abolished the sunset provision, thereby making the EAS program permanent.

- In the Aviation Investment and Reform Act for the 21st Century (AIR 21), we again restated our commitment to the EAS program by authorizing an additional $15 million to be appropriated and by prohibiting any reductions in EAS flight levels.

- In the Vision 100 - Century of Aviation Reauthorization Act (Vision 100), we further increased the authorized funding level for the program, to a total of $127 million per year. In contrast, the current Administration has repeatedly proposed to cut funding for EAS. I am dismayed by the Administration's current proposal to reduce EAS funding by more than half, from $110 million in fiscal year 2007 to $50 million in fiscal year 2008. Under this proposal, approximately one-half of the 145 communities that currently receive EAS funding would be dropped from the program. This proposal clearly does not meet the needs of our small communities, and should be rejected.

- In addition to the EAS program, another program that seeks to help small communities attract, retain, and improve air service is the Small Community Air Service Development Program. The Small Community Program was established in AIR 21 to make grants to communities that have demonstrated air service deficiencies. The grants are provided on a one-time basis, and are meant to create self-sustaining air service improvements. According to the Government Accountability Office's 2005 review of the program, initial results have been mixed, with only about half of the projects resulting in self-sustaining air service improvements.

- Several of our witnesses here today have experience with Small Community Air Service Development grants, and I look forward to hearing how the program has worked in their communities.

- Although airline deregulation has brought better service at lower prices to many areas of the country, small communities continue to struggle to attract and retain air service in a deregulated environment. In my view, the relatively minor amount spent on the Essential Air Service Program and the Small Community Air Service Development Program is a small price to pay to ensure that communities maintain a vital link to our nation's air

transportation system. In light of the continuing difficulties experienced by small communities in this area, I am interested in discussing ways to strengthen these programs, and to help them operate more effectively.

- I want to thank Chairman Costello and Ranking Member Petri for holding this very important hearing. I look forward to hearing today's testimony.

Opening Statement
Congressman John T. Salazar
T&I Aviation Subcommittee Hearing
Essential Air Service and Small Community Air Service Development Programs
April 25, 2007

Thank you, Mr. Chairman, and I'd like to thank all of the panelists for being here today.

Mr. Chairman, you and I have had many conversations about the importance of the Essential Air Service (EAS) program for our constituents.

As I've mentioned before, I am personally invested in seeing EAS continue providing much needed services to rural airports.

There are 3 EAS airports in Colorado.

All 3 airports are in my district.

I fly in and out of one such airport, in Alamosa, bi-weekly.

Without the EAS program's assistance to that airport, it would be very difficult to get back and forth to Washington, D.C.

I think the name of the program is very accurate—this service IS essential. It's essential to the rural communities around the country.

The majority of the EAS markets are located in the middle third of the country.

EAS service accounts for over 50% of total system-wide flights for six carriers—including Great Lakes Airlines, a major carrier in my district.

Denver is the largest destination for scheduled EAS flights with 357 weekly single-plane arrivals.

In 1990, the US-DOT established the $200 per passenger subsidy cap.

That was when jet fuel was about $0.77 per gallon.

Jet fuel costs have since risen to about $3.79 per gallon and yet the cap has not been increased.

Section 402 of the Essential Air Service Program would allow the DOT to increase the subsidy cap to compensate for inflation and the increase in fuel costs.

I think we all agree that airline deregulation has provided better service at lower prices to the majority of communities around this country.

However, many small communities constantly struggle to obtain and retain commercial air passenger service.

My small communities often lack the population base and economic activity to generate the passenger traffic necessary to make air service consistently profitable.

Cortez, Alamosa, Pueblo—and their surrounding areas—would all struggle if they lost vital financial assistance for their airports.

Many of my constituents travel great distances and over mountainous terrain—where weather often plays a factor—and air travel is really their only means of transportation.

The Administration's proposal to slash funding for this critical program essentially closes the door on our country's small, rural communities.

Does the Administration realize this?

I can't stress how important this program is to my constituents.

Folks back home know that I will do everything in my power to ensure it remains adequately funded and maintained.

I look forward to the testimony today and again, I thank the panel members for being here.

Thank you.

Statement of Mark F. Courtney, A.A.E.
Airport Director
Lynchburg Regional Airport
Lynchburg, Virginia
Before the
House Transportation and Infrastructure Subcommittee on Aviation
Regarding the
Small Community Air Service Development Program
April 25, 2007

Chairman Costello, Ranking Member Petri and members of the House Transportation and Infrastructure Subcommittee on Aviation, on behalf of the City of Lynchburg and the Lynchburg Regional Airport Commission, I would like to thank you for your invitation to appear before your subcommittee to speak on the topic of the Small Community Air Service Development Program. Lynchburg Regional Airport (LYH) has had the opportunity to participate in this program through two separate grants, and today I would like to focus on our experiences and the success of our first grant under this program in 2002.

Background

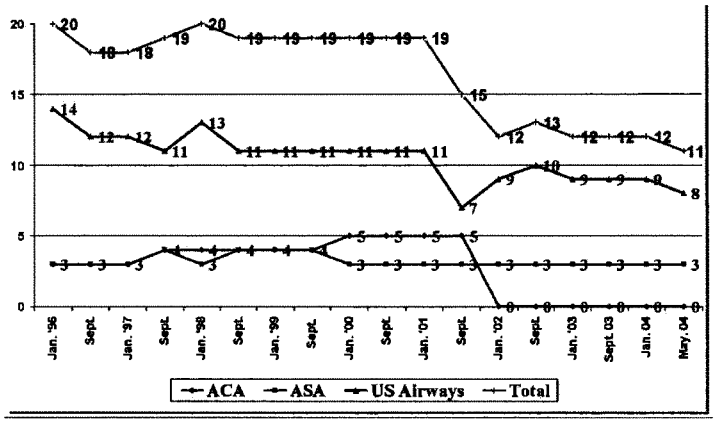
Lynchburg Regional Airport (LYH) is classified as a non-hub airport and is the primary commercial service airport serving a four-county area in central Virginia surrounding Lynchburg, Virginia. With a service area population of 221,000, LYH is currently served by the regional affiliates of two airlines, Delta and US Airways, and today offers a total of seven daily departures to airline hubs in Atlanta and Charlotte.

Lynchburg Regional Airport, like many similar-sized airports, was particularly hard hit by the events September 11, 2001. Prior to September 11, LYH enjoyed daily scheduled airline service by three airlines (Delta, United and US Airways) with a total of 19 daily departures to four different major hub airports. Lynchburg's total passenger traffic during a ten-year period preceding September 11 averaged approximate 180,000 passengers annually, with the local market easily supporting daily airline seat capacity in the 500-seat range.

In the immediate days following September 11, LYH, like most airports throughout the country, experienced a dramatic decline in passenger demand. Then, in the fall of 2001, United Express carrier Atlantic Coast Airlines, one of our three airlines, announced that it would be withdrawing all service from LYH and close its station. But, unlike many larger airports, LYH suffered a disproportionate reduction in airline service and seat capacity as flight schedules were reduced.

When the dust settled, LYH was left with just 12 scheduled airline departures daily, down from 19, while suffering a crippling 38% loss of daily seat capacity compared to September 2000. As a result, by the end of CY 2002, Lynchburg's total passenger traffic had dropped 38% from 2000, the last full year before September 11.

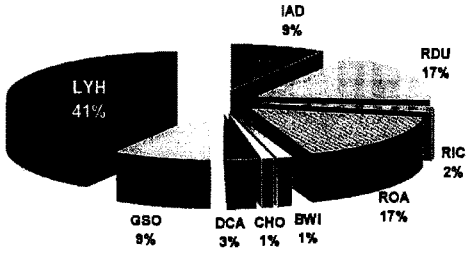
1996 – 2004 Daily Departures



Air Travelers' Turn to Other Airports

As air travel demand began to recover from the immediate impacts of September 11, in 2002 LYH faced a situation whereby seat capacity and flight frequency was unable to accommodate local air travel demand. The result was an increase in the number of local air travelers who opted to drive to other near-by airports to accommodate their travel needs. In fact, in 2002 LYH went from historical market capture rates (percentage of our own passengers we attract) in the 65% range to just 41%. Nearly six out of 10 of our local air travelers were driving to other airports for their flying needs.

Passenger Ticket Lift Survey September 2002



LYH and the 2002 SCASD Pilot Program

When Congress made funding available in 2002 for the previously-authorized Small Community Air Service Development Program (SCASDP), a significant opportunity was created for LYH and other similar-sized airports. With the airlines showing little interest in expanding service at smaller airports, the possibility of obtaining federal grants under this program was immediately recognized as a way for LYH to successfully attract the interest of airlines through the added benefit of incentives.

Consequently, in April 2002 the City of Lynchburg, on behalf of LYH, submitted a comprehensive proposal to the U.S. Department of Transportation for a $500,000 SCASDP grant to recapture some of our lost airline service. Major elements of the proposal were:

- To upgrade existing airline service from turbo-prop to regional jet aircraft with a minimum frequency of three roundtrips per day;
- To add seat capacity to address underserved market needs;
- To attempt to obtain fare relief in order to re-capture passenger traffic lost to other airports;
- To limit the program to incumbent carriers only in order to make the upgrades as low cost to the airlines as possible (i.e. eliminates station start-up costs);
- To integrate into the program the assistance of a local public/private partnership. In cooperation with the Lynchburg Chamber of Commerce, the "Air Service Development Partnership" would be utilized to solicit financial matching funds and build business community support of the effort.

Use of a Revenue Guarantee - The proposed program mainly relied upon a "revenue guarantee" methodology as its core financial incentive to the targeted airlines, and featured the following:

- A one-year duration to provide quick results and be consistent with the intent of the SCASD program;
- The $500,000 SCASDP grant would be earmarked for the revenue guarantee, with an additional $100,000 in local (non-airport) matching funds to be used to market and promote the upgraded service;

Grant Award and Negotiations

In June of 2002, Lynchburg was one of 40 communities that were selected as part of the first year's pilot program. Lynchburg subsequently went under grant in September of 2002, and immediately began to implement our program.

Proposals were made to both Delta Airlines and US Airways during that fall, with Delta committing to participate in the program by upgrading to three Canadair Regional Jets (CRJs) in December 2002. Delta announced the new CRJ service in March 2003, a formal agreement was signed by all parties and approved by the DOT in April. The new service then began May 4, 2003 for a one-year period under a revenue guarantee arrangement.

Revenue Guarantee Structure – The revenue guarantee was designed to provide a revenue offset to the airline in order to compensate it for loses normally incurred during the market development period. Due to the pent-up demand that was present at LYH, the $500,000 in revenue guarantees to the airline was expected to be necessary for only a one-year period, after which the CRJ service would be expected to be profitable on a sustaining basis.

Marketing & Promotion Elements – The marketing and advertising components featured a multi-media approach that was funded with $100,000 that was provided by the local Air Service Development Partnership and area businesses. The media mix was balanced, incorporating television at 36%; radio at 27%; billboards at 20%; and print at 14%. The media message focused on creating a strong visual image of the new jet service through extensive photos of the CRJ, and initially utilized the slogan "Lynchburg's Joined the Jet Set."

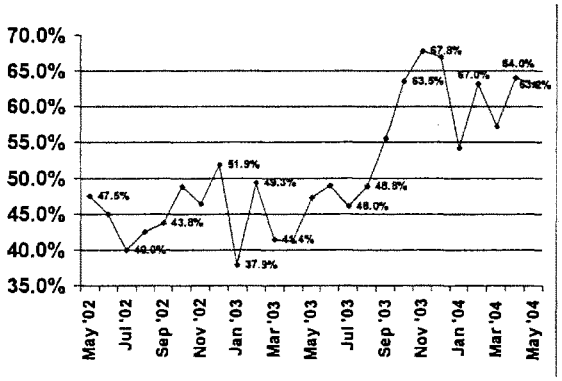
Airfare Element – While the initial agreement with Delta did not include specific references to any adjustment in existing Delta airfares at LYH, after the first two months of the upgraded service it was recognized that passengers load factors were not increasing as expected. Consequently, during discussions with Delta planning officials over the summer of 2003, airport officials contended that the primary reason for this lack of growth was due to Delta's published fare disparities between Lynchburg and near-by Roanoke (60 miles away). As a result, Delta agreed to introduce a "sister city" fare pricing program with Roanoke, which in essence made Lynchburg's and Roanoke's published fares the same. In conjunction with this, the airport also introduced a new slogan for the upgraded service, "Check Lynchburg First," to encourage those air travelers who were previously driving to Roanoke to check Lynchburg's new competitive airfares.

The Results

Following the introduction of a new, more competitive pricing structure, Delta's passenger load factors at LYH almost immediately began to improve, jumping from 49% in August 2003 to nearly 64% by October. Even more encouraging, Delta's passenger

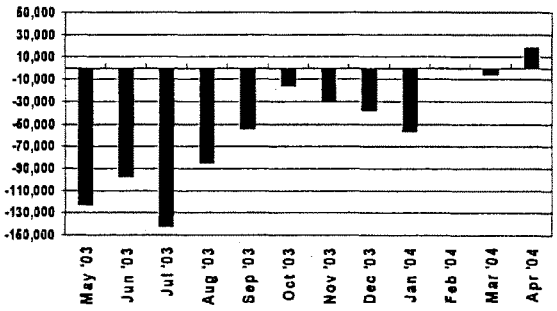
revenues actually went up under the new pricing structure, despite the slight decrease in airfares. Overall, Delta's passenger traffic went from 2,111 total passengers in April 2002, the month before the new CRJ service started, to 4,735 by October 2003.

Delta Load Factor Statistics



By the winter of 2004, it was evident that the new service was a complete success, and that it was exceeding expectations. In fact, under the formula for the revenue guarantee, in February 2004 total revenues actually exceeded the target under the agreement for the first time. By April, we were exceeded the revenue target by approximately $20,000 and received confirmation from Delta officials that they deemed the program a success and would be continuing the service after it expired in May 2004.

Delta Revenue Guarantee/Target Revenue Comparison 2003-2004



Keys to Success for Lynchburg

Without a doubt, there were many interrelated components of Lynchburg's market environment that helped to make this initial program a success. In many ways, it was almost a textbook case of applying a Quality Service Index (QSI) formula to evaluate air service. By far the most important, however, was simply the fact that our region was left so underserved by the airlines after the dramatic reductions in the aftermath of September 11. Further contributing to that pent-up demand was the fact that we also had the advantage of starting with a high yield revenue base made possible by stable business travel demand. Other contributing factors included:

- The new CRJ service represented the return of jet service to LYH for the first time in over 10 years;
- The introduction of airfare pricing parity with near-by Roanoke Regional Airport was a key ingredient to re-capturing lost local traffic back to LYH, and gave us a strong advertising angle to target those lost passengers; and,
- An improving local economic environment further contributed to the growth of passenger traffic and an even stronger increase in airline revenues due to increased business travel demand.

Current Developments

Although Lynchburg's 2002 SCASD program grant was by all accounts a complete success, LYH has nonetheless been somewhat of a victim of that success.

While passenger traffic continued to record healthy increases in 2004 and 2005, passenger growth began to level off in 2006, resulting in a slight decline for the full calendar year. Today, air service frequency has declined slightly to just seven daily departures, although the size the aircraft has increased resulting in relatively stable, if not stagnant, seat capacity.

By far, the biggest frustration we face today is the abandonment of the "sister city" program by Delta since June of last year. Although mostly a response to fare increases instituted by US Airways over a year and a half ago, increasing business passenger demand in our local market enabled both carriers to begin raising leisure fares, culminating in average $60 leisure fare disparity with Roanoke. Consequently, we have seen our leakage to Roanoke increase significantly in recent months, while struggling to maintain passenger levels despite strong revenue performance by the airlines.

To help interject competition into our market, as well as to obtain nonstop service to a northern connecting hub since losing Washington Dulles and Pittsburgh service, in April 2006 the City of Lynchburg submitted a proposal to the U.S. DOT for another SCASDP

grant for $250,000. Structured similarly to our 2002 grant, this proposal was for a revenue offset to be used primarily to attract service to Washington Dulles as a northern connecting hub. In September 2006, LYH was selected to receive a grant for that year, and since then have been pursuing a United Express carrier without success.

Today, the airline environment and industry economics continue to make quality, competitively priced airline service allusive for small commercial service airports like LYH. Despite the availability of grants under the SCASDP, however, attracting the attention of airlines to serve our smaller airports has become even more challenging.

Conclusion

When looked at in the context of five years ago, it is clear that for LYH this program was a complete success. The program was instituted at a very opportune time for our airport, and the timing for execution of our proposal was perfect. At the time of the grant offer, the airport was significantly underserved, which was compounded by inordinately high airfares.

The implementation of a revenue guarantee program was exactly the best way to address our particular program at the time in that it provided compensation to the airline during the critical market development phase of new service introduction. The result was a steady decrease in revenue guarantee payments to the airline, culminating at the end of the program in revenues that exceeded goals.

Clearly, for situations like those faced by LYH, this program was highly effective and an excellent use of tax dollars. I would encourage Congress to continue programs such as this that have a record of success, and to focus on those airports that have the greatest needs in this area (non-hubs), but among those only airports with the greatest chance of success.

U.S. House of Representatives

Committee on Transportation and Infrastructure's
Subcommittee on Aviation

2002 Small Community Air Service Development Program

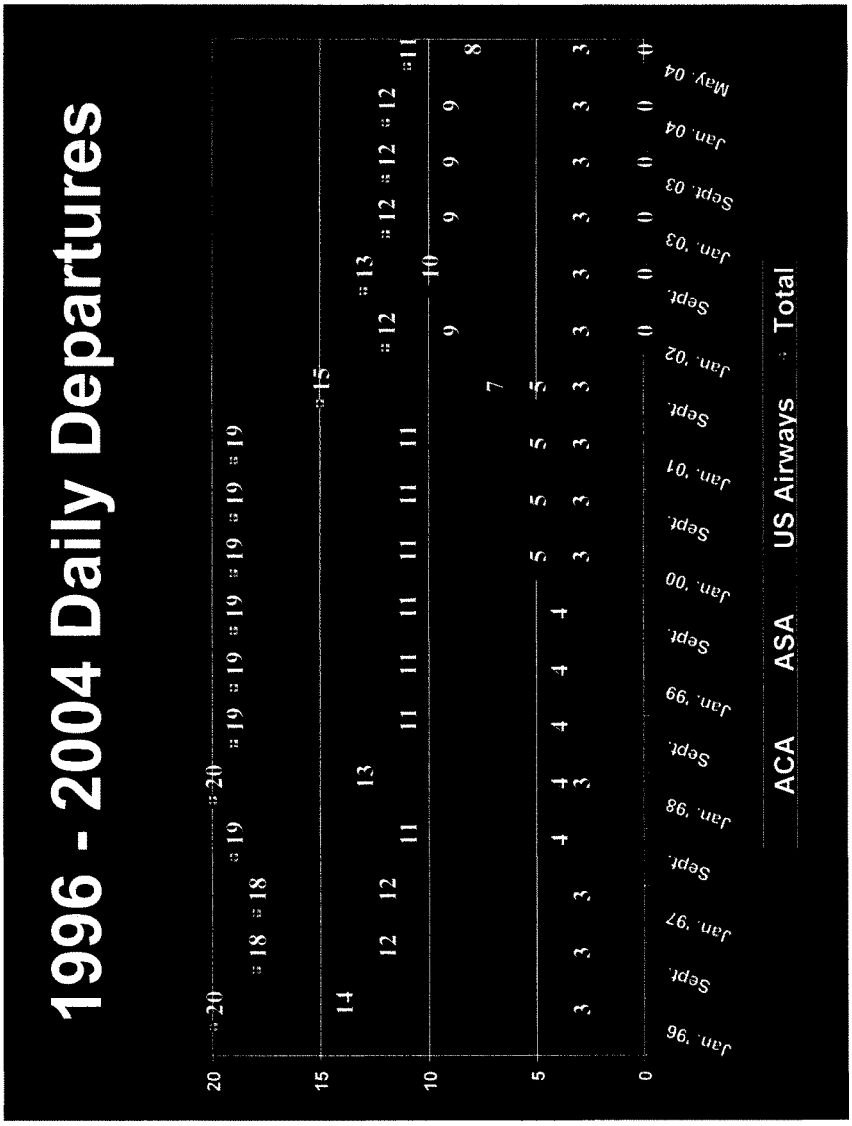
April 25, 2007

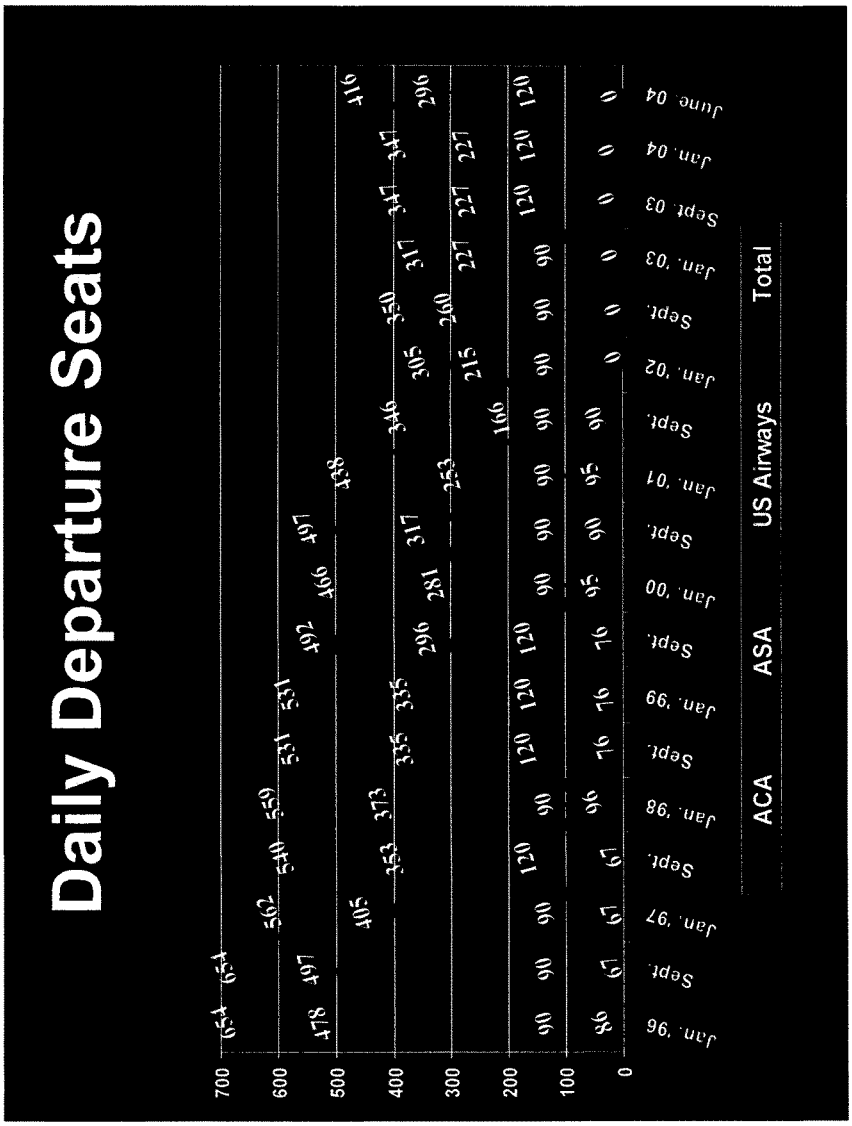
Presented by: Mark F. Courtney, A.A.E.
Airport Director
Lynchburg Regional Airport
Lynchburg, Virginia

2002 Small Community Air Service Development Program
Success Story of Lynchburg Regional Airport (LYH)

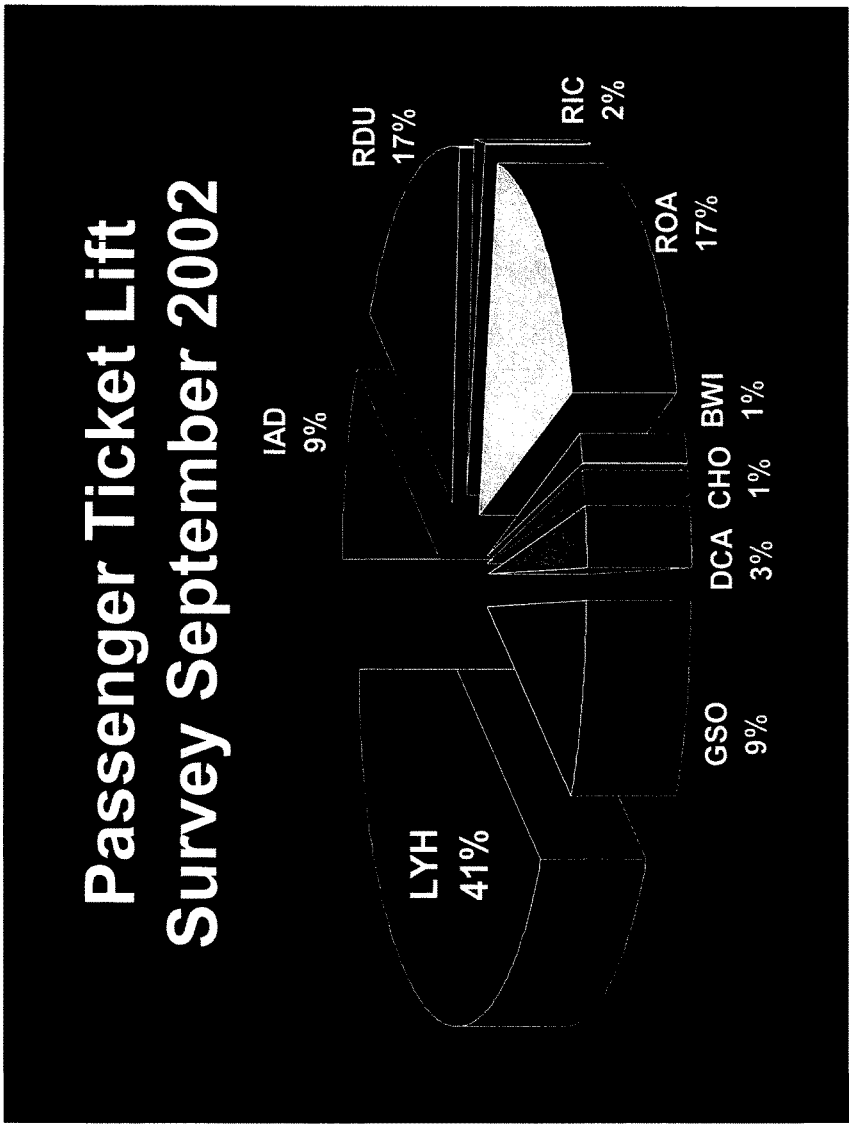
Overview

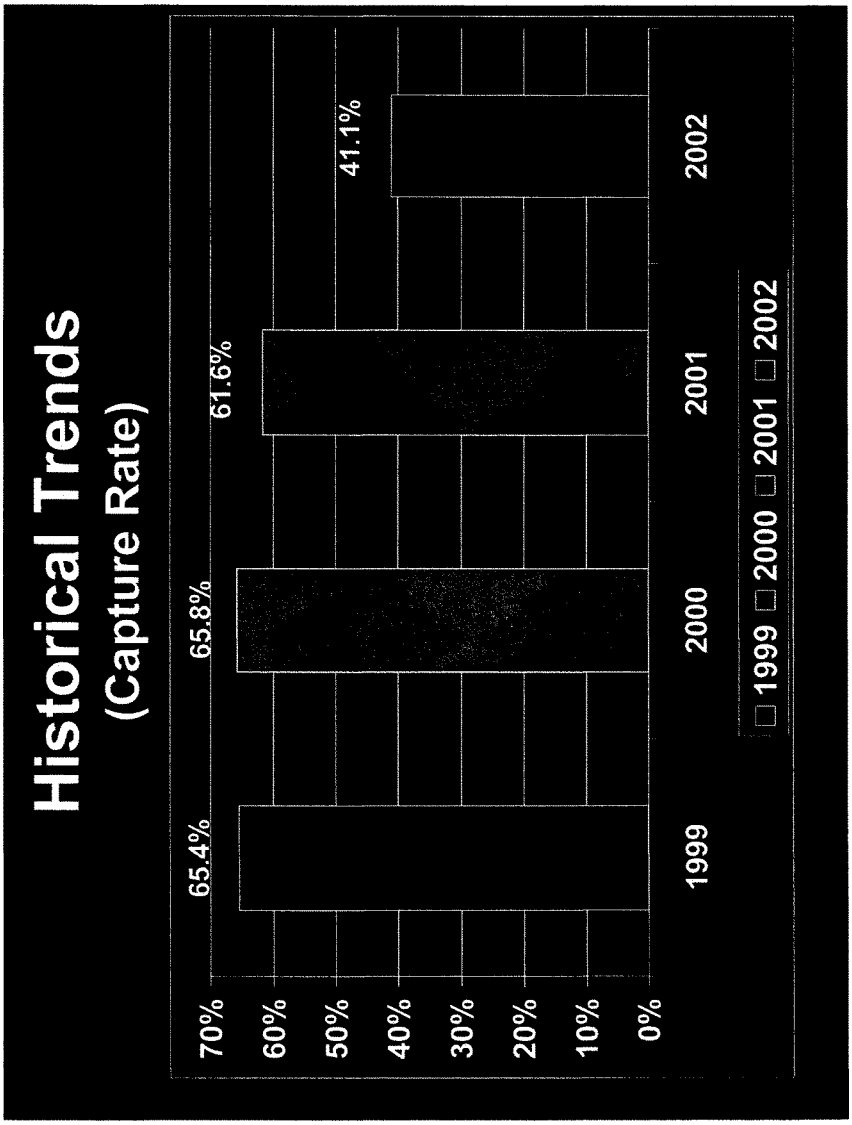
- LYH non-hub, primary commercial airport serving central Virginia with population of 221,000
- LYH applied for SCASDP grant in April 2002
- Designed to address LYH being hard hit by service reductions after 9/11
- Prior to 9/11 served by three airlines


1996 - 2004 Daily Departures
ACA
ASA
US Airways
Total
Jan. '96
Sept.
Jan. '97
Sept.
Jan. '98
Sept.
Jan. '99
Sept.
Jan. '00
Sept.
Jan. '01
Sept.
Jan. '02
Sept.
Jan. '03
Sept. 03
Jan. 04
May. 04


Daily Departure Seats
700
600
500
400
300
200
100
0
Jan. '96
Sept.
Jan. '97
Sept.
Jan. '98
Sept.
Jan. '99
Sept.
Jan. '00
Sept.
Jan. '01
Sept.
Jan. '02
Sept.
Jan. '03
Sept. 03
Jan. 04
June 04
ACA
ASA
US Airways
Total

Lynchburg Regional Airport
Total Passenger Traffic
250,000
230,000
210,000
190,000
170,000
150,000
130,000
110,000
90,000
70,000
50,000
183,089
175,818
185,793
184,574
196,361
182,988
178,505
183,671
176,438
182,657
171,600
127,590
100,274
95,932
120,174
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004


Passenger Ticket Lift
Survey September 2002
LYH
41%
GSO
9%
IAD
9%
RDU
17%
RIC
2%
ROA
17%
DCA
3%
CHO
1%
BWI
1%


Historical Trends
(Capture Rate)
70%
60%
50%
40%
30%
20%
10%
0%
65.4%
65.8%
61.6%
41.1%
1999
2000
2001
2002
1999 2000 2001 2002

FY 2002 SCASD Program Proposal

Proposal Elements

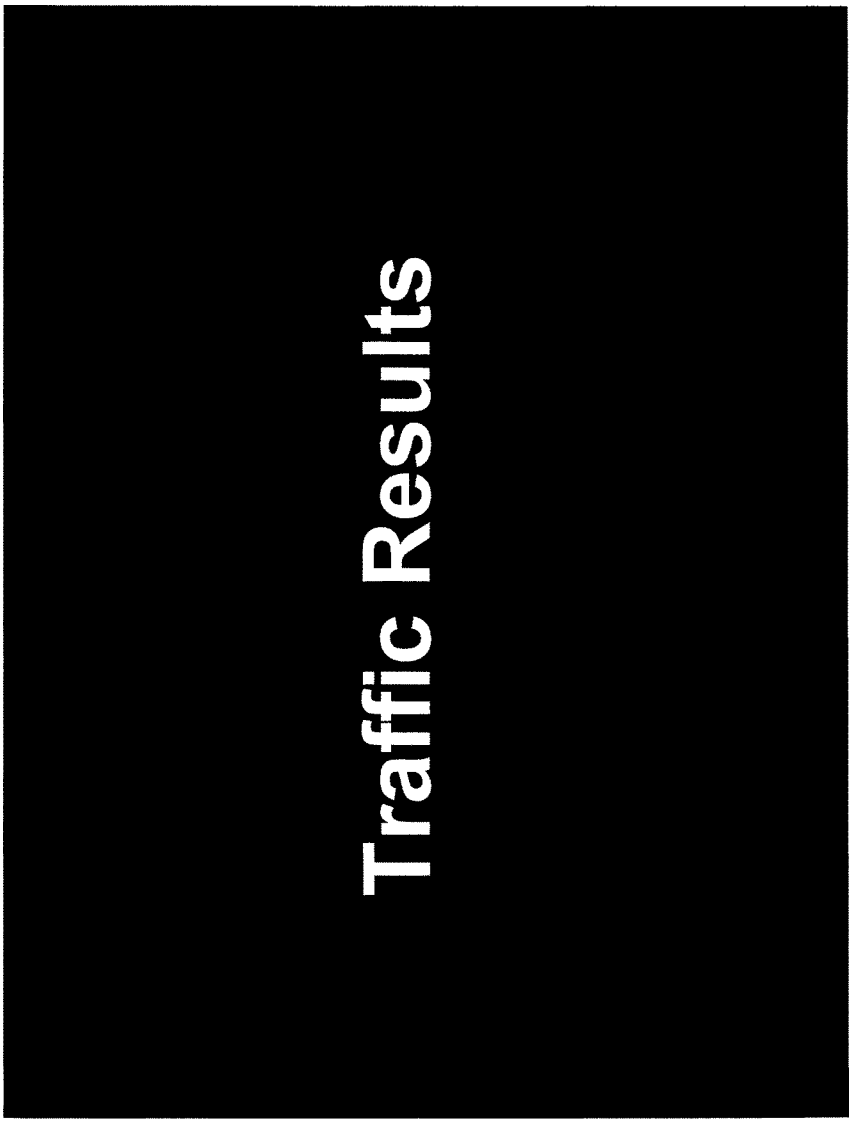
- Upgrade service to regional jet
  - Minimum of three roundtrips per day
- Add seats to address underserved market needs
- Attempt to obtain fare relief
- Target incumbent carriers only
- Public/Private Partnership
  - Partnered with local chamber: Formed Air Service Development Partnership

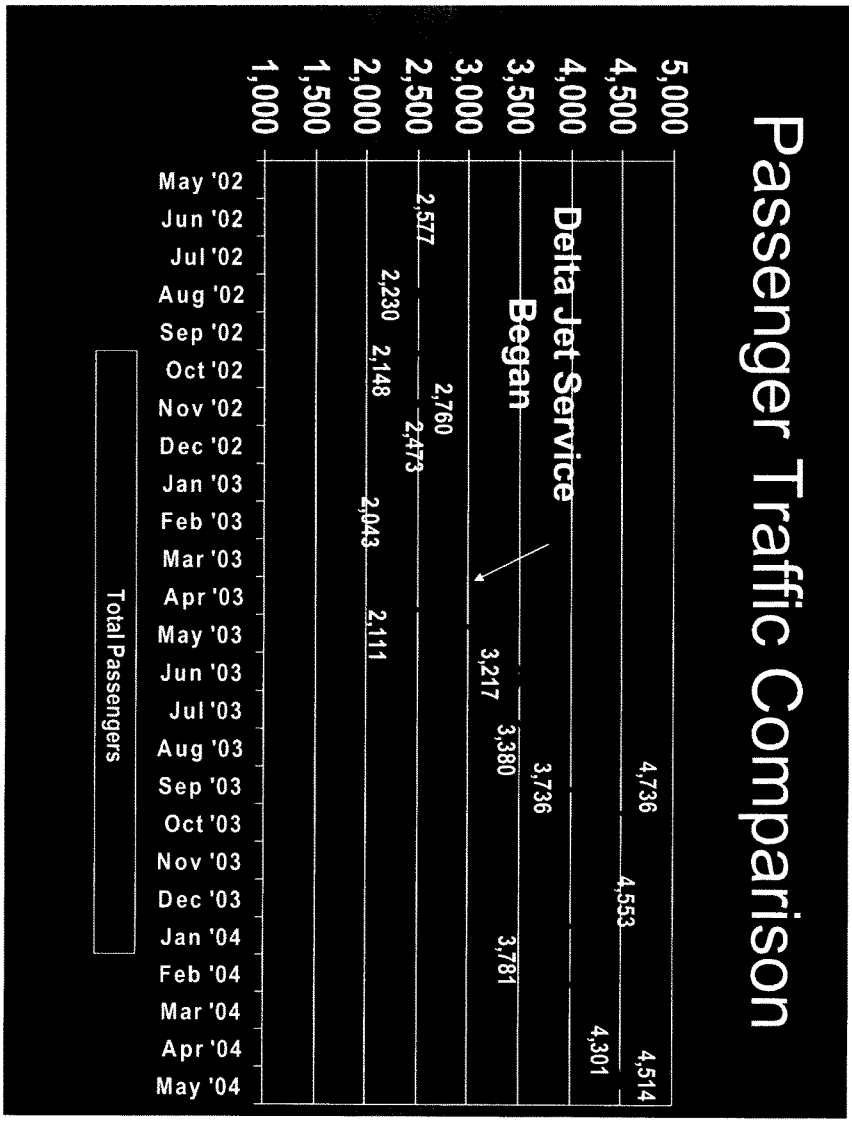
Financial Elements

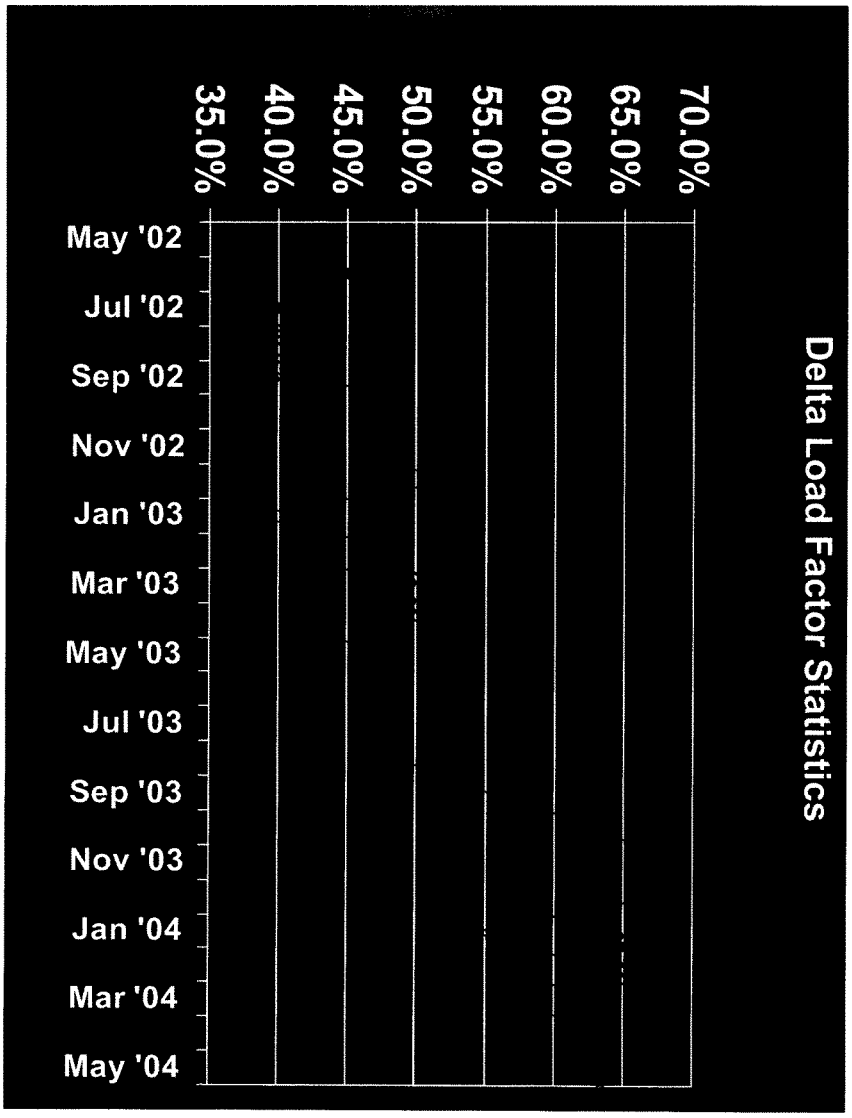
- Relied upon revenue guarantee methodology
- One-year duration to provide quick results
- Proposed $500,000 grant with $100,000 local match
  - $500,000 earmarked for revenue guarantee
  - $100,000 for marketing and promotion

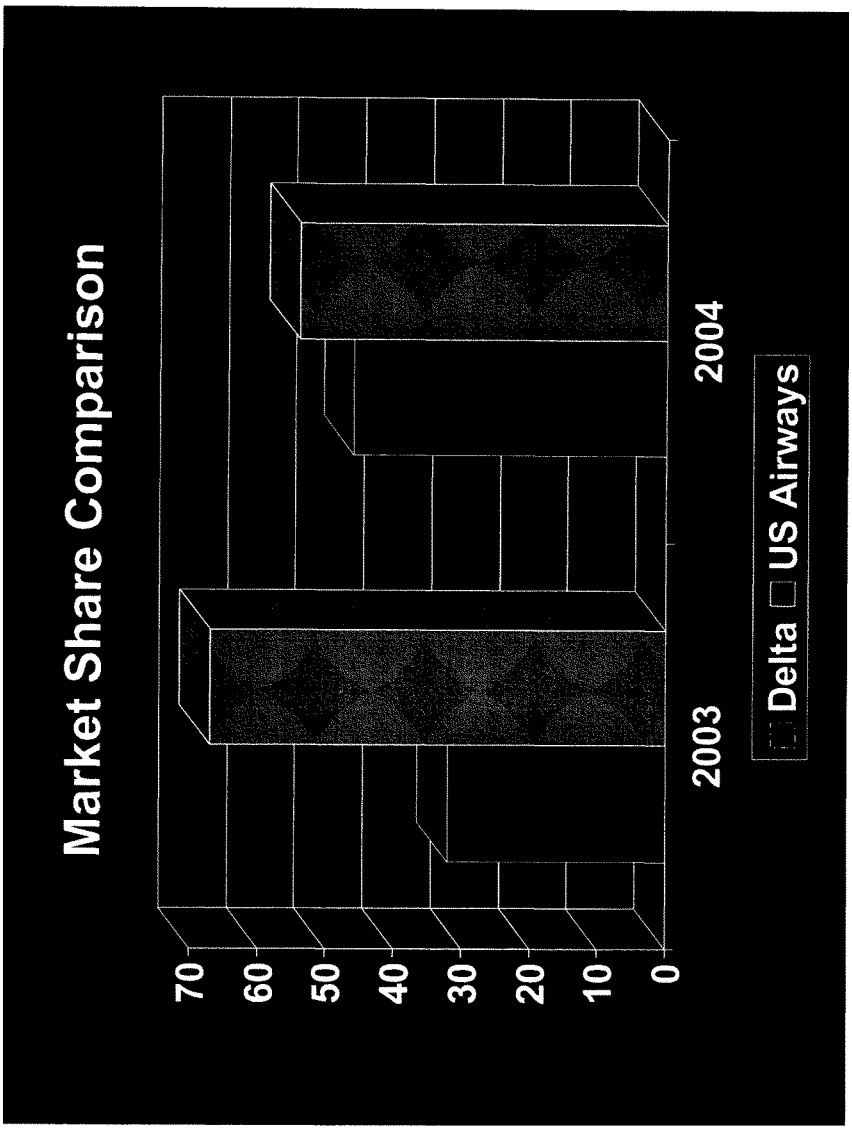
The Grant & Negotiations

- Lynchburg one of 40 communities selected by DOT in June 2002 as part of pilot program
- Went under grant September 2002
- Proposal presented to both US Airways and Delta
- Entered into an agreement with Delta April 2003
- Announced new service in March 2003 for start-up in May 2003

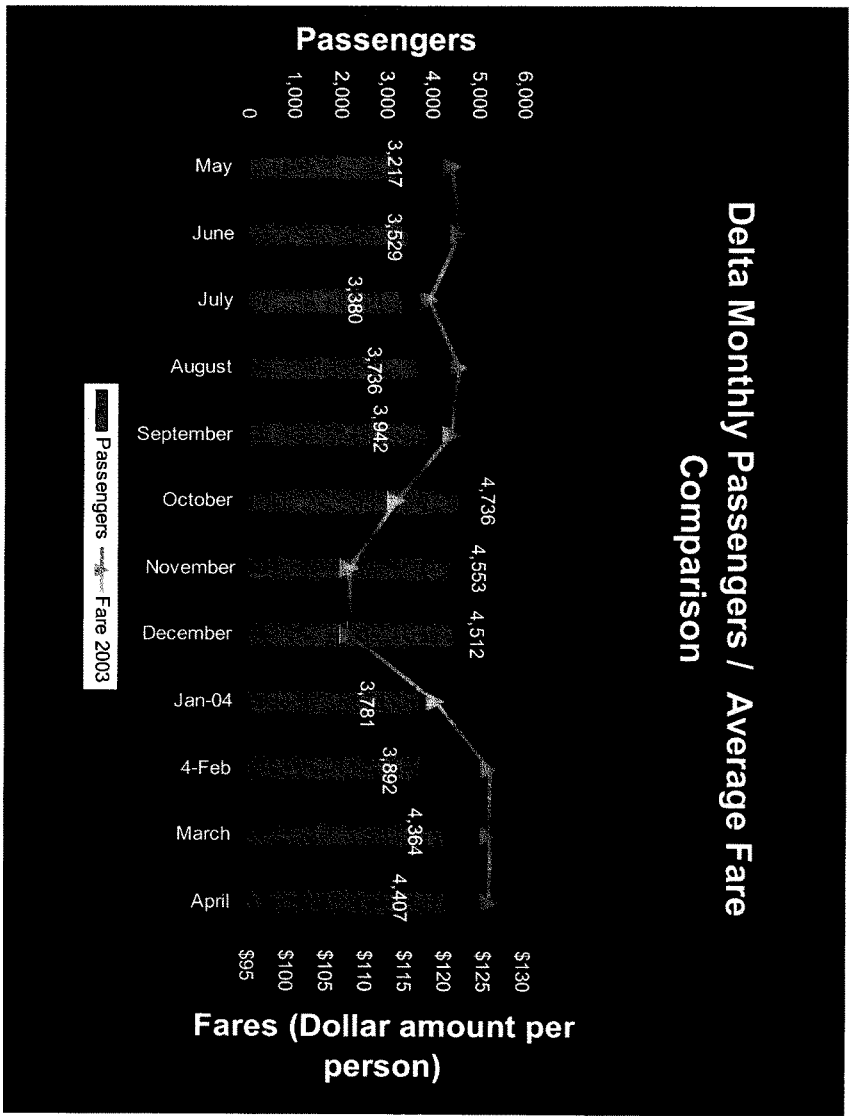

Traffic Results

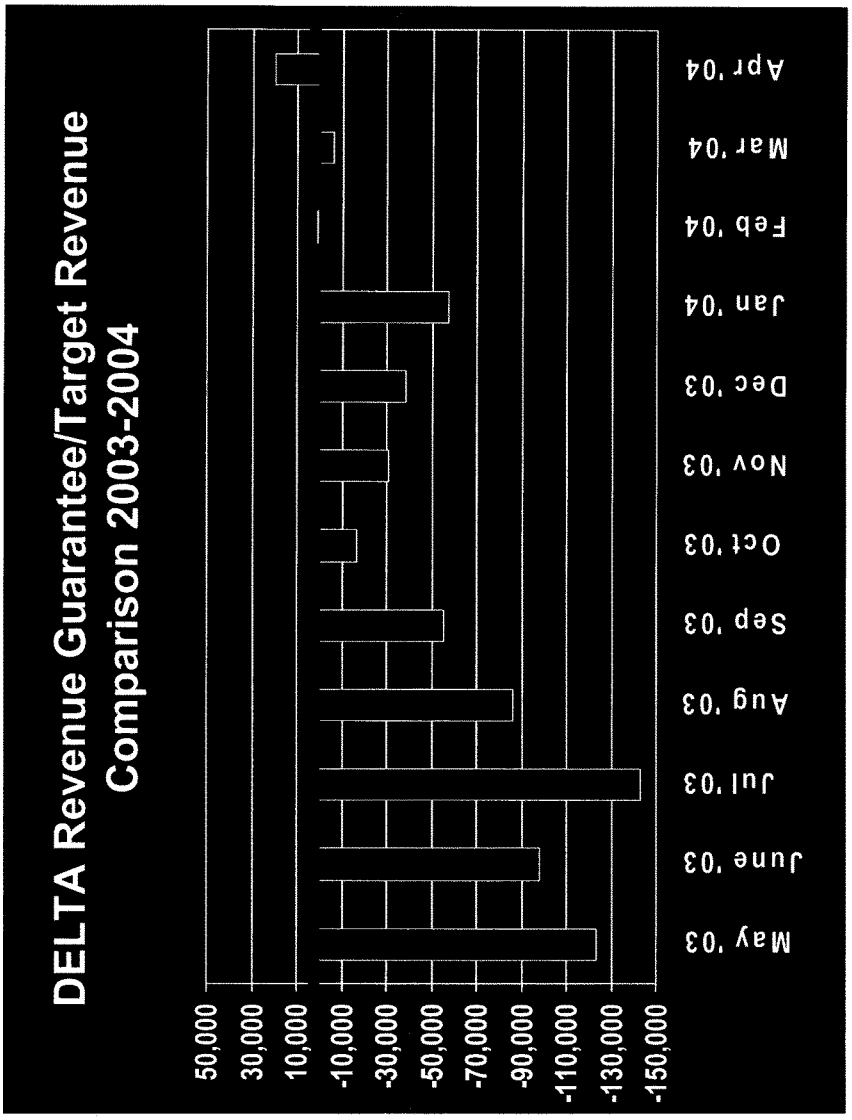

Passenger Traffic Comparison
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
May '02
Jun '02
Jul '02
Aug '02
Sep '02
Oct '02
Nov '02
Dec '02
Jan '03
Feb '03
Mar '03
Apr '03
May '03
Jun '03
Jul '03
Aug '03
Sep '03
Oct '03
Nov '03
Dec '03
Jan '04
Feb '04
Mar '04
Apr '04
May '04
Delta Jet Service Began
2,577
2,230
2,148
2,760
2,473
2,043
3,217
2,111
3,380
3,736
4,736
4,553
3,781
4,301
4,514
Total Passengers


Delta Load Factor Statistics
35.0%
40.0%
45.0%
50.0%
55.0%
60.0%
65.0%
70.0%
May '02
Jul '02
Sep '02
Nov '02
Jan '03
Mar '03
May '03
Jul '03
Sep '03
Nov '03
Jan '04
Mar '04
May '04


Market Share Comparison
70
60
50
40
30
20
10
0
2003
2004
Delta
US Airways

Financial Results


Delta Monthly Passengers / Average Fare Comparison
Passengers
6,000
5,000
4,000
3,000
2,000
1,000
0
May
June
July
August
September
October
November
December
Jan-04
4-Feb
March
April
3,217
3,529
3,380
3,736
3,942
4,736
4,553
4,512
3,781
3,892
4,364
4,407
Passengers
Fare 2003
$130
$125
$120
$115
$110
$105
$100
$95
Fares (Dollar amount per person)


DELTA Revenue Guarantee/Target Revenue
Comparison 2003-2004
50,000
30,000
10,000
-10,000
-30,000
-50,000
-70,000
-90,000
-110,000
-130,000
-150,000
May '03
June '03
Jul '03
Aug '03
Sep '03
Oct '03
Nov '03
Dec '03
Jan '04
Feb '04
Mar '04
Apr '04

Keys to Success for Lynchburg

- Underserved Market
- Started with high yield revenue base
- Upgraded to jet service
- Lowered airfares/obtained fare parity
- Improved local economic environment

Since Then…

- Passenger traffic continued to increase until leveling off in 2006
- Service levels/quality have remained stable
- Fares have risen significantly as local market demand increased amid stagnant capacity
- Leakage has worsened
- Continue to be underserved/struggle maintain
- New 2006 SCASD grant awarded 9/06 to attract the return of third carrier at LYH

Questions or Comments?

United States Government Accountability Office

GAO

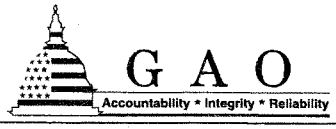
Testimony
Before the Subcommittee on Aviation, Committee on Transportation and Infrastructure, U.S. House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EDT
Wednesday, April 25, 2007

COMMERCIAL AVIATION

Programs and Options for Providing Air Service to Small Communities

Statement of Gerald L. Dillingham, Ph.D., Director
Physical Infrastructure Issues



GAO-07-793T

GAO
Accountability · Integrity · Reliability

Highlights

Highlights of GAO-07-793T, a testimony to the Subcommittee on Aviation, Committee on Transportation and Infrastructure, U.S. House of Representatives

April 25, 2007

COMMERCIAL AVIATION

Programs and Options for Providing Air Service to Small Communities

Why GAO Did This Study

Congress established two key programs to help support air service to small communities —the Essential Air Service (EAS) providing about $100 million in subsidies per year and the Small Community Air Service Development Program (SCASDP) that provides about $20 million per year in grants. As part of its reauthorization of the Federal Aviation Administration (FAA), the Congress is examining the status and outcomes of these programs.

This testimony discusses (1) the history and challenges of the EAS program, (2) the implementation and outcomes of the SCASDP and (3) options for reforming EAS and SCASDP. The testimony is based on previous GAO reports, interviews with Department of Transportation officials and industry representatives as well as program updates.

www.gao.gov/cgi-bin/getrpt?GAO-07-793T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Dr. Gerald Dillingham at (202) 512-2834 or dillinghamg@gao.gov.

What GAO Found

EAS subsidies support air service to many small communities that would likely not have service if EAS subsidies are discontinued. Since 1997, funding for EAS has increased from $25.9 million in 1997 to $109.4 million in 2007 and the number of communities has generally increased. The federal government is spending a median of about $98 per passenger, with subsidies ranging from about $13 to $677 per passenger. Concerns exist about the costs of the program, particularly given the federal government's long-term structural fiscal imbalance. In addition, according to industry representatives, the number of air carriers flying aircraft suitable for EAS communities may decrease, raising concerns about the availability of appropriate aircraft to provide small community air service in the future.

SCASDP grantees have used their grants to pursue a variety of goals and have used a variety of strategies, including marketing and revenue guarantees, to improve air service. Our analysis of the 23 grants completed by October 1, 2005, found that air service was sustained after the grant expired in a little less than half of the projects. Finally, although the program has seen some success, the number of applications for SCASDP grants has declined—from 179 in 2002 to 75 in 2006.

As we have reported, options for reforming EAS, such as consolidating service into regional airports might make the program more efficient, but also could reduce service to some communities. Further, Congress may be able to use some "lessons learned" from marketing and other successful SCASDP strategies that may help it make the current programs more effective.

Source: GAO.

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to testify today on issues related to the Essential Air Service (EAS) and Small Community Air Service Development (SCASDP) programs. These are the principal federal programs that have been established to provide air service to small and underserved communities. Congressional deliberations on the reauthorization of the Federal Aviation Administration (FAA) are an opportune time to examine the status of federal air service to small and rural communities. As you know, small community air service helps connect small communities to other parts of the country and the world. However, such service has struggled over the past decade. The aviation industry has experienced financial losses in the last few years, though some airlines improved their financial conditions in 2006. However, the improvement in profitability of some airlines has not benefited small communities that face decreases in the number of available seats and scheduled flights. According to a key industry association, flights to small communities are the first flights to be eliminated due to their limited profitability. Specifically, in July 2006 scheduled flights for small communities were 26 percent below the number of scheduled flights in July 2000. This has challenged small communities to obtain adequate commercial air service at reasonable prices.

Although both EAS and SCASDP are designed to help support air service to small communities, the programs have several differences.[1] EAS, established as part of airline deregulation in 1978, is designed to ensure that small communities that received scheduled passenger air service before deregulation continue to have access to the nation's air transportation system. In fiscal year 2007, Congress appropriated about $109.4 million for the Department of Transportation (DOT) for EAS. These funds are essentially used to provide subsidies to air carriers who provide service to small communities. For fiscal year 2008, the administration, as part of its reauthorization proposal, requested $50 million for the program. Congress established SCASDP in 2000 and has appropriated $20 million annually from 2002 through 2005 and $10 million for 2006 and 2007 for DOT to award up to 40 grants each year to communities that have

[1]Small community airports also receive other financial support from the federal government. For example, under the Airport Improvement Program small airports receive certain funds for addressing capital improvement needs—such as for runway or taxiway improvements.

demonstrated air-service deficiencies or higher-than-average fares.[2] For fiscal year 2008, the administration did not request funds for SCASDP.

While federal programs to support air service to small communities face increasing financial expenditures, the federal government's financial condition and long-term fiscal outlook have deteriorated. We have reported on the nation's long-term fiscal imbalances and the need for a fundamental and periodic reexamination of the base of government, ultimately covering discretionary and mandatory programs as well as the revenue side of the budget.[3] Furthermore, in January 2007, we identified the challenges federal aviation programs are facing meeting growing infrastructure demands and constrained resources as part of one of GAO's high risk areas—namely, financing the nation's transportation system. These federal fiscal constraints lead to difficult policy choices for the best use of scarce resources.

In light of these challenges, part of my testimony today will discuss options for reforming small community air service. But first, I will address (1) the history and challenges of the EAS program and (2) the implementation and outcomes of SCASDP. Then I will highlight (3) options for reforming EAS and SCASDP. My statement is based in part on the reports that we have issued related to these programs, in addition to recent interviews with and data from key stakeholders. We obtained information on the status of projects from the Office of the Secretary of the Department of Transportation (OST) and obtained information on the current issues in providing service to small communities from DOT and industry representatives. Based on assessments conducted during previous reviews, we concluded that the data are reliable for the purposes of this testimony. Appendix IV contains a list of our related testimonies and reports. We conducted our work on EAS from March through December 2002 and our work on SCASDP from September 2004 through

[2]In fiscal year 2005, DOT transferred $5 million of these funds from SCASDP to EAS. The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005, Pub. L. No. 109-13, recognized that the funds appropriated for the EAS may not be sufficient to meet the service needs of communities encompassed by that program. The Emergency Supplemental Appropriations Act provided that the Secretary of Transportation could transfer "such sums as may be necessary to carry out the essential air service program from any available amounts appropriated to or directly administered by the Office of the Secretary."

[3]*GAO, 21st Century Challenges: Reexamining the Base of Federal Government.* GAO-05-325SP (Washington, DC: February 2005).

October 2005 and updated information in April 2007 in accordance with generally accepted government auditing standards.

In summary:

- EAS provides service to many communities that would otherwise not receive air service. Without these subsidies, air service for many EAS communities would likely end, since EAS air carriers have to prove that they cannot serve EAS communities at a profit to be eligible for EAS payments. However, costs and other concerns about the program exist. In recent years, a growing number of communities have received subsidies under EAS—expanding from 95 communities in fiscal year 1997 to 145 in fiscal year 2007. Similarly, funding for EAS has risen over this 10-year period—from $25.9 million in fiscal year 1997 to $109.4 million in fiscal year 2007. The median expenditure per passenger is about $98; subsidies to communities range from about $13 to $677 per passenger. While the total number of communities has risen, communities do drop out of the EAS program—some because their costs exceeded the program cap on costs per passenger. Furthermore, industry and DOT officials have raised concerns about the effect of the potential decrease in the number of air carriers and smaller aircraft suitable for EAS communities on the future EAS program. The limits on the federal budget, the increased costs along with concerns about the future of air carriers and planes to serve small communities, raise questions about ways to improve the program.

- DOT has awarded 182 grants in the 5 years of the SCASDP program—74 of these are currently completed. In our review of the 23 grants completed in 2005, we found that SCASDP grantees pursued a variety of goals and strategies for supporting air service, and some completed grants have been successful; however, the number of SCASDP grant requests has been declining. The goals grantees are pursuing include trying to add flights and destinations, or trying to obtain lower fares. The different strategies grantees are employing to improve air service include offering subsidies or revenue guarantees to airlines, marketing, and hiring personnel. We could not assess the overall effectiveness of the program, since few projects had been completed at the time; however, we found a little less than half had resulted in a self-sustaining improvement to air service. In response to our 2005 recommendation, the Department of Transportation's Inspector General (DOT IG) began a review of completed grants in March 2007 at DOT's request. The results of this review should provide further information on successful grants. Finally, although a number of communities found the grants helpful in attaining self-sustaining service,

the number of applications for SCASDP has declined—from 179 in 2002 to 75 in 2006.[4] According to officials we interviewed, fewer communities might be applying due to a number of factors, including the fact that DOT's selection process favors communities that provide some matching funds that some communities might not be able to fund.

- We have reported on options for changing EAS to potentially make it more efficient, including (1) targeting subsidized service to more remote communities, (2) better matching capacity with community use, (3) consolidating service to multiple communities into regional airports, and (4) changing the form of the federal assistance from carrier subsidies to local grants. Although these options might make the program more efficient and less costly, they could also reduce service to some areas. In addition, the 2003 Vision 100-Century of Aviation Reauthorization Act (Vision-100) provided for a number of initiatives for the EAS program including marketing grants and an initiative whereby communities who forego their EAS subsidy for 10 years can get a grant for twice the amount of one year's EAS subsidy. These initiatives have not been implemented due partly to a lack of interest from EAS communities and a lack of dedicated funding. The administration's FAA reauthorization proposal would repeal some of these programs and initiatives. Regarding SCASDP, as we recommended, the DOT IG is conducting an evaluation of completed projects. The results of such an evaluation will be useful as Congress is considering the reauthorization of this program and could result in identifying "lessons learned" from successful projects. These lessons could be shared with other small communities that are trying to improve air service, and, if needed, to reform and refocus the program.

Background

Before I discuss these issues in detail, let me sketch the background of the EAS and SCASDP programs.

Mr. Chairman, as you know, Congress established EAS as part of the Airline Deregulation Act of 1978 to help areas that face limited service. The act guaranteed that for 10 years communities served by air carriers before deregulation would continue to receive a certain level of scheduled air service[5] by authorizing DOT to require carriers to continue providing service at these communities. If an air carrier could not continue that

[4]The last SCASDP grants DOT granted were in 2006.

[5]Special provisions guaranteed service to Alaskan communities.

service without incurring a loss, DOT could then use EAS funds to award that carrier a subsidy.[6] In 1987, Congress extended the program for another 10 years, and in 1998, it eliminated the sunset provision, thereby permanently authorizing EAS.

To be eligible for this subsidized service, communities must meet three general requirements. They (1) must have received scheduled commercial passenger service as of October 1978, (2) may be no closer than 70 highway miles to a medium- or large-hub airport, and (3) must require a subsidy of less than $200 per person (unless the community is more than 210 highway miles from the nearest medium- or large-hub airport, in which case no average per-passenger dollar limit applies).[7] Air carriers apply to DOT for EAS subsidies. DOT selects a carrier and sets a subsidy amount to cover the difference between the carrier's projected cost of operation and its expected passenger revenues, while providing the carrier with a profit element equal to 5 percent of total operating expenses, according to statute.[8]

Funding for EAS has come from a combination of permanent and annual appropriations. The Federal Aviation Reauthorization Act of 1996 (P.L. 104-264) permanently appropriated the first $50 million of such funding—for EAS and safety projects at rural airports—from the collection of overflight fees. [9] Congress has appropriated additional funds from the general fund on an annual basis. The Department of Transportation's reauthorization proposal suggests changing the source of program funding to a mandatory appropriation of $50 million per year from the Airport and

[6]Subsidies are used to cover the difference between a carrier's projected revenues and expenses and to provide a minimum amount of profit.

[7]The average subsidy per passenger does not equate to a specific portion of a passenger's ticket price paid for by EAS funds. Ticket pricing involves a complex variety of factors relating to the demand for travel between two points, the supply of available seats along that route, competition in the market, and how air carriers choose to manage and price their available seating capacity.

[8]At any time throughout the year, an air carrier providing unsubsidized service to an EAS-eligible community can file a notice to suspend service if the carrier determines that it can no longer provide profitable service, thus triggering a carrier selection case. In addition, after DOT selects an air carrier to provide subsidized service, that agreement is subject to renewal, generally every 2 years, at which time other air carriers are permitted to submit proposals to serve that community with or without a subsidy.

[9]Overflight fees are user fees for air traffic control services provided by the Federal Aviation Administration (FAA) to aircraft that fly over, but do not land in the United States, as authorized by the Federal Aviation Reauthorization Act of 1996 (P.L. 104-264).

Airway Trust Fund. A new, small aviation fuel tax would be used to generate this $50 million. Furthermore, according to DOT officials, since $50 million would not sufficiently support all currently subsidized service, communities would be ranked in order of isolation, with Alaskan communities at the top of the list. Thus, some of the EAS communities currently receiving EAS subsidies under the roughly $100 million Congress has appropriated in recent years, might no longer receive air service.

Turning now to SCASDP, Congress authorized it as a pilot program in the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21),[10] to help small communities enhance their air service. AIR-21 authorized the program for fiscal years 2002 and 2003, and subsequent legislation[11] reauthorized the program through fiscal year 2008 and eliminated the "pilot" status of the program.

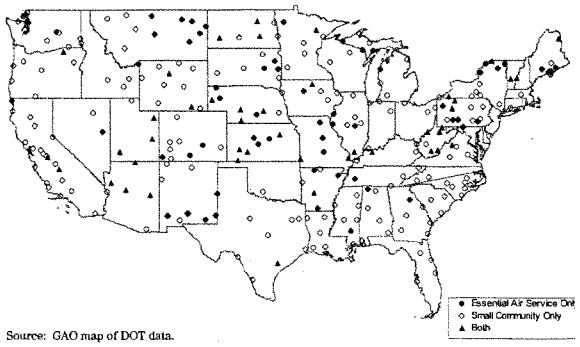
The Office of Aviation Analysis in DOT's Office of the Secretary is responsible for administering the program. The law establishing SCASDP allows DOT considerable flexibility in implementing the program and selecting projects to be funded. The law defines basic eligibility criteria and statutory priority factors, but meeting a given number of priority factors does not automatically mean DOT will select a project. SCASDP grants may be made to single communities or a consortium of communities, although no more than four grants each year may be in the same state. Both small hubs and non hubs are eligible for this program. Thus, small hubs, such as Buffalo Niagara International Airport in Buffalo, New York, which enplaned over 2.4 million passengers in 2005, and small, nonhub airports, such in Moab, Utah (with about 2,600 enplanements) are eligible. SCASDP grants are available in the 50 states, the District of Columbia, Puerto Rico, and U.S. territories and possessions. DOT's SCASDP awards have been geographically dispersed.

Figure 1 shows the location of all SCASDP grants awarded as of August 31, 2006, as well as communities receiving EAS subsidies as of April 1, 2007.

[10]P.L. 106-181.

[11]Vision 100, P.L. 108-176.

Figure 1: Airports Receiving Essential Air Service as of April 2007 and All Small Community Air Service Development Program Grantees, through August 2006



Source: GAO map of DOT data.

The EAS Program Provides Service to Small Communities While Increasing EAS Subsidies Raise Concerns about the Cost and Efficiency of the EAS Program and Its Service Providers

Mr. Chairman, as you know EAS provides service to many communities that otherwise would not receive air service. However, the increase in the number of communities receiving subsidies and the cost of these subsidies raise concerns over the funding needed to provide this service in an environment of federal deficits. For example, the funding for EAS has grown from $25.9 million in 1997 to $109.4 million in 2007. Furthermore, the federal median subsidy for providing air service to EAS communities is about $98 per passenger; the subsidies varied among communities from about $13 to over $677 per passenger in 2006. Finally, the number of air carriers flying smaller aircraft suitable for EAS communities may decrease and some industry officials are beginning to voice concerns about the availability of appropriate planes to provide small community air service in the future.

EAS Provides Service to Many Communities Where Certain Factors Make Maintaining Service in Small Communities Difficult

In fiscal year 2007, EAS provided subsidies to 145 communities. In fiscal year 2005, the most recent year for which passenger data is available, the EAS program supported over 1 million passengers. As we have noted in past reports, if EAS subsidies were removed, air service might end at many small communities. Since air carriers have to show financial data to support a subsidy calculation—proving the service is not profitable to run—it is likely that if the subsidy is no longer available commercial air service would end.

Several factors may help explain why some small communities, especially nonhubs, face relatively limited air service. First, small communities can become cost-cutting targets of air carriers because they are often a carrier's least profitable operation. Consequently, many network carriers have cut service to small communities, replaced by regional carriers.[12] Second, the "Commuter Rule" that FAA enacted in 1995 brought small commuter aircraft under the same safety standards as larger aircraft—a change that made it more difficult to economically operate smaller aircraft, such as 19-seat turboprops.[13] For example, the Commuter Rule required commuter air carriers that flew aircraft equipped with 10 or more seats to improve ground deicing programs and carry additional passenger safety equipment. Additionally, the 2001 Aviation and Transportation Security Act instituted the same security requirements for screening passengers at smaller airports as it did for larger airports, sometimes making travel from small airports less convenient than it had been.[14] Third, regional carriers have used fewer turboprops in favor of regional jets, which had a negative effect on small communities that have not generated the passenger levels needed to support regional jet service. Finally, many small communities experience passenger "leakage"—that is, passengers choosing to drive longer distances to larger airports instead of using closer small airports. Low-cost carriers have generally avoided flying to small

[12]A network carrier operates a significant portion of its flights using at least one hub where connections are made for flights on a spoke system. Regional carriers provide service from small communities primarily using regional jets to connect the network carriers' hub-and-spoke system.

[13]Code of Federal Regulations Title 14 Part 121 (14 CFR Part 121) provides details on aircraft certification requirements for aircraft that operate scheduled service with 10 or more seats. The Commuter Rule was instituted with 60 Fed. Reg. 65832, December 20, 1995.

[14]Aviation and Transportation Security Act, Section 110 of P.L. 107-71, 115 Stat. 597 (2001).

communities but have offered low fares that encourage passengers to drive longer distances to take advantage of them.[15]

Demand for EAS Subsidies Has Grown Over the Past Decade

Mr. Chairman, although less than the 405 communities served with the help of EAS subsidies in 1980, the number of communities served by EAS has grown over the past 10 years, as has the amount of funds appropriated for the program. As shown in table 1, for fiscal year 2007, EAS is providing subsidies to air carriers to serve 145 communities—an increase of 50 communities over the 1997 low point. The funding for EAS has also grown from $25.9 million in 1997 to $109.4 million in 2007. Excluding Alaska, this amounts to an average of about $754,500 per EAS community in fiscal year 2007. Appendix I lists EAS communities and their current subsidy amounts.

Table 1: EAS Program Appropriations and Communities Served, Fiscal Years 1993 through 2007

Fiscal year	Number of communities	Total EAS appropriations (in millions)
1993	126	38.6
1994	112	33.4
1995	107	33.4
1996	97	22.6
1997	95	25.9
1998	101	50.0
1999	100	50.0
2000	106	50.0
2001	115	50.0
2002	123	113.0
2003	126	101.8
2004	140	101.7
2005	146	101.6
2006	151	109.4
2007	145[a]	109.4

[a] As of April 1, 2007

[15] Low-cost carriers follow a business model that may include point-to-point service between high-density city pairs, a standardized fleet with high aircraft utilization, low fares, and minimal onboard service.

Source: DOT.

While the total number of communities receiving service through EAS subsidies has generally increased, some communities have dropped from the program. For example, according to DOT officials 11 communities that had EAS subsidized service in 2006 were no longer in the program in 2007. Four of these were terminated by DOT because their subsidy rose above the EAS cap—Bluefield, WV; Enid, OK; Moses Lake, WA; and Ponca City, OK. Seven communities secured non-subsidized service. These communities included Hana, HI; Kalaupapa, HI; Kamuela, HI; Pierre, SD; Riverton, WY; Rock Springs, WY; and Sheridan, WY.

EAS Subsidies Vary In Relation to Numbers of Passengers

The level of subsidy per passenger at EAS communities varies greatly.[16] At some locations, the level of subsidy per passenger is modest. For example, in 2006, of the 110 airports receiving EAS service for which data were available, 30 communities had subsidies of less than $50 per passenger. Some communities with relatively low subsidies per passenger included Escanaba, MI ($12.96) and Morgantown, WV ($13.68) both with almost 36 passengers per day. In contrast, 30 communities also had subsidies per passenger greater than $200. The highest subsidy at that time was $677 for Brookings, SD, and Lewistown, MT had an average subsidy of almost $473. These two areas had fewer than 3 passengers per day. Airports may maintain EAS service when subsidies exceed $200 dollars if they are more than 210 highway miles from a large or medium hub.

As would be expected, a low number of passengers are associated with high subsidies. Of the 110 airports receiving EAS service for which data were available, 17 airports had fewer than 5 passengers per day. Such airports typically have a subsidy per passenger greater than $200—15 of the 17 exceed the $200 threshold. Communities with less than 5 passengers per day also constitute half those with subsidies exceeding $200 (15 of 30). In contrast, 47 communities had at least 20 passengers per day, more than the capacity of a single 19-seat aircraft flight. All 47 of these airports had subsidies of less than $100 per passenger. See Appendix II for EAS Subsidies per Enplanement.

[16]We are referring to average daily "enplanements" per day as passengers per day.

Future Approach to EAS Service Uncertain Due to Changes in Air Carriers and Equipment

DOT and industry officials we interviewed raised questions about the future of the EAS service as currently provided. As of April 1, 2007, 12 regional air carriers served the subsidized communities in the continental United States. The carriers serving the communities in the continental United States typically used turboprop aircraft seating 19 passengers, whereas in Alaska and Puerto Rico, the most commonly used aircraft seated 4 to 9 passengers.

DOT and industry officials pointed out that 19-seat aircraft are no longer being manufactured, and some of the current EAS carriers appear to be migrating to the use of larger aircraft. DOT officials noted that EAS carriers are getting out of the business that uses 19-seat aircraft, and are moving into larger aircraft. In addition, industry consultants noted that as the current fleet of 19-seat aircraft ages, maintenance costs will likely rise, which will make operating 19-seat aircraft more expensive. Because 19-seat aircraft are the backbone of EAS service in the contiguous 48 states, their aging or discontinuation would significantly affect the program. Figure 2 shows an example of a 19-seat Turbo Prop aircraft commonly used to provide EAS service.

Figure 2: Picture of 19-Seat Turbo Prop Aircraft

Source: GAO.

Finally, DOT and industry officials with whom we spoke were not convinced that the emerging technology of Very Light Jets (VLJs) could fill this gap, especially in the short term.[17] They noted that current business models discussed for VLJs did not anticipate their use for the kind of small communities served by EAS. DOT did provide a SCASDP grant to Bismarck, ND for developing a business model for point to point, reservation responsive air service using VLJs. The grantee has developed the business plan; however, given the lack of operating VLJs, they changed the type of aircraft the business would use until the aircraft become more available. We will be completing a more comprehensive report on VLJs for the subcommittee later this year.

The Small Community Grant Program Has Funded Some Successful Projects

Mr. Chairman, we found that SCASDP grantees pursued several goals and strategies to improve air service, and that air service was sustained after the grant expired in a little less than half of the 23 completed projects in 2005—the time of our initial review. The DOT IG's office began reviewing completed grants in March 2007 which should provide more information on the results of completed grants. Although the program has seen some success, the number of applications for SCASDP grants has declined for a variety of reasons.

SCASDP Grants Show Promise and Warrant Further Evaluation

At the time of our initial review of SCASDP, in 2005, it was too soon to determine the overall effectiveness of the program because there was not much information available about the "post" grant period. Once awarded, it may take several years for grants to be implemented and completed. There have been 182 grant awards made in the 5 years of the program. Of these, 74 grants are completed as of April 1, 2007—34 from 2002, 19 from 2003, and 21 from 2004. No grants from 2005 or 2006 are yet completed. In addition, as of April 4, 2007, DOT had terminated seven grants it initially awarded.[18] See Appendix III for a list of all SCASDP grants from 2002 through 2006.

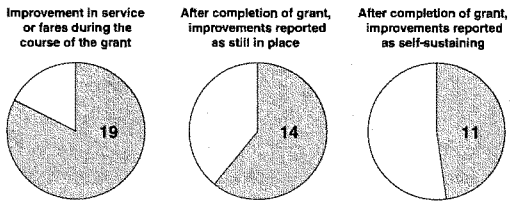
[17]Very Light Jets are new small, lightweight, jet aircraft equipped with advanced avionics and priced below other business jets.

[18]According to DOT officials, the agency initiated only one termination—for the grant awarded to Casper/Gillette, Wyoming. The communities awarded the other grants requested the termination of the grants.

Our review of the 23 projects completed by September 30, 2005, found some successful results. The kinds of improvements in service that resulted from the grants included adding an additional air carrier, destination, or flights; or changing the type of aircraft serving the community. In terms of numbers, airport officials reported that 19 of the 23 grants resulted in service or fare improvements during the life of the grant (see fig.3). In addition, during the course of the grant, enplanements rose at 19 of the 23 airports. After the 23 SCASDP grants were completed, 14 resulted in improvements that were still in place. Three of these improvements were not self-sustaining; thus 11 self-sustaining improvements were in place after the grants were completed.

Since our review of the 23 completed projects, 51 more have been completed for a total of 74. We reviewed the fifty-nine available final reports. A review of the grantees' final reports for these projects indicated that 48 increased enplanements as a result of their SCASDP grant.

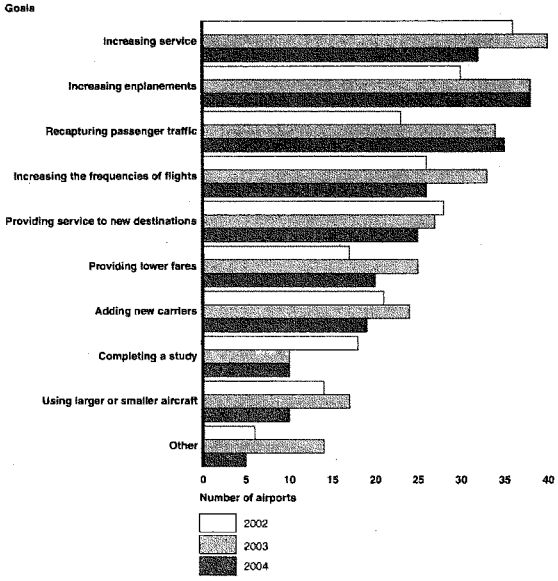
Figure 3: Air Service Improvement during the Course of 23 Grants and after Project Completion



Source: GAO.

For SCASDP grants DOT awarded from 2002 though 2004, we surveyed airport officials to identify the goals they had for their grants. We found that grantees had identified a variety of project goals to improve air service to their community. These goals included adding flights, airlines, and destinations; lowering fares; upgrading the aircraft serving the community; obtaining better data for planning and marketing air service; increasing enplanements; and curbing the loss of passengers to other airports. (See fig. 4 for the number and types of project goals identified by airport directors.)

Figure 4: Project Goals as Identified by Airport Directors for Grants Awarded 2002 – 2004



Source: GAO survey of grantee airport directors.

Note: The number of airport directors surveyed may exceed the number of grants in a year because grants are sometimes awarded to consortiums of airports. We surveyed all grantee airports.

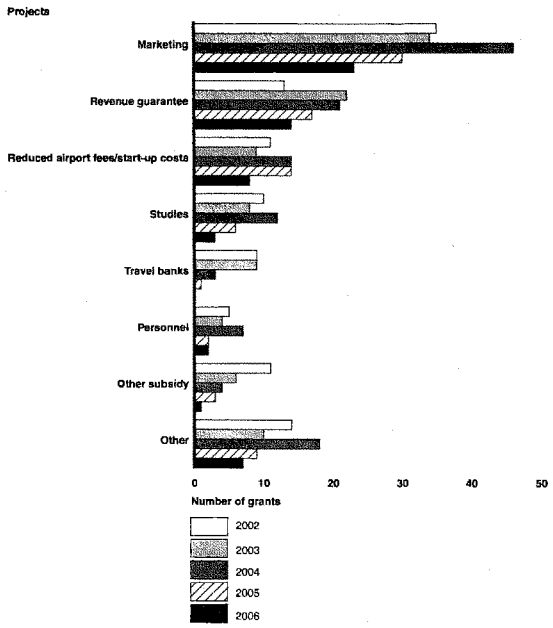
Finally, in our 2005 report, we recommended DOT evaluate the SCASDP grants after more were completed to identify promising approaches and evaluate the effectiveness of the program. DOT officials told us that they asked the DOT IG to conduct such a study, which the IG began in March

2007. DOT expects to have preliminary observations available by the middle of May. Results from this work may help identify potential improvements and "lessons learned."

Grantees Used Many Strategies to Improve Air Service in Their Communities

To achieve their goals, grantees have used many strategies, including subsidies and revenue guarantees to the airlines, marketing, hiring personnel and consultants, and establishing travel banks in which a community guarantees to buy a certain number of tickets. (See fig. 5.) In addition, other strategies that grantees have used are subsidizing the start-up of an airline, taking over ground station operations for an airline, and subsidizing a bus to transport passengers from their airport to a hub airport. Incorporating marketing as part of the project was the most common strategy used by airports. Some airline officials said that marketing efforts are important for the success of the projects. Airline officials also told us that projects that provide direct benefits to an airline, such as revenue guarantees and financial subsidies, have the greatest chance of success. According to these officials, such projects allow the airline to test the real market for air service in a community without enduring the typical financial losses that occur when new air service is introduced. They further noted that, in the current aviation economic environment, carriers cannot afford to sustain losses while they build up passenger demand in a market. The outcomes of the grants may be affected by broader industry factors that are independent of the grant itself, such as a decision on the part of an airline to reduce the number of flights at a hub.

Figure 5: Strategies Included in Grant Projects



Source: GAO analysis of grantee proposals and grant agreements.

Note: Since grant agreements were not available at the time of this analysis, 2006 figures are based solely on proposals.

The Number of Grant Applications Has Declined

Since the inception of the program, there has been a steady decline in the number of applications. In 2002 (the first year SCASDP was funded) DOT received 179 applications for grants; and by 2006 the number of applications had declined to 75. Grant applications for 2007 are not due

until April 27, 2007. According to a DOT official, almost all applications arrive on the last day, so the number of 2007 applications cannot be estimated at this time. DOT officials said that the past decline was, in part, a consequence of several factors, including: (1) many eligible airport communities had received a grant and were still implementing projects at the time; (2) the airport community as a whole was coming to understand the importance DOT places on fulfilling the local contribution commitment part of the grant proposal; and (3) statutory changes in 2003 that prohibited communities or consortiums from receiving more than one grant for the same project, and that established the timely use of funds as a priority factor in awarding grants.[19] According to DOT officials, DOT has interpreted that a project is the "same project" if it employs the same strategy. For example, once a community has used a revenue guarantee, it cannot use a revenue guarantee on another project.

A DOT official noted that, with many communities now completing their grants, they may choose to apply for another grant. Some communities have received second grants; however DOT officials indicate first time applicants get more weight in the grant selection process. Revisiting selection criteria may increase the access to SCASDP grants and increase service to small communities.

Options Exist for Reforming EAS and Evaluating SCASDP

Mr. Chairman, let me now turn to a discussion of options both for the reform of EAS and the evaluation of SCASDP. I raise these options, in part, because they link to our report on the challenges facing the federal government in the 21st century, which notes that the federal government's long-term fiscal imbalance presents enormous challenges to the nation's ability to respond to emerging forces reshaping American society, the United States' place in the world, and the future role of the federal government.[20] In that report, we call for a more fundamental and periodic reexamination of the base of government, ultimately covering discretionary and mandatory programs as well as the revenue side of the budget. In other words, Congress will need to make difficult decisions

[19]The authorizing statute provides one limitation on the timing of expenditures. If funds are used to subsidize air service, the subsidy cannot last more than 3 years. However, the time needed to obtain the service is not included in the subsidy time limit. The statute does not limit the timing of expenditures for other purposes. In fiscal year 2005, DOT issued an order specifying that in general, grant funds should be expended within 3 years.

[20]GAO-05-325SP.

including defining the role of the federal government in various sectors of our economy and identifying who will benefit from its allocation of resources. Furthermore, given that we have reported that subsidies paid directly to air carriers have not provided an effective transportation solution for passengers in many small communities,[21] these programs may be ones for which Congress may wish to weigh options for reforming EAS and assess SCASDP's effectiveness once DOT completes its review of the program.

Examine Options for Enhancing EAS

In previous work, we have identified options for enhancing EAS and controlling cost increases. These options include targeting subsidized service to more remote communities than is currently the case, improving the matching of capacity with community use, consolidating service to multiple communities into regional airports, and changing the form of federal assistance from carrier subsidies to local grants; all of these options would require legislative changes. Several of these options formed the basis for reforms passed as part of Vision-100. For various reasons these pilot programs have not progressed, so it is not possible to assess their impact. Let me now briefly discuss each option, stressing at the outset that each presents potential negative, as well as positive, impacts. The changes might positively affect the federal government through lowered federal costs, and participating communities through increased passenger traffic at subsidized communities, and enhanced community choice of transportation options. Communities that could be negatively affected might include those in which passengers receive less service or might lose scheduled airline service.

Targeting Subsidized Service to More Remote Communities

One option would be to target subsidized service to more remote communities. This option would mean increasing the highway distance criteria between EAS-eligible communities and the nearest qualifying airport, and expanding the definition of qualifying nearby airports to include small hubs. Currently, to be eligible for EAS-subsidized service, a community must be more than 70 highway miles from the nearest medium- or large-hub airport. In examining EAS communities, we found that, if the distance criterion were increased to 125 highway miles and the qualifying airports were expanded to include small-hub airports with jet service, 55 EAS-subsidized communities would no longer qualify for subsidies—and

[21] GAO, *Commercial Aviation: Factors Affecting Efforts to Improve Air Service at Small Community Airports*, GAO-03-330 (Washington, D.C.: January 2003).

travelers at those communities would need to drive to the nearby larger airport to access air service.

Limiting subsidized service to more remote communities could potentially save federal subsidies. For example, we found that about $24 million annually could be saved if service were terminated at 30 EAS airports that were within 125 miles of medium- or large-hub airports. This estimate assumed that the total subsidies in effect in 2006 at the communities that might lose their eligibility would not be obligated to other communities and that those amounts would not change over time. On the other hand, the passengers who now use subsidized service at such terminated airports would be inconvenienced because of the increased driving required to access air service at the nearest hub airport. In addition, implementing this option could potentially negatively impact the economy of the affected communities.

The administration's reauthorization proposal also would prioritize isolated communities, but in a somewhat different way. Under its approach, if insufficient funding for all communities exists, the communities would be ranked in terms of driving distance to a medium or large hub, with the more isolated communities receiving funding before less isolated communities. This change would protect isolated communities, but could result in subsidies being terminated for communities with relatively low per passenger subsidies.

Better Matching Capacity with Community Use

Another option is to better match capacity with community use. Our past analysis of passenger enplanement data indicated that relatively few passengers fly in many EAS markets, and that, on average, most EAS flights operate with aircraft that are largely empty. In 2005, the most recent year for which data are available, 17 EAS airports averaged fewer than 5 passenger boardings per day. To better match capacity with community use, air carriers could reduce unused capacity—either by using smaller aircraft or by reducing the number of flights.

Better matching capacity with community use could save federal subsidies. For instance, reducing the number of required daily subsidized departures could save federal subsidies by reducing carrier costs in some locations. Federal subsidies could also be lowered at communities where carriers used smaller—and hence less costly—aircraft. On the other hand, there are a number of potential disadvantages. For example, passenger acceptance is uncertain. Representatives from some communities, such as Beckley, West Virginia, told us that passengers who are already somewhat reluctant to fly on 19-seat turboprops would be even less willing to fly on

smaller aircraft. Such negative passenger reaction may cause more people to drive to larger airports—or simply drive to their destinations. Additionally, the loss of some daily departures at certain communities would likely further inconvenience some passengers. Lastly, reduced capacity may have a negative impact on the economy of the affected community.[22]

Consolidating Subsidized Service Provided to Multiple Communities into Service at Regional Airports

Another option is to consolidate subsidized service at multiple communities into service at regional airports. For example, in 2002 we found that 21 EAS subsidized communities were located within 70 highway miles of at least one other subsidized community. We reported that if subsidized service to each of these communities were regionalized, 10 regional airports could serve those 21 communities.

Regionalizing service to some communities could generate federal savings. However, those savings may be marginal, because the total costs to serve a single regional airport may be only slightly less than the cost to serve other neighboring airports. The marginal cost of operating the flight segments to the other airports may be small in relation to the cost of operating the first flight. Another potential positive effect is that passenger levels at the proposed regional airports could grow because the airline(s) would be drawing from a larger geographic area, which could prompt the airline(s) to provide better service (i.e., larger aircraft or more frequent departures).

There are also a number of disadvantages to implementing this option. First, some local passengers would be inconvenienced, since they would likely have to drive longer distances to obtain local air service. Moreover, the passenger response to regionalizing local air service is unknown. Passengers faced with driving longer distances may decide that driving to an altogether different airport is worthwhile, if it offers better service and air fares.

As with other options, the potential impact of regionalization on the economy of the affected communities is unknown. Regionalizing air service has sometimes proven controversial at the local level, in part because regionalizing air service would require some communities to give

[22]As we reported in our 2002 report, although scheduled commercial air service is positively correlated with local economic activity, we were unable to locate reliable studies that describe the extent to which scheduled commercial air service is directly responsible for economic development in small communities in the United States (i.e., whether air service precedes, follows, or develops simultaneously with local economic activity).

up their own local service for the potentially improved service at a less convenient regional facility. Even in situations where one airport is larger and better equipped than others (e.g., where one airport has longer runways, a superior terminal facility, and better safety equipment on site), it is likely to be difficult for the other communities to recognize and accept surrendering their local control and benefits. Some industry officials to whom we spoke indicated regional airports made sense, but selecting the airports would be highly controversial.

Changing Carrier Subsidies to Local Grants

Another option is to change carrier subsidies into local grants. We have noted that local grants could enable communities to match their transportation needs with individually tailored transportation options to connect them to the national air space system. As we previously discussed, DOT provides grants to help small communities to enhance their air service via SCASDP.

Our work on SCASDP identified some positive aspects of the program that could be beneficial for EAS communities. First, for communities to receive a SCASDP grant, they had to develop a proposal that was directed at improving air service locally. In our discussion with some of these communities, it was noted that this approach required them to take a closer look at their air service and better understand the market they serve—a benefit that they did not foresee. In addition, in some cases developing the proposal caused the airport to build a stronger relationship with the community. SCASDP also allows for flexibility in the strategy a local community can choose to improve air service, recognizing that local facts and circumstances affect the chance of a successful outcome. In contrast, EAS has one approach—a subsidy to an air carrier.

However, there are also differences between the two programs that make the grant approach problematic for some EAS communities; these differences should be considered. First, because SCASDP grants are provided on a one-time basis, their purpose is to create self-sustaining air service improvements. The grant approach is therefore best applicable where a viable air service market can be developed. This viability could be difficult for EAS communities to achieve because, currently, the service they receive is not profitable unless there is a subsidy. While some EAS communities might be able to transition to self-sustaining air service through use of one of the grants, for some communities this would not be the case. Such communities would need a new grant each year. In addition, the grant approach normally includes a local cash match, which may be difficult for some EAS communities to provide. This approach could systematically eliminate the poorest communities, unless other

sources of funds—such as state support or local industry support—could be found for the match, or some provision for economically distressed communities is made.

Vision-100 Small Community Pilot Programs and Initiatives Have Not Progressed

Congress authorized several pilot programs and initiatives designed to improve air service to small communities in Vision-100. These programs and initiatives have not progressed for various reasons. In two cases, communities have not indicated interest in the programs. In one instance Congress decided to prevent DOT from implementing the program. In three cases, DOT officials cited a lack of sufficient funds to implement the programs.

Vision-100 authorized the Community Flexibility Pilot Program, which requires the Secretary of Transportation to establish a program for up to 10 communities that agree to forgo their EAS subsidy for 10 years in exchange for a grant twice the amount of one year's EAS subsidy. The funds may be used to improve airport facilities. DOT has solicited proposals for this program; however, according to a DOT official, no communities expressed any interest in participating. This is likely because no community was willing to risk the loss of EAS subsidies for 10 years in exchange for only 2 years of funding. Likewise, the Alternate Essential Air Service Pilot Program, which allows the Secretary of Transportation to provide assistance directly to a community, rather than paying compensation to the air carrier, elicited no interest from communities. Under the pilot program, communities could provide assistance to air carriers using smaller aircraft, on-demand air taxi service, provide transportation services to and from several EAS communities to a single regional airport or other transportation center, or purchase aircraft. The administration's draft FAA reauthorization bill would repeal these pilot programs.

Another program, the EAS Local Participation Program, allows the Secretary of Transportation to select no more than 10 designated EAS communities within 100 miles, by road, of a small hub (and within the contiguous states) to assume 10 percent of their EAS subsidy costs for a 4-year period. However, Congress has prohibited DOT from obligating or expending any funds to implement this program since Vision-100 was enacted. The administration's draft FAA reauthorization bill would repeal this pilot program.

Three additional initiatives authorized by Vision-100 have not been implemented, in part due to a lack of dedicated funding. Section 402 of Vision-100 allows DOT to adjust carrier compensation to account for significantly increased costs to carriers. For example, an air carrier that has a contract to provide air service can apply for an adjustment due to an increase in its costs. If this increase is granted, the air carrier has increased its revenue without having to competitively bid for the contract. The initiative also provided for a reversal of this adjustment if the costs subsequently declined. DOT officials indicated that a concern they have with this initiative is that an air carrier could win a 2-year contract with a low estimate, and open it again to obtain more funds without facing competition.

Also, the Section 410 marketing incentive program, which could provide grants up to $50,000 to EAS communities to develop and execute a marketing plan to increase passenger boardings and usage of airport facilities, was not implemented. DOT officials explained that with the uncertainty of the number of communities that would need EAS subsidies and the cost of those subsidies, using EAS subsidy funding for this marketing incentive program could put the subsidies at risk. One industry group suggested dedicated funding might improve the use of this program. The administration's draft FAA reauthorization bill would repeal this marketing incentive program.

Finally, Section 411 of Vision-100 authorized the creation of a National Commission on Small Community Air Service to recommend how to improve commercial air service to small communities and the ability of small communities to retain and enhance existing air service. This provision was likewise not implemented because funds were not specifically appropriated, according to DOT officials. Such a commission may have been helpful in developing approaches to deal with difficult policy decisions, such as regionalizing air service. DOT plans to host a symposium to bring industry experts together to identify regulatory barriers and develop ideas for improving air service to small communities which may be a step in the right direction. DOT officials acknowledge that this symposium should be held soon to inform reauthorization deliberations.

Recently Started DOT Evaluation of the Effectiveness of SCASDP Should Add Information on the Effectiveness of SCASDP

In 2005, we recommended that DOT examine the effectiveness of SCASDP when more projects are complete; and the DOT IG recently began this evaluation.[23] Since our report, an additional 48 grants have been completed and DOT will be able to examine the results from these completed grants. Such an evaluation should provide DOT and Congress with additional information about not only whether additional or improved air service was obtained, but whether it continued after the grant support ended. In addition, our prior work on air service to small communities found that once financial incentives are removed, additional air service may be difficult to maintain. This evaluation should provide a clearer and more complete picture of the value of this program. Any improved service achieved from this program could then be weighed against the cost to achieve those gains.

In conducting this evaluation, DOT could find that certain strategies the communities used were more effective than others. For example, during our work, we found some opposing views on the usefulness of certain strategies for attracting improved service. DOT officials could use the results of the DOT IG's evaluation to identify strategies that have been effective in starting self-sustaining improvements in air service and they could share this information with other small community airports and, perhaps, consider such factors in its grant award process. In addition, DOT might find some best practices and could develop some lessons learned from which all small community airports could benefit. For example, one airport used a unique approach of assuming airline ground operations such as baggage handling and staffing ticket counters. This approach served to maintain airline service of one airline and in attracting additional service. In addition, the SCASDP program has shown that there is a strong demand on the part of small community airports to improve enplanements through various marketing strategies. Successful marketing efforts could increase enplanements, thus driving down the per passenger subsidy. Sharing information on approaches like these that worked (and approaches that did not) may help other small communities improve their air service, perhaps even without federal assistance.

In conclusion, Mr. Chairman, Congress is faced with many difficult choices as it tries to help improve air service to small communities, especially given the fiscal challenges the nation faces. Regarding EAS, I think it is

[23]GAO, *Initial Small Community Air Service Development Projects Have Achieved Mixed Results*, GAO-06-21 (Washington, D.C.: Nov. 2005).

important to recognize that for many of the communities, air service is not—and might never be—commercially viable and there are limited alternative transportation means for nearby residents to connect to the national air transportation system. In these cases, continued subsidies will be needed to maintain that capability. In some other cases, current EAS communities are within reasonable driving distances to alternative airports that can provide that connection to the air system. It will be Congress' weighing of priorities that will ultimately decide whether this service will continue or whether other, less costly options will be pursued. In looking at SCASDP, I would emphasize that we have seen some instances in which the grant funds provided additional service, and some in which the funds did not work. Enough experience has now been gained with this program for a full assessment, and with that information the Congress will be in a position to determine if the air service gains that are made are worth the overall cost of the program.

I would be pleased to answer any questions that you or other Members of the Subcommittee may have at this time.

Contact Information

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Appendix I: Essential Air Service Communities and Subsidies as of April 1, 2007

Table 2: Essential Air Service (EAS) Communities and Their Subsidies Excluding Alaska, April 1, 2007

States/Communities	Subsidy
Alabama	
Muscle Shoals	$1,504,929
Arizona	
Kingman	$1,001,989
Page	$1,057,655
Prescott	$1,001,989
Show Low	$779,325
Arkansas	
El Dorado/Camden	$937,385
Harrison	$1,406,078
Hot Springs	$1,015,500
Jonesboro	$937,385
California	
Crescent City	$957,025
Merced	$799,604
Visalia	$799,604
Colorado	
Alamosa	$1,150,268
Cortez	$796,577
Pueblo	$780,997
Georgia	
Athens	$624,679
Illinois	
Decatur	$1,242,250
Marion/Herrin	$1,251,069
Quincy	$1,097,406
Iowa	
Burlington	$1,077,847
Fort Dodge	$1,080,386
Mason City	$1,080,386
Kansas	
Dodge City	$1,379,419
Garden City	$1,733,997
Great Bend	$621,945

States/Communities	Subsidy
Hays	$1,540,392
Liberal/Guymon	$1,008,582
Manhattan	$487,004
Salina	$487,004
Kentucky	
Owensboro	$1,127,453
Maine	
Augusta/Waterville	$1,065,475
Bar Harbor	$1,065,475
Presque Isle	$1,116,423
Rockland	$1,065,475
Maryland	
Hagerstown	$854,452
Michigan	
Escanaba	$908,903
Ironwood/Ashland	$409,242
Iron Mountain/Kingsford	$602,761
Manistee	$776,051
Minnesota	
Chisholm/Hibbing	$1,279,329
Thief River Falls	$777,709
Mississippi	
Laurel/Hattiesburg	$917,129
Missouri	
Cape Girardeau	$1,147,453
Columbia/Jefferson City	$598,751
Fort Leonard Wood	$683,201
Joplin	$849,757
Kirksville	$840,200
Montana	
Glasgow	$922,103
Glendive	$922,103
Havre	$922,103
Lewistown	$922,103
Miles City	$922,103
Sidney	$1,306,313
West Yellowstone	$247,122

States/Communities	Subsidy
Wolf Point	$922,103
Nebraska	
Alliance	$655,898
Chadron	$655,898
Grand Island	$1,377,877
Kearney	$897,142
McCook	$918,585
North Platte	$976,026
Scottsbluff	$520,137
Nevada	
Ely	$647,709
New Hampshire	
Lebanon	$1,069,606
New Mexico	
Alamogordo/Holloman	$717,506
Carlsbad	$599,671
Clovis	$859,057
Hobbs	$519,614
Silver City/Hurley/Deming	$859,057
New York	
Jamestown	$1,217,414
Massena	$585,945
Ogdensburg	$585,945
Plattsburgh	$853,378
Saranac Lake	$853,378
Watertown	$585,945
North Dakota	
Devils Lake	$1,329,858
Dickinson	$1,696,977
Jamestown	$1,351,677
Oregon	
Pendleton	$649,974
Pennsylvania	
Altoona	$893,774
Bradford	$1,217,414
DuBois	$599,271
Johnstown	$464,777

States/Communities	Subsidy
Lancaster	$1,377,257
Oil City/Franklin	$683,636
Puerto Rico	
Mayaguez	$688,551
Ponce	$622,056
South Dakota	
Brookings	$1,212,400
Huron	$793,733
Watertown	$1,211,589
Tenneessee	
Jackson	$1,179,026
Texas	
Victoria	$510,185
Utah	
Cedar City	$897,535
Moab	$783,608
Vernal	$555,771
Vermont	
Rutland	$849,705
Virginia	
Staunton	$650,123
West Virginia	
Beckley	$1,930,759
Clarksburg	$306,109
Greenbrier	$685,040
Morgantown	$306,109
Parkersburg	$439,115
Wyoming	
Laramie	$487,516
Worland	$972,757
Sub-Total	**$94,112,058**
Alaska	$9,075,687
Total	**$103,187,745**

Source: DOT officials.

Table 3: Alaskan EAS Communities and Their Subsidies, April 1, 2007

Communities	Annual Rate
Adak	$1,393,384
Akutan	$350,381
Alitak	$19,749
Atka	$449,605
Cape Yakataga	$32,255
Central	$61,421
Chatham	$7,520
Chisana	$75,743
Circle	$61,421
Cordova	$1,436,063
Elfin Cove	$108,297
Excursion Inlet	$9,212
Funter Bay	$7,520
Gulkana	$224,890
Gustavus	$1,436,063
Healy Lake	$71,105
Hydaburg	$54,733
Icy Bay	$32,255
Karluk	$38,880
Kodiak Bush (includes 11 locations listed below)	$149,595
Manley	$32,904
May Creek	$83,642
McCarthy	$83,642
Minto	$32,904
Nikolski	$314,694
Pelican Bay	$108,297
Petersburg	$449,494
Port Alexander	$48,746
San Juan/Uganik	$15,715
Wrangell	$449,494
Yakutat	$1,436,063
Total	**$9,075,687**
Kodiak Bush	
• Alitak/Lazy Bay	
• Amook Bay	

Communities	Annual Rate
• Kitoi Bay	
• Moser Bay	
• Olga Bay	
• Port Bailey	
• Port Williams	
• San Juan/Uganik	
• Seal Bay	
• West Point	
• Zachar Bay	

Source: DOT officials.

Appendix II: EAS Subsidies per Enplanement

Table 4: EAS Subsidies per Enplanment

States/ Communities	Avg. Daily Enplanements at EAS Point FY05	Annual Subsidy Rates at 2/1/2006	Subsidy per Passenger
Alabama			
Muscle Shoals	17.4	$1,364,697	$ 125.11
Arizona			
Kingman	6.5	$1,001,989	$ 245.41
Page	14.6	$1,057,655	$ 115.68
Prescott	20.3	$1,001,989	$ 78.91
Show Low	8.7	$779,325	$ 142.34
Arkansas			
El Dorado/Camden	6.8	$923,456	$ 218.10
Harrison	11.6	$1,385,183	$ 190.35
Hot Springs	10.3	$923,456	$ 143.73
California			
Crescent City	38.2	$816,025	$ 34.16
Merced	27.5	$645,751	$ 37.46
Visalia	4.2	$450,000	$ 173.14
Jonesboro	8.4	$923,456	$176.13
Colorado			
Alamosa	16.9	$1,083,538	$ 102.29
Cortez	25.8	$853,587	$ 52.77
Pueblo	4.9	$780,997	$ 255.06
Georgia			
Athens	23.2	$392,108	$ 27.01
Hawaii			
Hana	1/	$774,718	1/
Kalaupapa	1/	$331,981	1/
Kamuela	1/	$395,053	1/
Illinois			
Decatur	34.5	$954,404	$ 44.20
Marion/Herrin	36.6	$1,251,069	$ 54.60
Quincy	27.4	$1,097,406	$ 63.91
Iowa			
Burlington	22.1	$1,077,847	$ 77.99
Fort Dodge	26.8	$1,080,386	$ 64.37
Mason City	43.6	$1,080,386	$ 39.59

States/ Communities	Avg. Daily Enplanements at EAS Point FY05	Annual Subsidy Rates at 2/1/2006	Subsidy per Passenger
Kansas			
Dodge City	12.5	$1,379,419	$ 176.22
Garden City	26.4	$1,733,997	$ 97.53
Great Bend	2.5	$621,945	$ 403.08
Hays	24.9	$1,540,392	$ 98.83
Liberal/Guymon, OK	13.9	$1,008,582	$ 116.14
Manhattan	32.3	$360,803	$ 17.82
Salina	7.6	$360,803	$ 75.75
Kentucky			
Owensboro	10.3	$1,127,453	$ 175.64
Maine			
Augusta/Waterville	14.8	$1,065,475	$ 114.83
Bar Harbor	33.4	$1,065,475	$ 50.91
Presque Isle	52.9	$1,116,423	$ 33.73
Rockland	23.0	$1,065,475	$ 73.87
Maryland			
Hagerstown	20.6	$649,929	$ 50.42
Michigan			
Escanaba	35.9	$290,952	$ 12.96
Iron Mountain/Kingsford	29.0	$602,761	$ 33.19
Ironwood/Ashland, WI	10.4	$409,242	$ 62.68
Manistee/Ludington	7.9	$776,051	$ 156.40
Minnesota			
Chisholm/Hibbing	33.7	$1,279,329	$ 60.72
Thief River Falls	15.2	$777,709	$ 81.73
Mississippi			
Laurel/Hattiesburg	48.1	$1,100,253	$ 36.55
Missouri			
Cape Girardeau	20.3	$1,147,453	$ 90.15
Ft. Leonard Wood	25.3	$683,201	$ 43.05
Joplin	30.9	$755,762	$ 39.01
Kirksville	4.4	$840,200	$ 306.42
Montana			
Glasgow	6.9	$823,591	$ 190.25
Glendive	3.6	$823,591	$ 368.17
Havre	5.0	$823,591	$ 263.55

States/ Communities	Avg. Daily Enplanements at EAS Point FY05	Annual Subsidy Rates at 2/1/2006	Subsidy per Passenger
Lewistown	2.8	$823,591	$ 472.78
Miles City	3.9	$823,591	$ 341.17
Sidney	11.5	$823,591	$ 114.71
West Yellowstone	13.8	$418,488	$ 48.32
Wolf Point	5.7	$823,591	$ 229.60
Nebraska			
Alliance	4.5	$655,898	$ 233.25
Chadron	4.9	$655,898	$ 215.54
Grand Island	24.3	$1,198,396	$ 78.89
Kearney	21.1	$1,166,849	$ 88.32
McCook	6.3	$1,502,651	$ 379.55
North Platte	24.7	$870,504	$ 56.29
Scottsbluff	28.5	$494,887	$ 27.75
Nevada			
Ely	6.9	$698,078	$ 161.33
New Hampshire			
Lebanon	28.4	$998,752	$ 56.21
New Mexico			
Alamogordo/Holoman AFB	2/	$592,170	2/
Carlsbad	14.0	$599,671	$ 68.63
Clovis	6.8	$859,057	$ 201.75
Hobbs	4.9	$519,614	$ 168.21
Silver City/Hurley/Deming	6.6	$859,057	$ 206.85
New York			
Jamestown	26.6	$501,937	$ 30.10
Massena	10.7	$585,945	$ 87.85
Ogdensburg	6.4	$585,945	$ 146.67
Plattsburgh	4.1	$753,964	$ 294.17
Saranac Lake	7.4	$753,964	$ 161.83
Watertown	16.7	$585,945	$ 56.11
North Dakota			
Devils Lake	7.2	$1,329,858	$ 296.18
Dickinson	16.4	$1,697,248	$ 165.75
Jamestown	9.9	$1,351,677	$ 217.63
Oklahoma			
Enid	3.5	$636,279	$ 289.88

States/ Communities	Avg. Daily Enplanements at EAS Point FY05	Annual Subsidy Rates at 2/1/2006	Subsidy per Passenger
Ponca City	2.6	$636,279	$ 387.03
Oregon			
Pendleton	21.6	$649,974	$ 47.99
Pennsylvania			
Altoona	20.9	$893,774	$ 68.16
Bradford	19.3	$501,937	$ 41.48
Du Bois	33.2	$643,818	$ 31.01
Johnstown	39.3	$464,777	$ 18.89
Lancaster	19.0	$1,611,707	$ 135.72
Oil City/Franklin	10.3	$683,636	$ 105.78
Puerto Rico			
Mayaguez	33.3	$688,551	$ 33.08
Ponce	11.2	$622,056	$ 88.54
South Dakota			
Brookings	2.5	$1,039,364	$ 677.11
Huron	4.6	$1,039,364	$ 361.27
Pierre	20.3	$449,912	$ 35.43
Watertown	31.1	$1,211,589	$ 62.30
Tennessee			
Jackson	7.2	$1,179,026	$ 261.54
Texas			
Victoria	34.3	$510,185	$ 23.76
Utah			
Cedar City	42.4	$1,068,607	$ 40.22
Moab	3.1	$674,804	$ 344.99
Vernal	4.6	$595,436	$ 208.56
Vermont			
Rutland	6.7	$849,705	$ 202.89
Virginia			
Staunton	18.3	$650,123	$ 56.73
Washington			
Ephrata/Moses Lake	11.8	$1,698,922	$ 230.30
West Virginia			
Beckley	6.3	$977,858	$ 247.12
Bluefield/Princeton	6.3	$977,858	$ 247.25
Clarksburg/Fairmont	27.6	$306,109	$ 17.72

States/ Communities	Avg. Daily Enplanements at EAS Point FY05	Annual Subsidy Rates at 2/1/2006	Subsidy per Passenger
Greenbrier/W.SulphSpr/LWB	15.8	$540,579	$ 54.50
Morgantown	35.7	$306,109	$ 13.68
Parkersburg	52.0	$439,115	$ 13.50
Wyoming			
Laramie	27.1	$397,400	$ 23.44
Riverton	37.6	$394,046	$ 16.75
Rock Springs	45.0	$390,488	$ 13.85
Sheridan	42.0	$336,701	$ 12.79
Worland	6.1	$797,844	$ 208.42

Source: DOT officials.

Notes: Subsidies rates are more recent than enplanement data; however, this is the most closely timed data sets available.

1/ Incomplete traffic data.

2/ Service hiatus.

Appendix III: Small Community Air Service Development Program Grantees, Year Grant was Awarded, Grant Amounts and Grant Status as of April 1, 2007

Table 5: SCASDP Grantees and Grant Status

Grantee	Year grant awarded	Grant amount	Status as of April 1, 2007
Alabama			
Dothan	2003	$200,000	Completed
Huntsville	2004	479,950	Completed
Mobile	2002	456,137	Completed
Montgomery	2005	600,000	Ongoing
Tuscaloosa	2006	400,000	Ongoing
Alaska			
Aleutians East Borough	2002	240,000	Completed
Aleutians East Borough	2003	70,000	Ongoing
Fairbanks	2006	500,000	Ongoing
Arizona			
AZ Consortium	2003	1,500,000	Ongoing
Lake Havasu City	2002	403,478	Completed
Arkansas			
Fort Smith	2002	108,520	Completed
Hot Springs (reallocation)	2004	195,000	Completed
Mountain Home (Baxter)	2003	574,875	Ongoing
California			
Bakersfield	2003	982,513	Completed
California Consortium	2005	245,020	Ongoing
Chico	2002	44,000	Completed
Chico	2006	472,500	Ongoing
Fresno	2003	1,000,000	Ongoing
Modesto	2005	550,000	Ongoing
Monterey	2005	500,000	Ongoing
Palmdale	2006	900,000	Ongoing
Redding/Arcata	2004	500,000	Completed
Santa Maria	2002	217,530	Completed
Santa Rosa	2004	635,000	Ongoing
Visalia (reallocation)	2004	200,000	Completed
Colorado			
Durango/La Plata County	2005	750,000	Ongoing
Gunnison	2003	200,000	Completed
Lamar	2002	250,000	Completed

Grantee	Year grant awarded	Grant amount	Status as of April 1, 2007
Montrose	2006	450,000	Ongoing
Steamboat Springs	2004	500,000	Ongoing
Telluride	2002	300,000	Completed
Connecticut			
New Haven	2004	250,000	Completed
Florida			
Daytona Beach	2002	743,333	Completed
Gainesville	2003	660,000	Completed
Marathon	2005	750,000	Ongoing
Melbourne	2006	800,000	Ongoing
Sarasota	2004	1,500,000	Completed
Georgia			
Albany	2004	$500,000	Ongoing
Augusta	2002	759,004	Terminated
Brunswick	2006	500,000	Ongoing
Macon	2005	507,691	Ongoing
Savannah	2003	523,495	Completed
Idaho			
Hailey	2002	600,000	Completed
Idaho Falls	2005	500,000	Ongoing
Lewiston-Nez Perce	2003	675,000	Ongoing
Pocatello	2004	75,000	Completed
Illinois			
Bloomington	2004	850,000	Completed
Champaign-Urbana	2004	200,000	Completed
Marion	2002	212,694	Completed
Rockford	2005	1,000,000	Ongoing
Springfield	2006	390,000	Ongoing
Indiana			
Evansville/South Bend	2004	1,000,000	Ongoing
Fort Wayne	2002	398,000	Completed
Gary	2006	600,000	Ongoing
Iowa			
Cedar Rapids	2006	200,000	Ongoing
Dubuque	2003	610,000	Completed
Mason City	2002	600,000	Terminated

Grantee	Year grant awarded	Grant amount	Status as of April 1, 2007
Sioux City	2004	609,800	Completed
Waterloo	2004	550,000	Ongoing
Kansas			
Garden City/Dodge City/Liberal	2006	150,000	Ongoing
Manhattan	2002	388,350	Completed
Kentucky			
Big Sandy Region	2006	90,000	Ongoing
Owensboro	2003	500,000	Completed
Paducah	2002	304,000	Completed
Somerset	2002	95,000	Completed
Somerset	2005	950,000	Ongoing
Louisiana			
Alexandria	2005	500,000	Ongoing
Lafayette	2004	240,000	Ongoing
Lake Charles	2002	500,000	Completed
Monroe	2006	50,000	Ongoing
Shreveport	2003	500,000	Completed
Maine			
Bangor	2003	310,000	Ongoing
Presque Isle	2002	500,000	Completed
Rockland/Knox County	2005	555,000	Ongoing
Massachusetts			
Worcester (reallocation)	2004	442,615	Ongoing
Michigan			
Alpena	2004	583,046	Completed
Hancock / Houghton County	2005	516,000	Ongoing
Kalamazoo	2004	500,000	Completed
Marquette	2004	700,000	Ongoing
Muskegon	2003	500,000	Completed
Minnesota			
Brainerd, St. Cloud	2002	1,000,000	Completed
Duluth	2003	1,000,000	Ongoing
Hibbing	2005	485,000	Ongoing
Marshall	2005	480,000	Ongoing
Mississippi			
Columbus	2004	260,000	Ongoing

Grantee	Year grant awarded	Grant amount	Status as of April 1, 2007
Greenville	2003	400,000	Terminated
Gulfport/Biloxi	2005	750,000	Ongoing
Jackson	2006	400,000	Ongoing
Meridian	2002	500,000	Completed
Tupelo	2003	475,000	Completed
Missouri			
Cape Girardeau	2002	500,000	Ongoing
Joplin	2003	500,000	Ongoing
Montana			
Butte	2004	360,000	Ongoing
Cut Bank	2003	90,000	Completed
Great Falls	2005	220,000	Ongoing
Kalispell	2006	450,000	Ongoing
Nebraska			
Grand Island	2003	380,000	Ongoing
Lincoln	2004	1,200,000	Ongoing
McCook/North Platte	2004	275,000	Ongoing
Scottsbluff	2002	950,000	Completed
Nevada			
Elko	2004	222,000	Completed
New Hampshire			
Lebanon	2004	500,000	Ongoing
New Mexico			
Farmington	2004	650,000	Ongoing
Gallup	2006	600,000	Ongoing
Ruidoso	2005	600,000	Ongoing
Taos Consortium	2003	1,400,000	Completed
Taos/Ruidoso	2002	500,000	Completed
New York			
Binghamton	2002	500,000	Completed
Elmira	2003	200,000	Ongoing
Ithaca	2005	500,000	Ongoing
Jamestown	2006	150,000	Ongoing
Massena/St. Lawrence Valley	2005	400,000	Ongoing
Stewart	2005	250,000	Ongoing
Syracuse (reallocation)	2004	480,000	Ongoing

Grantee	Year grant awarded	Grant amount	Status as of April 1, 2007
North Carolina			
Asheville	2002	500,000	Completed
Greenville	2005	450,000	Ongoing
Jacksonville	2005	500,000	Ongoing
NC Consortium	2003	1,200,000	Ongoing
North Dakota			
Bismarck	2002	1,557,500	Ongoing
Dickinson	2003	750,000	Completed
Fargo	2005	675,000	Ongoing
Grand Forks	2006	350,000	Ongoing
Jamestown/Devil's Lake	2006	100,000	Ongoing
Ohio			
Akron/Canton	2002	950,000	Completed
Parkersburg-Marietta (with WV)	2003	500,000	Ongoing
Toledo	2006	400,000	Ongoing
Youngstown	2004	250,000	Ongoing
Oklahoma			
Lawton/Ft. Sill	2005	570,000	Ongoing
Oregon			
Baker City	2002	300,000	Terminated
North Bend	2006	400,000	Ongoing
Oregon DOT	2005	180,570	Ongoing
Redmond	2003	515,000	Completed
Salem	2004	500,000	Ongoing
Pennsylvania			
Bradford	2005	220,000	Ongoing
Dubois	2004	400,000	Ongoing
Erie	2003	500,000	Completed
Harrisburg	2006	400,000	Ongoing
Latrobe	2004	600,000	Completed
Reading	2002	470,000	Completed
Wilkes-Barre/Scranton	2004	625,000	Completed
Williamsport	2005	500,000	Ongoing
Puerto Rico			
Aguadilla	2003	626,700	Ongoing
South Carolina			

Grantee	Year grant awarded	Grant amount	Status as of April 1, 2007
Charleston	2003	1,000,000	Terminated
Florence	2005	500,000	Ongoing
Sumter	2004	50,000	Completed
South Dakota			
Aberdeen	2005	450,000	Ongoing
Pierre	2003	150,000	Completed
Rapid City	2002	1,400,000	Completed
Sioux Falls	2004	350,000	Completed
Tennessee			
Bristol/Kingsport/Johnson City	2002	615,000	Completed
Chattanooga	2004	750,000	Completed
Knoxville	2003	500,000	Terminated
Texas			
Abilene	2002	85,010	Completed
Abilene	2006	465,100	Ongoing
Beaumont/Port Arthur	2002	500,000	Completed
Del Rio	2004	318,750	Completed
Killeen	2005	280,000	Ongoing
Laredo	2003	400,000	Ongoing
Longview	2006	225,000	Ongoing
Tyler	2004	90,000	Completed
Victoria	2003	20,000	Completed
Utah			
Cedar City	2005	155,000	Ongoing
Logan City	2004	530,000	Ongoing
Moab	2002	250,000	Completed
Vernal/Uintah County	2005	40,000	Ongoing
Vermont			
Rutland (reallocation)	2004	240,000	Completed
Virginia			
Charlottesville	2004	270,000	Ongoing
Lynchburg	2002	500,000	Completed
Lynchburg	2006	250,000	Ongoing
Richmond	2004	950,000	Ongoing
Staunton	2003	100,000	Completed
Washington			

Grantee	Year grant awarded	Grant amount	Status as of April 1, 2007
Bellingham	2002	301,500	Completed
Friday Harbor	2003	350,000	Completed
Walla Walla	2004	250,000	Ongoing
West Virginia			
Beckley/Lewisburg	2004	300,000	Ongoing
Charleston	2002	500,000	Completed
Clarksburg/Morgantown (Reallocation)	2004	372,286	Ongoing
Huntington	2005	500,000	Ongoing
Parkersburg-Marietta (With OH)	2003	500,000	Ongoing
Wisconsin			
Eau Claire	2004	500,000	Ongoing
Rhinelander	2002	500,000	Completed
Wyoming			
Casper, Gillette	2002	500,000	Terminated
Wyoming DOT	2005	800,000	Ongoing

Source: DOT officials.

Appendix IV: Related GAO Products

Airport Finance: Preliminary Analysis Indicates Proposed Changes in the Airport Improvement Program May Not Resolve Funding Needs for Smaller Airports. GAO-07-617T Washington, D.C.: March 28, 2007.

Commercial Aviation: Programs and Options for the Federal Approach to Providing and Improving Air Service to Small Communities. GAO-06-398T Washington, D.C.: September 14, 2006.

Airline Deregulation: Reregulating the Airline Industry Would Reverse Consumer Benefits and Not Save Airline Pensions. GAO-06-630 Washington, D.C.: June 9, 2006.

Commercial Aviation: Initial Small Community Air Service Development Projects Have Achieved Mixed Results. GAO-06-21 Washington, D.C: November 30, 2005

Commercial Aviation: Survey of Small Community Air Service Grantees and Applicants. GAO-06-101SP. Washington, D.C.: November 30, 2005

Commercial Aviation: Bankruptcy and Pension Problems Are Symptoms of Underlying Structural Issues. GAO-05-945 Washington, D.C.: September 30, 2005

Commercial Aviation: Legacy Airlines Must Further Reduce Costs to Restore Profitability. GAO-04-836 Washington, D.C.: August 11, 2004

Commercial Aviation: Issues Regarding Federal Assistance for Enhancing Air Service to Small Communities. GAO-03-540T. Washington, D.C.: March 11, 2003

Federal Aviation Administration: Reauthorization Provides Opportunities to Address Key Agency Challenges. GAO-03-653T. Washington, D.C.: April 10, 2003

Commercial Aviation: Factors Affecting Efforts to Improve Air Service at Small Community Airports. GAO-03-330 Washington, D.C.: January 17, 2003

Commercial Aviation: Financial Condition and Industry Responses Affect Competition. GAO-03-171T. Washington, D.C.: October 2, 2002.

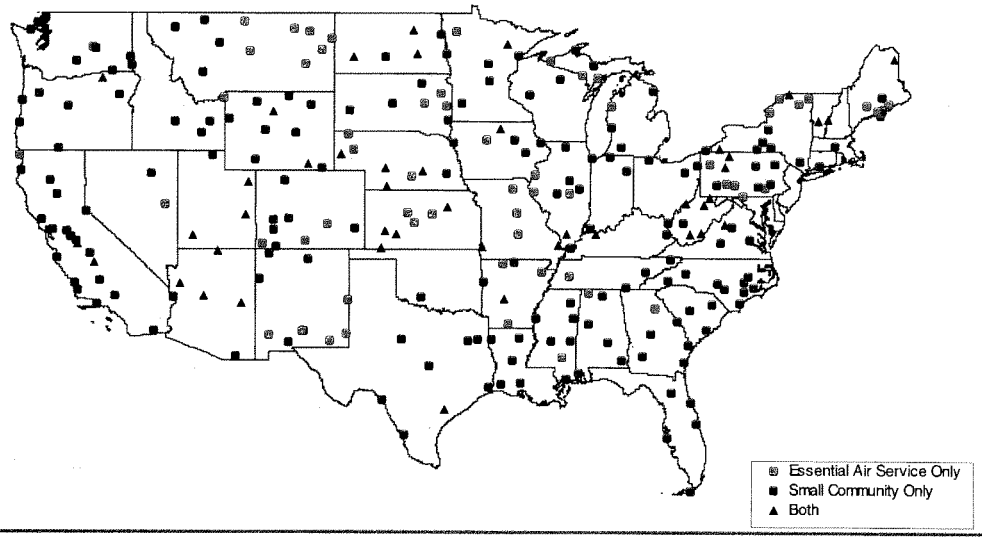
Options to Enhance the Long-term Viability of the Essential Air Service Program. GAO-02-997R. Washington, D.C.: August 30, 2002.

Commercial Aviation: Air Service Trends at Small Communities Since October 2000. GAO-02-432. Washington, D.C.: March 29, 2002.

(540148)

GAO
Accountability • Integrity • Reliability

Locations of Communities Receiving Essential Air Service Subsidies and Small Community Air Service Grants



Source: GAO map of DOT data.

Testimony of David N. Edwards, Jr., A.A.E.
Airport Director, Asheville Regional Airport
Asheville, North Carolina

before the

House Transportation and Infrastructure Committee
Subcommittee on Aviation
Air Service Programs

April 25th, 2007

Chairman Costello, Ranking Member Petri, members and staff of the House Transportation and Infrastructure Subcommittee on Aviation, thank you for allowing me the opportunity to participate in this important hearing regarding air service programs; specifically Small Community Air Service Development (SCASD) and Essential Air Service (EAS).

My name is David Edwards, and I presently serve as the Airport Director for the Asheville Regional Airport (AVL), located in the pristine Blue Ridge Mountains of Western North Carolina. In addition to my work as Asheville's Airport Director, I also serve as Chairman, Small Airports Committee, for the Airports Council International-North America (ACI-NA). ACI-NA member airports enplane more than 95 percent of the domestic and virtually all the international airline passenger and cargo traffic in North America. Nearly 400 aviation-related businesses are also members of ACI-NA.

As you know, this year is critical for aviation in the United States. The expiration of the Federal Aviation Administration's programs, taxes and fees provides an historic opportunity to make needed changes that enhance and strengthen our national transportation system for decades to come.

According to data from The Velocity Group, in January 2007 there were 656 airports in the United States with scheduled air service. More than two-thirds of these airports are only served by regional airlines and are generally considered small airports. These airports are a critical component to a strong national aviation system. We not only provide safe and convenient travel for our local citizens, but we serve as a vital component for economic growth, and are essential for the survival of many smaller communities.

Unfortunately, the overall environment in which small airports operate continues to remain fierce. High air fares, lack of competitive airline competition, decreasing passenger traffic and 'leakage' to bigger airports are just a few of the issues facing small airports today.

Small Community Air Service Development Program

On April 5, 2000, then President Clinton signed the *Wendell H. Ford Aviation Investment and Reform Act for the 21st Century* (AIR-21) which, among other things, established a new pilot program administered by the Department of Transportation (DOT) designed to help smaller communities enhance their air service. *Vision 100-Century of Aviation Reauthorization Act* reauthorized the program through 2008 and deleted its status as a 'pilot' program.

Since its creation, the Small Community Air Service Development Program has helped smaller communities, like Asheville, secure enhancements that are responsive to the community's air transportation needs and whose benefits are expected to continue after the initial expenditures expire. The SCASD program should be preserved, not eliminated as proposed by the Administration, and fully funded at $50 million.

During the first year of the program (2002), the Asheville Regional Airport Authority received a SCASD grant in the amount of $500,000. This grant and related matching funds were utilized to support new air service by Continental Airlines to Houston. I am pleased to inform you that the flight continues to successfully operate today, four years from the original inception date. In addition, the SCASD grant was instrumental in preserving Continental's existing Newark service. The service commenced just months prior to the terrorists attacks of September 11th. Like Houston, the airport has continued to maintain a successful non-stop flight to Newark.

Thanks in large part to SCASD, during the two years following the inauguration of Houston service by Continental, Asheville saw explosive growth with twenty percent increases in passenger traffic for both 2004 and 2005. Through the additional positive exposure of the SCASD grant and increased passenger traffic, the airport attracted Northwest Airlines to begin service to Detroit and Minneapolis/St. Paul, as well as Delta to begin non-stop service to Orlando.

It is noteworthy to point out that prior to the SCASD program, Asheville was served by two commercial carriers, with non-stop service to four primary hubs. Today, the airport has more than doubled those statistics, and is currently served by four airlines with non-stop service to nine cities. The Asheville Regional Airport strongly believes that the original SCASD grant provided the impetus for the success over the last five years in the airport's ability to bring new air service to the Western North Carolina region.

Like Asheville, the Sarasota Bradenton International Airport (SRQ) is another shining example of SCASD success. Before receiving a SCASD grant, the airport had lost 50 percent of its passenger traffic and was bleeding over 1.6 million passengers annually to Tampa International. Yet today, because of the SCASD program, SRQ remains one of the fastest growing airports in the nation.

In 2005, SRQ received a SCASD grant of $1.5 million and successfully used it to attract low cost carrier Air Tran Airways. Air Tran's initial service consisted of three daily flights to two cities. By 2006, Air Tran carried almost 400,000 passengers and provided nine daily departures to five nonstop destinations during the peak season and five daily departures to three nonstop destinations during the off season.

Air Tran's presence in the Sarasota market injected a competitive pricing structure, as well. From 2004-2006, SRQ's average fare increased by 15.5 percent. In contrast, in markets where Air Tran had introduced services, fares rose less than one percent.

Both Asheville and Sarasota represent just a few of the SCASD success stories. According to the November 2005 study from the Government Accountability Office (GAO), "about half of the airports surveyed reported air service improvements that were self-sustaining after the grant was over". GAO also stated that "grantee airports generally responded positively to DOT's process for awarding grants, about two-thirds were satisfied with the clarity of the selection criteria, while one-third of directors at airports not receiving grants were satisfied with the clarity".

Given the proven benefits of the SCASD program, the airport community was very disappointed that The Next Generation Air Transportation System Financing Reform Act of 2007 did not include any mention of the program. We agree that there are ways to improve SCASD and hope the Subcommittee will incorporate our suggestions and the program in the new FAA reauthorization legislation.

Current law governing SCASD precludes communities that have previously received a grant under the SCASD program from seeking another grant to support the same or similar type project. While this rule attempts to maintain a form of accountability, small airports that have been successful with previous grants should be allowed to expand upon those same successful type projects. In Asheville's case, the airport has been highly successful in attracting and *maintaining* new passenger service to Houston. Should the airport want to expound upon that success using a future SCASD grant to attract an additional new air carrier or destination city, the law precludes the airport from doing so.

Secondly, under the current SCASD program, airports are barred from using airport revenues for direct air carrier subsidy. However, airports that are owned and or operated by city, county or state may receive air carrier subsidies from those local governing authorities. Airport governing structures very greatly and this creates an uneven playing field for many airports who maintain an independent governing body. Allowing SCASD eligible airports to use airport revenue, for a maximum one year limit, would give many small airports the additional flexibility needed to attract, maintain and expand upon air service need.

Additionally, the SCASD program should lift the restrictions pertaining to the number of applications per state. Several states have more than a dozen airports receiving scheduled service, including New York, Pennsylvania, Montana, West Virginia, Colorado and California. If an applicant has a sound application, it should stand on its own merit and not be limited by the 'four' per state restriction.

Finally, we do not believe that the current SCASD program structure for the level of local contribution is appropriate. It is no surprise that small-hub airports have greater access to capital and revenue, while non hub airports remain less so. Non hubs applicants should not receive less merit should their proposed local contribution percentage not be as great as a small-hub proposal.

A sliding scale contribution match should also be considered with future SCASD project proposals. Non-hub proposals with a 25 percent community contribution should be viewed in equal merit with small-hub proposals that propose a 50 percent community contribution.

Essential Air Service

As you know, a key component of the Airline Deregulation Act of 1978 was the guarantee of essential air service to small and medium size communities throughout the United States under the Essential Air Service (EAS) program. EAS has been successful in subsidizing airlines serving mostly small and rural communities, providing a critical link to the national and international air transportation system. Further, it is well established that corporations include the availability of well timed, affordable air service as one of the determinants in the decision on where to locate or expand their facilities. EAS plays a key role in local communities by attracting and retaining these businesses.

I urge the members of the Subcommittee on Aviation to extend EAS during the reauthorization process and provide a level of funding that is adequate for meeting the demands and costs of the program. In recent years, communities, carriers and Congress have pointed to the program's failure to keep pace with changes in the airline industry and other modes of transportation that impact passenger traffic at EAS points. New highways and increased speed limits, for instance, have resulted in greater numbers of passengers driving to nearby airports in search of lower fares. The increased operational costs of 19 seat turboprop aircraft, coupled with passenger migration to nearby hubs, have caused Program costs associated with EAS to climb steadily since its inception.

The government has made a commitment to those airports and airlines and the program should be funded at least at the current level of $110 million annually.

I thank you for the privilege of sharing my experiences and thoughts and look forward to answering your questions.

Testimony by Congressman Terry Everett before the House Transportation and Infrastructure Committee Subcommittee on Aviation
Hearing on Rural Air Service
April 25, 2007

Chairman Costello and Ranking Member Petri,

I would like to begin by thanking the committee for allowing me the opportunity to appear here today. The issue of rural air service is an important one which affects the millions of Americans. As many of my colleagues from rural and small communities across the country can attest, the weekly flights to and from Washington can be a trying experience. The many inconveniences associated with these flights are also experienced by our constituents.

The Essential Air Service (EAS) and Small Community Air Service Development (SCASD) programs seek to address the problems associated with rural air service by providing assistance to small communities across the country.

While southeast Alabama does not have a community served by the EAS program, two airports in the second district have been recent recipients of SCASD grants. These grants have been helpful to my district.

In 2003, Dothan, Alabama received a SCASD grant. Presently, Atlantic Southeast Airlines (ASA) is the only airline which provides service into Dothan. The Dothan Airport Authority used the grant to develop a marketing program to increase enplanements.

Despite an overall positive assessment of the SCASD program, the Dothan Airport Authority did report some difficulties associated with the administration of the program by the Department of Transportation. Specifically, the Dothan Airport Authority has informed me that the accounting procedures associated with the DOT-administered program were redundant at best and cumbersome and time-consuming at worst. The Dothan Airport Authority believes that an accounting process modeled on the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) would be of more assistance. With the DOT-administered program, it could take as long as eight months to get reimbursed for funds spent as part of the grant. By contrast, it has normally taken the Dothan airport no longer than 48 hours to get reimbursed for funds allocated under the FAA's AIP program.

In 2005, Montgomery, Alabama also received a SCASD grant to expand air service in the state, though it has yet to spend any of the money allocated. The grant was awarded to increase service between Montgomery and Detroit. Under the terms of the grant, the Montgomery Airport Authority would mitigate some of the risk associated with the operation of a new route by Northwest airlines. However, Northwest Airlines declared bankruptcy shortly after the grant was awarded in 2005. As a result, all new plans for expansion were frozen, including the proposed direct route between Montgomery and Detroit.

It seems to me that the SCASD program should be structured in a way that benefits the communities and not a particular airline. The SCASD program cannot serve the people of

Montgomery in the timeliest way possible because the grant cannot be transferred to another airline. Yet when the Montgomery Airport Authority requested that it be allowed to change the grant to another airline, it was informed that the grant was awarded to the airport in order to expand service with Northwest Airlines, and that if it would like to spend the funds on a new purpose, it would have to submit a new application.

While the Small Community Air Service Development Program provides much needed assistance to improve air service in southeast Alabama, there are several problems that are not addressed by these programs that I would like to bring to your attention.

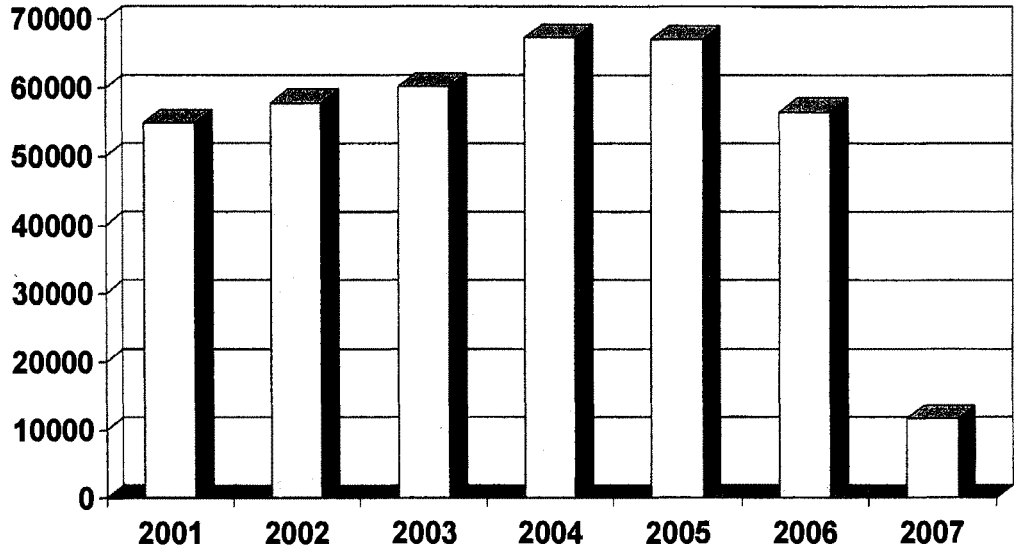
Air service in small to mid-sized communities, like Dothan and Montgomery, are left at the whim of corporate airlines whose benign neglect oftentimes results in lengthy delays and cancellations. This haphazard service impacts both business travelers and tourists, and impedes the ability of the communities to attract and retain economic development.

As I mentioned earlier, Dothan is served by only one airline, ASA. According to their own statistics, ASA flights from Dothan to Atlanta are delayed 50% of the time, and it is the only location to which ASA flies from Dothan. In addition, ASA flights from Atlanta to Dothan are delayed 70% of the time. That's right, 7 in 10 flights leaving Atlanta for Dothan are delayed. This abysmal record has led Dothan residents to refer to ASA as the Accidentally Scheduled Airline.

Montgomery has also had its share of problems with ASA. While the city is served by four airlines, ASA carries the vast majority of passengers traveling through the airport, and receives the vast majority of complaints. While the airline has a 98% completion rate into and out of Montgomery, its record for handling baggage is absolutely horrible. Indeed, ASA is the industry leader in lost baggage. This may not mean much for business travelers who often carry baggage onto the plane. But it is of immense concern for families leaving on vacation, or those traveling for the holidays. In addition, the new carry-on baggage restrictions have increased the amount of bags checked by business travelers.

I would like to close by thanking the committee again for allowing me the opportunity to discuss this important issue with you today. While the EAS and SCASD programs are valuable tools with which to address the problems plaguing rural air service, it remains clear that they aren't enough. Congress must do something more to address these problems. And I stand ready to work with the Chairman, Ranking Member, and members of the committee to improve air service for the millions of Americans who live in rural areas and small communities across the country.

Enplanements – Dothan Regional Airport



Notes: January 2001 to March 2007. Air Service Grant from October 2003 to October 2005.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 6:10 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Kevin Hinson
Address = 650 Westbrook Road
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = wasteman1719@yahoo.com

Comments = Congressman Everett,

Just over two years ago, I was fortunate enough to return to Dothan after living in other parts of Alabama and the Florida Panhandle the last 20 years. On occasion, I am required to travel with my job. Almost without fail, I am forced to use an airport other than Dothan's because of the outrageous airfares. For example, in early November, I went online to book air travel to Las Vegas for a February leadership convention. A seat from Dothan to Las Vegas through Atlanta was going to cost just over $1,700. Having just moved from Ft. Walton Beach, I compared their pricing from their airport and found a comparable ticket for just over $300. The $1,400 difference was just too much to justify flying out of Dothan.

I have always tried to support the local businesses understanding that I too need their support in managing my company. However, I can't support an operation whose pricing is 5 1/2 times more that a comparable business.

I wish this were the only example but time and again I find myself looking elsewhere than the Dothan airport to accomodate my travel needs.

Thank you for a few minutes of your time.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 6:37 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Benjamin McWaters
Address = 504 Davis Street
Address2 =
City = Ashford Alabama 36312-4532
Phone =
E-mail = bmcwaters@easterntechnologies.com

Comments = Congressman Everett,

It is my understanding that you are seeking comments from your constituents regarding the level of service provided by the Dothan Regional Airport and its sole air carrier Atlantic Southeast Airlines (ASA). First of all I want to say that I am very pleased with the facilities in place in Dothan. The new terminal is something for Dothan to be proud of. The staff and employees at the airport have always been courteous and helpful.

There are service issues with ASA but for the most part the problems I have experienced with ASA have taken place in Atlanta not Dothan. On several occasions my return flight to Dothan has been canceled or significantly delayed. I have also experienced several instances where my departure gate was changed as many as 3 times with very little advance notice. There is not a lot of good I can say about ASA's gate staff in Atlanta so I will leave my comments at that about that subject.

I draw no pleasure from reporting to you that I have had to fly out of Atlanta and out of Dothan except in special circumstances. I drive three and a half hours to Atlanta at least twice sometime four times a month in order to fly at a reasonable price. The issue that hurts Dothan Regional Airport the most is a lack of competition from other carriers. I checked airfare prices from Dothan to Chicago Midway airport today and found the price to be $1,212.00. A flight originating in Atlanta with a destination of Chicago Midway was $503.00. Even with my company paying me $180.00 to drive roundtrip to the airport in Atlanta there is no doubt that driving to Atlanta is the best value. I would much prefer to fly from Dothan but it does not make economical sense to do so. The situation with the Dothan Regional Airport is a tough one. It is possible that there is not enough potential traffic to support two or more carriers in Dothan and with only one carrier the competition needed to keep prices low is just not there. I wish you the best of luck in your effort to solve this problem.

Benji McWaters
Sales and Customer Service Manager
Eastern Technologies, Inc

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 6:38 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Leo Breckenridge
Address = 207 Pinetree Drive
Address2 =
City = Dothan Alabama 36303-3030
Phone =
E-mail = leob@lgbconsulting.com

Comments = The Honorable Terry Everett
United States Representative
House Office Building
Washington, DC 20510

Dear Congressman Everett:

I understand that you are seeking input regarding the quality of air service in Southeast Alabama. In order to assist in that effort, I plan to make this the primary topic of my radio program, Money and Business Talk, this Thursday April 19, 2007 at 7:00 A.M. CDT. The program can be heard on WRJM News Talk 93.7 FM over the air or streaming live on the internet at www.wrjm.us. The call in number to the program is 888-318-9379.

I have sent out a call via email for anyone who has a compliment, complaint, or opinion about the quality of air service in Southeast Alabama (or lack thereof) to call in to the show. If you would like to call in and field some of the calls directly, I would be delighted to have you as a guest on the program. I also plan to ask Mr. Charles Coggins, Chairman, Air Service Transportation Committee of the Dothan Chamber of Commerce to call in as well and respond to callers.
I have over 1.4 million airline miles (just on Delta) and have had many flights and experiences with ASA. This should be an interesting hour. I look forward to hearing from you on Thursday morning.

Best regards,

Leo G. Breckenridge
207 Pinetree Drive
Dothan, AL 36303-3030

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 6:40 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Doug Wynn
Address = 2780 St Hwy 85
Address2 =
City = Geneva Alabama 36340-
Phone =
E-mail = dougwynn61@netscape.net

Comments = Sir,
This is in response to your desire for comments on the Dothan airport. We've met a few times, I worked at WKMX Radio for 16 years until winter of 2006 when I came to work for Troy University (Dothan campus). I don't fly often but the last time I flew out of Dothan in '98 I thought I'd take a parachute the next time, just in case. The Dothan airport is large enough with long enough air strips to handle even jumbo jets but we only get puddle jumpers and not very many. For convienience I've been flying out of either Tallahassee or Ft. Walton, it's also cheaper. You know the history of the Wiregrass, used to be that Newton and Columbia were the "big cities" but they didn't want to deal with the new fangled railroads and the costs and problems that came with them. Dothan can't seem to agree on an I-10 connector or do what's needed to have a viable airport. The problem will be solved very shortly when 167 is 4-laned and the international airport in PC is built a little over an hour south of my home in Geneva. Fifty years from now Hartford, Enterpise and Troy may be the "big cities" while Dothan is the next Columbia. You've a tough situation to deal with right now, let me know if I can help.

Sincerely,

Doug Wynn

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 7:17 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Priscilla Tucker
Address = 103 Bluebird DRive
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = alagator66@graceba.net

Comments = Senator Everett: I understand you are wanting comments about flight into and out of Dothan. When we fly from Atlanta to Dothan, the flight is never on time and luggage has been lost multiple times. We have flown in many different areas and never have the problems we have with ASA. You cannot count on flights being on time or even here. Ex: we were to go to Hawaii last may--the night before the flight, the flight was cancelled and we were rebooked and arrived in Honolulu 7 hours later than we were supposed to--if we had been getting on our cruise ship that day, we would have missed it. Coming back from Hawaii--everything was fine until we got to Atlanta and tried to get on flight home. Flight was cancelled while taking off due to faulty equipment--we were redirected to another gate and no one there knew what to do with us. A lady in a wheelchair was sitting there and no one paid any attention to her. She had been parked to the side and no one was bothering to let her know what was going on. My luggage did not get on flight from Atlanta recently and I was told it would be brought to me after the next flight by 11:30 that night. It never came and when I called the next AM, they told us it would be 9 AM. I had to be at work by 8 AM and all my meds and make up were in my luggage. Fortunately, my husband went to airport and picked it up for me. The stories could go on and on. We went to NYC in November and refused to fly out of Dothan and flew direct from Atlanta. The cost is also prohibitive. I would love to see another airline and if the new airport is placed in panama city, I plan to try it in stead of here. Thanks for listening. Priscilla Tucker

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 7:17 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Julian Brown
Address = 1394 US Hwy 231
Address2 =
City = Ozark Alabama 36360-4416
Phone =
E-mail = woab@charter.net

Comments = My opinion on the Dothan Airport...you have a carrier of one who can charge whatever they want and give whatever service they want to...you've got to be nuts to fly out of or into Dothan...the cost is 3-4 times as much as anywhere else...I flew to Nassau last year and drove to Tallahassee instead of using Dothan...
JHB

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 10:06 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Michael Bush
Address = P.O. Box 10112
Address2 =
City = Dothan Alabama 36304-
Phone =
E-mail = mbush@sw.rr.com

Comments = Dear Congressman Everett:

I just wanted to touch base with you concerning ASA airline service in and out of Dothan, AL.

The people at the airport in Dothan are very nice and do the best they can with us. They know us and help when they can.

The biggest problem is poor management in Atlanta. Have you ever dealt the hourly clerks or counter help? I know you have and I've seen you there. The ASA employees treat you worse than animals, they simply could care less. I understand issues with weather. Obviously if there's a snow storm in the Northeast, it will probably effect Atlanta with inbound flights. It's gotten so bad that I actually have my travel agent Janet with AAA Travel in Dothan reserve me a car in Atlanta for my return trip. I ended up renting several times last year because of the games that ASA plays. If you want more info, please contact our VP of Sales with Dunbarton Corporation and you can hear stories all day.

I remember one trip about 3-4 years ago when there were 4 of us trying to get back to Dothan. We all assigned each other projects for the delayed flight. You ended up acquiring shaving kits for all of us. There were 4 of us and we ended up renting a car and getting to Dothan after midnight.

I know you can't change everything but ASA needs to go. In fact, we now book 25% of our flights out of Tallahassee, Columbus, Atlanta or Montgomery. Dothan is the last resort.

I would start on the airfares but that's another story.

The problem with ASA is not the local people; they've gotten to know us and tell us the truth.

Sure, there will be delays but all they tell you in ATL is delay, delay, cancel and put you on the next flight. Then, delay, delay, canel.

Congressman Everett, you know the story as well as I do as you fly them constantly.

Something has got to be done.

If you want more input, please call my cell at 334 791 1348.

Respectfully,

Michael Bush

P.S. I was Platinum Medallion for 3-4 years when I covered the West coast. I assure you, I have many stories just as you do.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 10:10 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Wendell Floyd
Address = 602 Evert Drive
Address2 =
City = Dothan Alabama 36305-
Phone =
E-mail = wfloyd@sw.rr.com

Comments = Re: ASA Airlines

On my last flight into Dothan (3-30-07), I was scheduled to leave Atlanta at 3pm. My lay-over was around 3 hours so I debated whether to rent a car or wait for my flight. I chose to wait and it was canceled at 2pm. I then chose to drive home rather than waiting on the 5 pm flight. That flight did not get into Dothan until around 6:30. I now have our travel agent book a car rental coming out of Atlanta just in case.

I have ended up driving from Atlanta 2 out of my last 4 trips due to ASA garbage.

If there were any competition, ASA would go out of business. They don't care about service or especially the customer.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 10:38 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Thomas Osbeck
Address = 2806 Evans Drive
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = tosbeck@sw.rr.com

Comments = Dear Congressman Everett:

I received an e-mail from the Dothan Eagle that you want information and comments on air service in southeastern Alabama for your April 25th hearing.

First of all, let me congratulate you on looking at this problem. This is the first step toward a creative solution.

The Dothan airport's basic problem is simply lack of competition. Without competition airlines can gouge their customers and provide whatever level of service the airline wants to deliver at that location because they have a captured audience.

It is a proven fact that low prices and convenience drives traffic. Dothan's airport is heavily used by the military at Fort Rucker and therefore there is no need to keep prices low to attract the general flying public. The military is actuality providing a subsidy to the Dothan-Delta partnership in the form or higher fares charged for military personnel using the Dothan airport for Fort. Rucker personnel. The Dothan airport carrier does not rely on much of the general flying public to generate a profit therefore it charges a premium to the general public for the convenience of a local airport.

If there were multiple airlines at the Dothan airport, fares would drop and service would increase due to natural competition.

The argument is that there is not enough traffic to support two airlines at the Dothan airport. This is especially directed at airlines that offer low fares. This is an invalid argument. If the Dothan airport had the lowest fares in the state to major destinations, Dothan airport would have so much traffic it would have to expand. This is what Panama City intends to do with their new airport. With multiple low cost carriers to increase traffic to Panama City, it will rob the Dothan airport of even more traffic.

One of the realities that no one wants to face is the fact that the established airlines like Delta and others will always struggle because they are unable or unwilling to shed the old infrastructures created when the government regulated fares and routes. During that time there was no competition for routes, fares were set by the government and large subsidizes were given for low traffic routes. Airlines could afford a higher cost structure with retirement and medical plans. In addition they knew that their cost structures and revenues were virtually guaranteed. Deregulation then allowed airlines to develop costly hub operations that they are now stuck supporting. Further deregulation caused the hub model to be outmoded as new airlines without costly overhead could offer lower fares to profitable routes thus cherry picking where and when to offer services. New airlines were not required to maintain low traffic/low profit routes and huge hub systems.

When airlines were profitable they could afford to offer low fares in an area to increase traffic. Because the Delta partner in Alabama is barely profitable it is not likely that it will ever offer low fares to build up traffic. Their infrastructure will just not support the investment and because Dothan airport is a military subsidized monopoly market there is no need to drop prices or better service.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 6:36 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Donna McVeigh
Address = 339 County Road 544
Address2 =
City = Elba Alabama 36323-
Phone =
E-mail = mcveighd@hughes.net

Comments = I have had multiple experiences at both the Dothan and Montgomery airports - and none of them were good. The planes are always late departing and, more often than not, I've missed my connecting flights lately. This is unacceptable! Large cities I've flown to (D.C., St. Louis, Boise, etc) don't have the problems these small airports have and they fly thousands more daily. Perhaps we need new directors/managers of these airports to shape them up.
Your attention is greatly appreciated.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:08 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Gary Holloway
Address = 2449 South Brannon Stand Road
Address2 =
City = Dothan Alabama 36305-7007
Phone =
E-mail = busterh@twitchellcorp.com

Comments = I have no recent horror stories associated with the service to and from the Dothan airport for the following reason. When booking a trip I always compare multiple airports within 150 miles and cannot justify the additional cost of the ticket to fly out of Dothan versus flying out of Ft. Walton, Tallahassee, Panama City, Montgomery, Columbus. I have not been able to find a flight out of Dothan to many different places in the United States that is within $200.00 of the price of the other mentioned airports. Sometimes the difference is $500.00 - $750.00. So I, along with many other people who work with me, choose to fly from another airport unless it is absolutely neccessary.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:10 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Patrick Geiger
Address = 316 Halifax Drive
Address2 =
City = Dothan Alabama 36305-
Phone =
E-mail = patg@dunbarton.com

Comments = Re: Air Travel from Dothan

I moved to Dothan as President of Dunbarton Corp. 16 months ago after spending over 20 years living and working in every corner of the world. I am ashamed to say that the air service available here is about the most miserable I've ever encountered...and that includes many third world countries.

Ticket pricing is exorbitant, not to mention the erratic service. We never know if we'll leave or return as scheduled. And the chance of getting luggage on the flight that you eventually arrive on is dismal. I suspect that pricing is based on the fact that the government pays a big share of the air revenue for Fort Rucker traffic.

We regularly drive to Tallahassee, Fort Walton Beach and Birmingham to avoid ASA (Delta Connection). If someone would provide commuter service to Birmingham where we could connect to Southwest Airlines, life would be good! In fact, we have determined that if our destination is drivable in less than 8 hours it is better to avoid flying from Dothan. Now isn't that a step backward in time!

My wife and I have given up flying to visit family in Houston Texas…we can drive it in about 11 hours door to door and arrive with much less frustration.

Dothan is growing city with a lot to offer. I apologize to business associates that visit us as I direct them to other airports and warn against booking directly to Dothan. This is getting to be quite an embarrassment!

I know that you endure the Dothan flight situation regularly yourself… as I've seen you at the airport.

I just thought I would vent and note that if ever you hear of carrier considering this market, we deserve better than we have and could sure use a little competition.

Thanks and Regards,

Patrick Geiger
President
Dunbarton Corporation

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:12 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Tracy Cary
Address = PO Box 1649
Address2 =
City = Dothan Alabama 36302-1649
Phone =
E-mail = tcary@mcatlaw.com

Comments = Re: Air Service in Dothan

Dear Congressman Everett:

You requested input on the quality of air service to Dothan. To be blunt, ASA's connection from Atlanta to Dothan is poor. The staff at the Dothan Airport are great and are not the reason for the poor service. However, two of the last three times I've tried to come home to Dothan the flights were postponed, switched to different gates and then canceled. The communication at the Atlanta airport is poor when there are delays and cancellations. Many times I simply drive to Atlanta or Tallahassee so I can avoid the headache of having my flight into Dothan canceled. Any help you can provide to improve this would be greatly appreciated.

Thank you,

Tracy W. Cary

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:13 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Rhonda Gay
Address = 103 Barbara Court
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = actionopdothan@yahoo.com

Comments = Dear Mr. Everett,

I received an e-mail from the Dothan Chamber of Commerce that you wanted feedback on the Dothan & Montgomery airports. Previously I have flown out of both airports.

My airport preference to fly in and out of is Dothan. It is very convenient for me due to the fact that I live in Dothan. The drawback is the price. It is so expensive to fly from Dothan. A person can drive to Montgomery (even with today's gas prices) and fly from there cheaper than out of Dothan. The Dothan airport is very nice and the staff is very nice. There also seems to be a problem with ASA cancelling or re-scheduling flights with little or no notice. This is such an inconvenience to the travellers.

Montgomery's airport is okay. I don't think the staff there is as nice as the Dothan staff though. The airport is pretty easy to find. The price is so much less to fly out of Montgomery. You just have to leave two hours earlier to get there to allow for the drive.

We have even driven to Atlanta and flown from there due to the expensive cost of flying out of Dothan. It is approximately 3 hours there.

I understand that there has been a lot of money put into the renovation of the Dothan airport and it is such a shame that due to the expensive cost and the cancellation of flights more and more people are seeking other airports to fly in and out of. We plan to look at the Panama City airport when it is built to compare prices and schedules in future travels.

My husband's family is in Massachusetts and we would love the convenience of being able to fly from Dothan at a reasonable rate.

Feel free to contact me if you have any questions.

Thanks for listening!

Rhonda Gay
103 Barbara Court
Dothan, AL 36303
334-699-5462 work
334-790-4399 cell

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:14 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Ms.
Name = Jean Coburn
Address = 868 Murray Road
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = jeanc@dunbarton.com

Comments = I fly into Dothan on regular basis to work for my employor Dunbarton. I leave in Salt Lake City,UT and without fail everytime we reach Altanta our flights are delayed into Dothan and out of Dothan. It makes a very long trip even longer and very frustrating to not only me but to my company. It would be nice if ASA had more competition. It would also be nice for those of us who fly into Dothan have other options. I live in a Delta hub city but I am not married to the airline.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:38 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = David Hughes
Address = 213 Asphodel Drive
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail =

Comments = As recent as this past Sunday my wife and I returned from a convention in Las Vegas. Our flight to Dothan was to depart at 5:00 PM but as late as 5:20PM we were still sitting at the gate with no information as to the delay. They never so much as mentioned that the Dothan flight was being delayed. We were there for 2 hrs prior to the flight but when we got to Dothan we had no luggage nor did several others. One of the bags arrived on the next flight and I picked the second one up at noon on Monday.
I no longer fly as much since changing jobs and when I do I use private aircraft, but during my 27 years with Collins Signs I went through the Atlanta and Dothan facilities more than I care to remember. It got to the point that I would never fly home on Friday because I wanted my Friday's off at 5:00 PM and anytime after mid-day you could plan on getting home on the 10:00PM flight. Many times I took the Panama City flight and rented a car or rented a car in Atlanta and drove home. It was always the Dothan flight for some reason. Montgomery went as scheduled , Panama City and Columbus were always leaving and Dothan was delayed or cancelled.
Regards
David Hughes
213 Asphodel Dr
Dothan AL 36303
Florida Certified Sign Erectors

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:39 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Ms.
Name = Rhonda Gay
Address = 103 Barbara Court
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail =

Comments = Dear Mr. Everett,

I received an e-mail from the Dothan Chamber of Commerce that you wanted feedback on the Dothan & Montgomery airports. Previously I have flown out of both airports.

My airport preference to fly in and out of is Dothan. It is very convenient for me due to the fact that I live in Dothan. The drawback is the price. It is so expensive to fly from Dothan. A person can drive to Montgomery (even with today's gas prices) and fly from there cheaper than out of Dothan. The Dothan airport is very nice and the staff is very nice. There also seems to be a problem with ASA cancelling or re-scheduling flights with little or no notice. This is such an inconvenience to the travellers.

Montgomery's airport is okay. I don't think the staff there is as nice as the Dothan staff though. The airport is pretty easy to find. The price is so much less to fly out of Montgomery. You just have to leave two hours earlier to get there to allow for the drive.

We have even driven to Atlanta and flown from there due to the expensive cost of flying out of Dothan. It is approximately 3 hours there.

I understand that there has been a lot of money put into the renovation of the Dothan airport and it is such a shame that due to the expensive cost and the cancellation of flights more and more people are seeking other airports to fly in and out of. We plan to look at the Panama City airport when it is built to compare prices and schedules in future travels.

My husband's family is in Massachusetts and we would love the convenience of being able to fly from Dothan at a reasonable rate.

Feel free to contact me if you have any questions.

Thanks for listening!

Rhonda Gay
103 Barbara Court
Dothan, AL 36303
334-699-5462 work
334-790-4399 cell

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:39 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Dr.
Name = john miller
Address = 103 medical dr
Address2 =
City = dothan Alabama 36303-6903
Phone =
E-mail = drmiller@dothanperio.com

Comments = Mr. Everett,

All that I can say about ASA, our only choice for flying to and from Dothan, is that they are consistent. Unfortunatly they ar conistently bad. I am pleasantly suprised if a delay is only 30 minutes. What really disturbs me is that my last two delays were for crew and a captain failing to come to work. They do not appear to schedule maintenance on their aircraft as the most common reason for delayed and cancelled flights is maintenance. I haven't spoken of lost luggage.

My plans are to drive to Atlanta or Talahasee whenever possible. I sure hate to see the Dothan airport dry up but with the service provided by ASA it is inevitable.

Thanks for allowing my input

John Miller DMD

ps. Are the implants doing OK?

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:42 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Will C. Carn, III
Address = P. O. Box 1665
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail =

Comments = I have no confidence in ASA and have accordingly avoided flying out of Dothan altogether for quite some time. The last time I flew, they cancelled my flight out of Atlanta for "mechanical reasons." Oddly, however, they had enough seats on the next flight for everyone. On the flight before this one, they just cancelled the last flight out of Atlanta for no stated reason.
They refused to provide me a room or a car. Their position was that they could bus me to Columbus, and I could fly from Columbus from Dothan and get in at 3 in the morning. My guess is they knew I would decline their generous offer and rent a car myself and just drive home, which is exactly what happened.

My mother flew recently, and they lost her bags going, and coming home. I can't blame ASA for the bag loss, but is odd that there were 6 or 8 other people whose bags were also lost upon arrival in Dothan.

The cost of flying out of Dothan is also absurd. On my mother's flight from Dothan to Washington DC, the ticket cost because of short notice was $1500 out of Dothan. The same trip, had she departed from Atlanta, was about $700.
She is unable to make a long drive, however, and had no choice but to eat the ticket cost.

Your efforts are appreciated, but it will never get any better until there is some competition

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 5:07 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Art Solomon
Address = 2323 West Main Street
Address2 = Suite 106
City = Dothan Alabama 36301-
Phone =
E-mail = monsolo@graceba.net

Comments = Mr. Everett,

Here are two of my experiences with ASA out of Dothan over the last year.

1. I am flying my son home from New York for his sister's wedding in May. After searching the internet for an airfare I ended up having to bring him into Albany Ga. The ticket to Albany was $252. To fly to Dothan was over $480.

2. Last May I had a flight to Las Vegas leaving Dothan about 7 AM. Knowing ASA I got up at 4AM and called the airport. My flight and the next were cancelled. We were to be put on a bus at about 10AM and buses to Atlanta and catch a later flight. My orig. flight was to have me in Las Vegas about Noon their time. The new schedule had me getting there about 7PM. My wife drove me to Atlanta and I caught my orig. flight from Atlanta to Vegas.

I would love to fly out of Dothan, but with the unreliability and the higher prices it is almost impossible to do so.

Art Solomon

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 5:10 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Chad Wester
Address = 356 Thomas Drive
Address2 =
City = Ozark Alabama 36360-
Phone =
E-mail = Chad.Wester@alltel.com

Comments = Dear Mr Everett,

Thank you for your interest in the air service at Dothan Regional Airport. As a resident and corporate customer, I use air travel quite a bit. The best way I can describe the service at Dothan Regional Airport is expensive and inconsistent.

Cost: It has become cost prohibitive for my company to allow me to purchase air travel from the Dothan Regional Airport. I fly numerous times a year to Little Rock, AR for business. If I booked that flight today from Dothan my cost would be aprox 598$, but if I drive the 2 hours to Tallahassee to take my flight I would only pay $272. The Tallahassee flight would provide me with jet service on all flights and on larger equipment. It is almost impossible for my company to justify an additional 326$ just for the convenience of flying out of my home town.

Inconsistent: The second reason I have to avoid the Dothan Airport is inconsistency. I have driven on my trip on numerous occasions via a rental car as well as one occasion where I took a bus to Atlanta, missed my flight in Atlanta to be placed on a flight to Memphis. I had to rent a car in Memphis and drive to Little Rock- I should have drove in the first place. On one occasion in Feb of 06 the flights were canceled for several days because the airports ILS system was down. I know nothing about avionics, but the fact that the system was down for any extended length of time seems unacceptable to me.

History: The problem is getting worse. I find it interesting that, according to the airports website- flydothan.com, Dothan had more destinations in 1968 than they do today. In 1968 Southern Airlines serviced Dothan with jet service to Washington DC as well as New York City. In 1982 Dothan was serviced by 4 airlines Republic, Devoe, Southeast, and ASA. As late as the early part of this decade, Northwest Airlink also serviced the airport. Does this point to going backwards to anyone but me?

Any effort you can make to increase our service in Dothan would be greatly appreciated. Until then I will be flying out of the Tallahassee Regional Airport.

Thanks,

CW

PS: I submitted these concerns to the Dothan Regional Airport website a while back and got no response.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:09 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Michael McWaters
Address = 377 County Road 708
Address2 =
City = Enterprise Alabama 36330-
Phone =
E-mail = mmcwaters@wiregrass.coop

Comments = My most recent experience of poor customer service with ASA was March 23.

On a return trip from Las Vegas, my flight from Atlanta to Dothan was cancelled (we were never informed why). 26 passengers were flown to Columbus and then driven 2 hours in vans to Dothan.

I tried to issue a complaint through Delta's website and received the following response:

"Thank you for taking the time to get in touch with us. We appreciate every opportunity to listen to our customers and act upon what we hear. Our response to your e-mail may take a little longer than usual due to the high number of customers who have contacted us recently. In the meantime, thanks for your patience."

I don't know that I have left and returned on time out of Dothan in over a year.

The poor service out of Dothan combined with extremely high fares may force my to look elsewhere for my travel needs.

For my last trip, I left out of Birmingham and saved $500.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:10 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Joel Boyd
Address = 110 Eton Dr
Address2 =
City = Dothan Alabama 36305-
Phone =
E-mail = joelboyd@cbt-alabama.com

Comments = Congressman,

Service in and out of Dothan via ASA has been a problem for some time. Not only do you expect to pay 30-50% more for the ticket over Montgomery or Panama City but they have been habitually late. Missing connections or barely making it results in lost luggage problems as well. For what we pay we should demand better service. The ASA monopoly on Dothan leaves us taken for granted!

Joel Boyd

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:12 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Talana Bell
Address = 7990 South County Road 33
Address2 =
City = Dothan Alabama 36301-8156
Phone =
E-mail = talana.bell@triadhospitalsinc.com

Comments = I am responding to your question regarding experiences at the Dothan Regional Airport. Because of the uncertainty of flights coming in and going out, I have been driving to Atlanta to make my connections. On one occasion ASA/Delta cancelled an early afternoon flight. The connection was mid afternoon with arrival in Dallas at approx. 6 p.m. With the cancellation in Dothan, we would have gotten to Dallas around 10:00 p.m. which didn't help us at all. On many occasions, the flight from Atlanta is delayed or cancelled. An example of this situation occurred while we were trying to return to Dothan from Dallas. We found out in Dallas that the Dothan flight on which we had been booked and was the last flight out of Atlanta had been cancelled. After much wrangling with Delta, I finally convinced them to let us fly to Atlanta. I had my husband drive from Dothan to Atlanta to pick us up so we would not waste yet another day in an airport and miss another day of wo!
rk
in the office. (These trips are business trips, not vacation.) There are several other instances of delayed flights and other cancelled flights. I would love to see another airline in the Dothan Airport to give Delta some competition. Right now, it appears they can do anything they want to do regarding cancellations, etc. If we could have consistency and be assured of returning home on the dates we have scheduled, we would consider flying out of Dothan again. By the way, it is much cheaper to fly directly out of Atlanta and not go through Dothan. Thank you for your consideration of my comments. If you need anything else from me, please feel free to contact me.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:37 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Raymond Harrison
Address = 2014 Stonebridge Road
Address2 =
City = Dothan Alabama 36301-
Phone =
E-mail = harrison@aaacooper.com

Comments = Dear Mr. Everett,
I am aware of your recent comments in the Dothan Eagle about the service provided (or NOT provided) by ASA to/from Dothan. In the past I have written a number of letters to ASA and to Delta with nothing more than a "form response". I have been traveling for the past 19 years out of Dothan and the past few years have grown progressively worse. The majority of the complaints from me (and others I see on a regular basis at the Dothan airport and in Atlanta) is the predictability of delayed flights "due to maintenance" or "we are waiting on a crew", or "flight has been cancled". I have rented a car a number of times because of the uncertainty of ASA once a flight is moved back or at least one major delay. I go by my "gut instinct". More times than not when I have rented a car I arrived in Dothan prior to the ASA flight. There is comfort in knowing I was in control and not waiting on the whims of ASA.

With regards to ASA, specifically, I think the problem is with the Main Operations Center and the Atlanta Hub. The personnel in Atlanta are absolutely the worst I have ever seen, anywhere. For most part the personnel with ASA in Atlanta gives you that "I don't give a crap" attitude.

In addition to ASA's unpredictability is their method of pricing. On one recent occasion I flew out of Atlanta but back into Dothan and the air fare was about $200 less than if I had originated in and returned to Dothan. On another trip I scheduled my trip to Los Angeles from Dothan but my return to Montgomery and it was $168 less than if I had returned to Dothan. Yet on another prospective trip I can fly round trip from Montgomery for $228 less than from Dothan. I continue to hear others talk of driving to Montgomery, Tallahassee, Birmingham or Atlanta because of the disparity in air fares.

The personnel at the Dothan Terminal are to be commended for doing a great job with a company such as ASA. I think if the Atlanta personel had the ability the Dothan personnel shows week in and week out that ASA would find themselves much improved overnight.

I sincerely wish you success in bringing better service to our region.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:38 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Doug Perreault
Address = 3503 Huntington P;
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = ndp@ala.net

Comments = Re: Air service to Dothan. I haven't taken a flight out of Dothan in over a year. The cost is prohibitive versus driving to Atlanta or Birmingham and the service is spotty at best. The schedule listed by ASA is a guess as to when and even if, a scheduled flight will actually take place. You don't just happen to luck into the worst airline rating, you must earn it and ASA has certainly earned it.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:39 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Donald Patterson
Address = 108 W Carnegie Ln
Address2 =
City = Enterprise Alabama 36330-
Phone =
E-mail = pat.patterson@verizon.com

Comments = Sir,
As regrads your question about aviation service in S.E Alabama. I have many horror stories over the past few years.

First story; my mother who is 86 years old deaf, & semi mute, was visiting me in Enterprise when her sister, my aunt, was given less than 24 hours to live. Delta would not give us a discounted fare. As a result we purchased a full fare ticket out of Montgomery to Salt Lake City, Utah. When checking my mother in in Montgomery I notifed the ticket counter agent that my mother had special needs. Advise the agent that she was deaf, and did not have good mobility. They assured me her needs would be met. When she arrived in Atlanta for her connecting flight to Salt Lake she was met with a wheel chair and an attendant. She was taken to her gate then abandoned, without any explanation or instructions. Being deaf she could hera boarding instructions. Lukcily a gate agent noticed her questioned her and she barely made her flight to Salt Lake. This was a very traumatic experience for her.
Now she refuses to fly.

I have had luggage lost and delivered to my house after I made a return flight to where I started.

Getting out of Dothan has not been a problem for me. Returning to Dothan has been. It is also a problem for business associates trying to get to Dothan for meetings. I have had more late flights out of Atlanta to Dothan than on time flights. The most recent event was last month returning from Los Angeles, Ca. the flight from Atlanta to Dotha was over (2) hours late. This would be forgivable if it was the exception. Let me assure you it is not. Of the last (5) flights I have had in to Dothan from Atlanta none have been on time.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:40 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Thomas Solomon
Address = 250 Shirah Dr.
Address2 =
City = Headland Alabama 36345-
Phone =
E-mail = tom@sanman.net

Comments = In response to your requests for past experiences with the Dothan Regional Airport. I occasionally travel from Dothan to Washington DC on business. The last trip I made was on March 12-15, 2007. The service from Dothan is usually good. I have not had problems in Dothan going on ASA to Atlanta and normally connecting through Delta. The problem with ASA is when I return back to Dothan through Atlanta. I have had numerous delays and outright flight cancellations from Atlanta to Dothan. On my last trip, I scheduled my return to Dothan to meet an office obligation by 2 pm. My flight was cancelled 3 times and I finally returned to Dothan at 7 pm. This required a stay in the Atlanta airport of almost 5 hours. It is standard practice for ASA (also called Always Stuck in Atlanta), to have the following excuses: No Crew; No Airplane; Airplane is in Maintainence; etc. This is very frustrating when you have scheduled a return to Dothan and cannot make your schedule due to ASA's problems in Atlanta. These comments are being sent to you in hopes that something can be done to improve service from Atlanta to Dothan in the future. Thank you.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:41 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Dick Bell
Address = PO Box 1364
Address2 =
City = Dothan Alabama 36302-1364
Phone =
E-mail = dick@bellfb.com

Comments = Dear Terry,
This is in response to your request on air service experience from the Dothan-Houston County Airport.

As you know I have been chairman of the airport authority for over twenty five years and air service and prices are the worst I've seen. Because of the Delta bankruptcy and their sale of ASA to Sky West we seem to have no one to present our case too. In the past ASA had been very responsive especially when we pointed out significant fare differences between us and other airports in our area.

Since deregulation service to small airports like ours has deteriorated drastically. This has had a major impact on our industry, traveling public and Fort Rucker.

Please know that the Dothan-Houston County Airport Authority along with the Air Transportation Task Force of the Dothan Area Chamber of Commerce has been doing everything in their power to improve things.

On a personal note I have had occasion this year to fly to Denver, Las Vegas, and Phoenix and my wife and I can both fly out of Birmingham for less than one of us can fly from Dothan. Plus with the returning schedule I can drive to Dothan quicker than I can fly from Atlanta because of lay over time in Atlanta.

Please be assured that we will work with and support you any way possible in your efforts to improve our service.

Best regards,
Dick Bell

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:41 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Janet Lattime
Address = 3850 W Main St. Suite 201
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = jlattime@aaaalabama.com

Comments = Dear Congressman Everette,

As a travel agent for 18 years in the Dothan area, I have seen an enormous increase in complaints with the ASA service out of Dothan and out of Atlanta back in to Dothan in the past 5 years. I have several corporate clients that won't fly from Dothan because of the cancelled or delayed flights and lost luggage or misplaced luggage. I have asked all of them to email you their stories.

Sincerely,

Janet Lattime

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 4:06 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Gary Tew
Address = 322 Cannondale Circle
Address2 =
City = Cowarts Alabama 36321-
Phone =
E-mail = garyt@dunbarton.com

Comments = Dear Congressman Everett,

I am V.P. of Sales for Dunbarton Corporation in Dothan, AL and travel extensively via Air as well as most all of the sales managers that work for me. Our travels out of the Dothan airport have decreased from over 90% to probably less than 25% due to enormous air fares as well as service issues. We fly from Tallahassee, FL 30% of the time. I have one employee when flying ASA that automatically reserves a rental car to drive home in case the flight is cancelled.

Just last week I was flying back to Montgomery, because the fare was $380 less than Dothan, from Charlotte, NC. The flight was a little late leaving Charlotte and I knew we were pressed for time to get to our gate for the next flight. We even joked that this flight would be on time since we were running so close. We arrived at the gate 3-4 minutes before the flight was to leave and the ASA employee in her own generous way told me the flight was closed and I would have to go to gate 24 to get rebooked. The plane was still on the tarmac with the door open.

I could go on and on about problems that I have experienced just this past year, but I am sure you will have enough to read. I wish we could do something in Dothan to compete with ASA to keep them honest. I am sure you read that they are last in On time delivery and lost luggage. Not to mention the terrible customer service in Atlanta. I have no issues with the employees at Dothan as they know me by name and are always very helpful.

Thanks for your time and please contact me if you need any help to assist in better air service from Dothan

Sincerely,
Gary Tew

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 10:37 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Debra Hazeldine
Address = 35 Rolling Pines Drive
Address2 =
City = Enterprise Alabama 36330-
Phone =
E-mail = jdhazeldine@roadrunner.com

Comments = Sir~
I saw in the local paper today that you were looking for information regarding local DHN and MGM airports. Although we live only 30 minutes from Dothan we now choose to travel through Montgomery due to cancellations and exceedingly high pricing. However, when having traveled out of MGM end of March, the three travelers were NOT asked for ANY ID when receiving our tickets from US Airways ticket counter. NONE!! We then put our luggage and bags on the xray belt. No problems, no delays. Didn't think much of it until our flight back. Providence, Rhode Island...we were asked to show ID numerously throughout the airport. Checked at counter, at Xray machine, at gate. Our bags were scanned. My Handbag was questioned and searched! 7 items from my handbag were confiscated on the spot! A lighter, bottle of perfume, several bottles of nail polish and a couple of tubes of hand lotion. I was told that they were forbidden unless sealed in a ziploc bag. These were the EXACT SA!
ME
items scanned in my handbag at Montgomery. I WAS SHOCKED!!! So, Dothan is too expensive, Montgomery seriously lacks in security...where does that leave us now? A 3 1/2 hr trip to Atlanta? Or a couple of hours to Pensacola, Ft. Walton?? Why is it that we have these airports yet they are so insufficient that we woudl prefer to drive HOURS out of our way to fly from another location. I appreciate you addressing this issue. We are military and fly frequently. We are ready to retire yet are considering relocating out of the area (Enterprise) to be closer to a reliable airport. Thank you....

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 10:41 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Ms.
Name = Vanessa Brooks
Address = 2124 Lakeview Road
Address2 =
City = Ozark Alabama 36360-
Phone =
E-mail = vanessa.brooks@us.army.mil

Comments = ASA Flights are not traveler friendly. Their flights out of Dothan are always delayed/late, cancelled or something. There is rarely a normal flight out of or into Dothan. This is a problem, especially for the many military/DA Civilians flying out of Dothan who are on official business for our government. I hope this problem can be correct with ASA or perhaps we can get another carrier into the Dothan Airport. Thank you for your assistance.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 11:05 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Jerry Clark
Address = 800 Airport Dr
Address2 = Ste 12
City = Dothan Alabama 36303-
Phone =
E-mail = avisdothan@msn.com

Comments = Dear Congressman Everett,

My family has owned the Avis Rent A Car franchise in Dothan since 1974. I am the GM of your local Avis office, and I can't remember ever having such poor service into Dothan. The frequency of poor service is sending a lot of my customers to fly into PFN, ATL, and even MGM to rent their cars there and drive to DHN. Most of these customers are soldiers coming to Ft. Rucker for training for up to 3 months sometimes. These rentals are our bread and butter, and we are losing them. They might be renting from another AVIS location, but we are a franchise and we are losing our reservations to other companies. We own the territory of Avis in Dothan, and having another Avis location rent to my customers and the customter is in my territory makes me sick. The other aspect to look into is the way ASA's flights are delayed. Because there is only 5 flights in and out of DHN I am now having my cars being dropped out of town in far off locations around the country. These customers
are just trying to get home, but my fleet is being spread out to ATL, South Florida, and in some cases 1000+ miles away. I have to wait months sometimes before my car makes it back to DHN. The worst thing about all of this is that I have no control over this problem. I would understand if I lost a reservation to Hertz or National because of bad service I provided. But, I am losing out because of bad service ASA is providing. The high fares and the service is all I hear about from customers. Does ASA even have a military rate for governement personnel? If ASA got their act straight I could easliy add up to 30 more cars to my fleet, and I am only one car rental company that is suffering in Dothan. If you need to speak to me call 334-983-3573.

Thank you,

Jerry Clark

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 11:06 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Ms.
Name = Barbara Morrison
Address = 101 Woodcreek Drive
Address2 =
City = Dothan Alabama 36301-6201
Phone =
E-mail = w00dcreek@yahoo.com

Comments = Good Day Representative Everett...and thank you for asking for comments regarding air carrier service out of the Dothan airport. Our "Circle City" is quite beautiful and distinguishable from the air. I see it nearly every time I fly out of or back to Tallahassee! I make repeated attempts to use my local airport, only to find a 25 to 40% higher cost to do so. Tallahassee is ALWAYS a more economical choice, even after paying parking fees for several days to a week! It's been so long since I flew out of Dothan that I only remember that the service was bad or mediocre...late flights, lost or delayed baggage, etc. I am quite sure it will take a massive marketing campaign on the part of any carrier to win back the business that ASA has diverted to other cities. Thanks again for asking.

Barbara

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 11:07 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Dana Howell
Address = 106 Pleasant Valley Dr
Address2 =
City = Midland City Alabama 36350-9514
Phone =
E-mail = dhowell@sw.rr.com

Comments = RE: Dothan air service

Sir:

I am writing to you to inform you of my family's experience with Dothan's air service.

Our chief complaint with air service to Dothan is that it is simply too expensive. In March 2006 and March 2007 we have gone to Europe on vacation. We were able to fly from Atlanta to central Europe for $600 per person round trip. The airfare from Dothan to Atlanta round trip? $400 per person. This is clearly disproportionately expensive.

In March 2006 as we were returning home, ASA canceled our flight to Dothan after delaying it. We had paid for the leg to Dothan so we would not be driving home very tired after a trans-atlantic flight. Thanks to ASA we had to rent a car in Atlanta and drive home very fatigued anyway. This year we decided to drive to Atlanta. Parking for a week is $100. Add gas and you get a driving cost per person of maybe $40, one-tenth the cost of flying.

Intra-Europe flights can be extremely cheap, on the order of about $50 to fly from London to Paris. Why are domestic US flights not similarly cheap?

What I would really like to see is high speed rail service between Dothan and Atlanta. I have ridden the trains in Europe, including the TGV, many many times. High speed rail is environmentally friendly, much safer than driving and incredibly convenient. America needs a 21st century passenger rail system.

Thanks for your interest in doing something to improve this situation.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 2:10 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Carthel Holland
Address = 2418 Ross Clark Circle
Address2 =
City = Dothan Alabama 36301-
Phone =
E-mail = thunder@graceba.net

Comments = Dear Sir,

Per your request, the following information is submitted regarding the quality of service at the Dothan Airport.

I was scheduled to fly from Dothan to Atlanta on March 18 with a booking on the 0600 flight. It never showed up. The next flight at 0730 didn't come either. I went to the desk and was booked on the 1700 flight from Atlanta to Milwaukee. I then drove to Atlanta and caught that flight. If Delta had called me when the aforementioned flights were cancelled, I could have driven to Atlanta earlier and not missed my meeting. The problems in Dothan caused me to arrive in Milwaukee late in the day missing half of the meeting that I had to attend. My return trip to Dothan was fine.

The following week I had to return to Milwaukee again. The trip there was fine, however the return trip on March 30 was less than satisfactory. I arrived in Atlanta and had a confirmed booking to Dothan at 1455 at Gate D34. At 1400 the announcement came that the flight was cancelled. I went to the desk to rebook and found that there were no seats until the next day. Again, I had to rent a car and drive from Atlanta to Dothan.

Sincerely,

Carthel "Dutch" Holland

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 2:12 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Jim Boothe
Address = 103 Carr Circle
Address2 =
City = Headland Alabama 36345-
Phone =
E-mail = jim.boothe@oncologysupply.com

Comments = Dear Congressman Everett,

My work requires me to fly out of Dothan Airport on Monday of each week and return on Thurdsay afternoon. I fly to variuos locations around the country, but as you know I am restricted to fly ASA to Atlanta and Delta on the connecting flight. I require at least an hour layover in Atlanta to ensure I can respond to the many changes that ASA place on their passengers with flight delays, gate changes, and cancelled flights.

A specific occurance was a 7:30AM flight scheduled to depart DHN on March 19. On Sunday the 18th Delta contacted me that my flight was cancelled and I had to wait until Tuesday to fly to Pittsburgh. I had a business meeting that I could not miss so I spent an hour on hold with Delta to make arraingements to get to Pittsburgh. In the end Delta canceled the earlier flight and re-instated my scheduled flight. All of my connections were cancelled by Delta and I had to make my way on standby since I no longer had a gauranteed seat. Our company had 2 other employees that had to delay their jobs for a week because of these delays.

We consistantly hear that other air service will not come to Dothan because of reduced air travel in and out of this airport. I believe we have reduced air travel because the flying public has learned they cannot depend on ASA to get them out of or into Dothan with any reliability. We have to look for alternative means of travel to meet our business or leisure plans.

Thank You

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 2:36 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Dr.
Name = John Stewart
Address = 24 Parkplace Court
Address2 =
City = Dothan Alabama 36301-2100
Phone =
E-mail = john.e.stewart@comcast.net

Comments = Dear Congressman Everett,

I understand that you will be testifying soon regarding the state of airline service to rural areas. As one who has suffered repeated delays and cancellations with ASA, the only airline serving Dothan, I thought my input as a constituent would be helpful. My own problems with ASA are similar to those experienced by my colleagues here at Fort Rucker; in fact, some of their experiences have been worse than my own.

To give you a sample of my most recent frustrations with ASA, on 5 November 06, a colleague and I went to DHN airport to check in for a mid morning flight. We were told that the flight had been cancelled for mechanical reasons, and that there was no way the airline could get us to our destination (Monterey, CA) until the next day. I returned home to my Dothan residence, and he drove back to Geneva. The next morning we had to repeat the whole process, and arrived at the conference 18 hr late, missing an important Monday morning session.

On 17 December 07, I had the same experience when I checked in for a flight to Phoenix. First I was told the flight was delayed 2 hr, then 3 hr, then finally, that it was cancelled for mechanical reasons. Again I went home, and drove back later in the afternoon. Fortunately, they were able to get me to PHX, but 6 hr later. On the return flight, we boarded the ATR-72 at ATL, then, were all told to deplane after a mechanic came aboard. Fortunatley, we were able to get another ATR to DHN 2 hr later.

I can recount other bad experiences, but these two are the most recent and stand out because a) they involved the same mid morning flight, and b) they involved the ATR-72, an aircraft that ASA plans to replace shortly.

The bottom line is: I question whether ASA is actually operating a scheduled airline, given the frequency of delays and inconvenience to passengers.
In addition to the low level of service, there is the high fare that Wiregrass residents must pay. One should question why there is a monopoly at DHN, and why, in this age of de-regulation, there is no competitor on the DHN-ATL route (the only one!). When I came to DHN from the Washington, DC area 18 years ago, air service was better. There were three operators, more flights, and two destinations. You would think that almost two decades later, there would be more competition and at least one other gateway destination. One must ask, seriously, why, during a time of growth in this area, airline service is heading in the wrong direction. Ironically, I recently saw a sign advertising Dothan Regional Airport that said "you can get there from here." My answer is; maybe you can, but perhaps not today. I never take a cab to the Dothan airport because in the last two years service has become so unreliable that you might have to take another cab back home after your flight is canceled.

Respectfully,

Dr. John E. Stewart
Research Psychologist
Army Research Institute
Fort Rucker, AL.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 2:42 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Mary Alice Veale
Address = 5037 Fortner St
Address2 =
City = Dothan Alabama 36305-
Phone =
E-mail = mary@antiqueatticdothan.com

Comments = Congressman Everett,

As owner of the Antique Attic, I travel frequently to Europe, South America and the Orient on buying trips. Two weeks ago, after traveling for more than 24 hours on flights from Hong Kong, we reach the Delta desk in Atlanta at 6:30 pm to learn that our 10:30 flight to Dothan had been cancelled. Delta put us up in the Red Roof Inn and gave us $14 worth of meal vouchers, however, after 2 weeks of being gone from home, that was not much consolation. This is not the first time that this last flight flight to Dothan has been cancelled. I can remember 2 other times that I spent a night in Atlanta after traveling half way around the world to return to Dothan. I would plan to drive from Atlanta, however, I am too jetlagged and exhausted to drvie a vehicle four hours. Dothan is definitely in need of more reliable service. Delta says they are taking over ASA on June 1 and things will improve. They could not get any worse! Thanks,

Mary Alice Veale
Antique Attic
5037 Fortner St
Dothan, AL 36305
www.antiqueatticdothan.com
334-792-5040

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 3:07 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Jerry Stephens
Address = P.O. Box 1009
Address2 =
City = Ozark Alabama 36361-1009
Phone =
E-mail = jdsoz@charter.net

Comments = Re: ASA
3/30/07 DHN/ATL 6am Departure and arrival on time Dhn Staff Friendly and prompt.
4/2/07 ATL/DHN #4858 Departure 1 1/2
hrs late no Crew avail. After boarding Female Captain left plane for 15mins plus.Arrival to Dothan 1hr 40 minutes late. No acknowledgment or apology from Crew.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 9:40 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Vincent Vincent
Address = 111 Taybridge Lane
Address2 =
City = Dothan Alabama 36305-
Phone =
E-mail = vpvincent@centurytel.net

Comments = In response to your request for public input concerning the service at Dothan Regional Airport, I would like you to know my feelings on the subject.

I am not a frequent air traveler. I use the airport possibly once per year and sometimes once every two years. My travels are mostly for pleasure.

I have experienced most of my problems with the connection from Atlanta to Dothan. I get the feeling that since ASA is a regional airline and runway availability at Hartsfield International is at a premium, the small aircrafts that service Dothan always seem to get "bumped" or delayed in lieu of larger, national airlines.

My only complaints with the Dothan end of the equation lie in the facts that 1) There are not enough "convenient" flight times and 2) Our costs to fly out of Dothan tend to be prohibitive as compared to other, regional airports (Tallahassee, Panama City, Columbus, GA, etc.)

Thank you for the opportunity to express my opinions.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:06 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Valarie Thompson
Address = 336 W Grey Hodges Rd
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail =

Comments = Regarding input on local air service in Dothan.
We choose not to fly out of Dothan when possible due to the outrageous prices. We have also had to stay many nights in the Atlanta airport waiting for a flight to Dothan because the plane did not have enough passengers to fly into Dothan. We now fly from Talahasee, FL. or Birmingham.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:06 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Annmarie Mesker
Address = 404 Janice Street
Address2 =
City = Enterprise Alabama 36330-3434
Phone =
E-mail = annmarie.mesker@us.army.mil

Comments = Sir,

I agree that something must be done with the air service out of Dothan. I have had good and bad experiences. I remember when there were two airlines servicing Dothan and things were much better. Maybe another airline would help - don't know if we can get another one here - competition never hurt anyone.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:06 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Ms.
Name = Tammie Maddox
Address = PO Box 421
Address2 =
City = Dothan Alabama 36302-
Phone =
E-mail = maddoxt@frmaint.com

Comments = Air service into & out of the Dothan Airpiort is horrendous. Not only are the rates ridiculously high but the flights are rarely on schedule. I usually spend hours in the Atlanta Airport attempting to return to Dothan & more often than not, end up having to stay overnight in some dump of a hotel 25 miles from the airport after having been herded like cattle into an overcrowded shuttle only to end up renting a car to drive home the following day as opposed to being re-routed thru somehwere like Albany, GA where I would then have to be bussed back to Dothan!

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:07 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Keith Onorato
Address = 408 Shakespeare Dr.
Address2 =
City = Dothan Alabama 36303-8905
Phone =
E-mail = KOnorato@dairyfreshcorp.com

Comments = Reply to input request regarding Dothan Airport.

I generally do not fly to or from Dothan because of economics. I can save 200-400 dollars per trip by flying out of Montgomery, Ft. Walton or Atlanta (depending on my direction of travel). I will drive 3 hours to save $200.00.

Dothan Airport needs more destination choices than just Atlanta. An option west (Dallas or Houston) would prevent me from using Ft.Walton. An option in FL (Orlando or Miami) would keep me from flying out of Tallahassee. An option north (Memphis or Nashville) would keep me from flying out of Montgomery.

Dothan is well positioned as a land transportation hub - efforts to become a (small) regional air hub would help.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:09 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Bill Bates
Address = 45 Bates Rd.
Address2 =
City = Fort Deposit Alabama 36032-
Phone =
E-mail = bill@batesturkey.com

Comments = Tere is a bill introduced H.R.1760. This is on interstate shipping. This bill is vital for small bussiness. I've been trying to get this passed for the last 20 years. Let's see is we can get it threw . Bill

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:09 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Mark Robinson
Address = 296 Rose Ave
Address2 =
City = Hartford Alabama 36344-2125
Phone =
E-mail = mark.robinson@us.army.mil

Comments = In response to your querry on ASA experiences; They lost my 89 year old, handicapped father 3 times over the past year alone. On one trip, they lost him coming and going from Arkansas to Dothan and back. I arrived at the airport to pick him up at 8PM, the airport was all but empty and his flight had been canceled from Atlanta. Noone was available except the janitor, who knocked on the ASA door. A young lady came out (the TV going in the background) and she just pointed at the board saying the flight was canceled. I explained the situation and she just pointed at the board again. I insisted on some help and she looked disgusted, finally getting me a phone number to call. I spent the next 3 hours calling over and over again to a non-answering phone number. My brother was alerted in AR was able to eventually get someone at Delta to try and track down the flight information. I called the contact he found, and they tracked information, but would not give it to me since I had not purchased the ticket. My brother was able to eventually get something out of Delta. At midnight, we were finally given the name of the hotel he was put into. The desk there would then not put me through to his room. ASA also lost him on two other trips. Even given a card with all his personal contact numbers on it, ASA did not think to ask and my aging father did not know what to do. The bottom line is he does not travel alone, and we do not travel on ASA, the ONLY airline available from Dothan. I have perhaps a dozen unpleasant experiences with ASA over the past 10 years of my travels as a military officer and defense contractor.
Mark Robinson, LTC (retired)

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:11 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Jeff Moody
Address = 110 Lockwynn Trace
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = jeff@sunbeltnetwork.com

Comments = Congressman Everett,

In my experience there are two major problems with air travel to or from Dothan. The first is unreliable service, with frequent cancellations of flights and late takeoffs or arrivals. It is very common to have the last flight out of Dothan or Atlanta to Dothan to be canceled. A reason is always given, but statistically it does not make sense for all the problems to happen on these flights. More than once, myself or my family have spent the night in Atlanta when the flight was canceled. When my daughter was home for Christmas, her flight out to LA was canceled. This required us to get up at 5:00 the next morning, so she could catch the first flight out. As you know, it takes a while to get to LA. She was scheduled to work that day , but had to call in and explain why she wouldn't make it.
The second problem is price. As you know it is much more expensive to fly from Dothan than most other places. Many times it is faster and much cheaper to drive to another airport (even Atlanta) and fly from there. I believe both of these problems are at least partially caused by having only one carrier (ASA). They are consistently ranked near the bottom in most ranking categories. I hope this information is of help to you.

Sincerely,

Jeff Moody

Jeff Moody, CBI
President
J&S Group, Inc./Sunbelt Business Brokers
4177 Montgomery HWY Suite 6
Dothan, AL 36303
334. 793-9808
Fax 334.794-0223
www.sunbeltsouth.com

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:11 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Roy J Roberts
Address = 100 Bristol Ct
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = rjroberts@houstoncounty.org

Comments = Dear Congressman Everett

You have requested input on the use of the Dothan Airport. I can not give you information on the poor service but I can tell you that due to the unfair prices for tickets I have felt compelled to travel to Montgomery, Birmingham and Tallahassee to connect with my air carriers. While I could afford to pay the higher prices it is the principle of the thing. I refuse to allow ASA to rip me off. Anything you can do to help resolve the issues we face here in Dothan is appreciated.

Yours Truly,
Roy Roberts
Houston County Commission
County Administrator

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 11:37 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = William Mote
Address = 453 County Road 558
Address2 =
City = Enterprise Alabama 36330-
Phone =
E-mail = motew@roadrunner.com

Comments = Honorable Mr. Everett:

I saw on the news that you were looking for suggestions and input referencing the Dothan airport. My personal experiences with the Dothan airport have been horrific. I cannot count the times that either I or my colleagues have been stranded in Atlanta and had to be bussed back to Dothan. This is an unacceptable inconvenience especially considering one paid for a flight not a lengthy and quite frankly very exhausting bus ride.

The flights in and out of Dothan are semi-dependable at best. I have since been using the Montgomery airport and have not experienced anywhere near the problems encountered in Dothan. Yes, it is a bit more inconvenient due to a longer drive but the absence of delays, cancellations, and other hassles far outweigh the cons.

That being said, I honestly believe that the success of the Montgomery airports can be primarily attributed to one thing: COMPETITION. The fact that there are different airlines for consumers to choose from keeps the airlines honest so to speak. Dothan is a monopoly hence the airline (Delta ASA) does not feel the need to put forth the proper level of customer service or reliability.

My solution would be to attract a second airline to the Dothan airport. Offer them an incentive to get them there and let consumerism and supply and demand do all the rest. The ends would surely justify the means. I hope this helps and good luck.

Sincerely,
William Mote
Enteprise

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 12:06 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Karl Lukas
Address = 874 Oak Lake Drive
Address2 =
City = Enterprise Alabama 36330-
Phone =
E-mail = klukas2@csc.com

Comments = Congressman Everett,

I have not traveled recently but there was a time that i traveled often. The part that i dreaded the most was always the Atlanta - Dothan segment. I've traveled over most of the world as a DOD contractor and ASA is a standout for arrogance, rudeness, and unreliable service. At times i have chosen to drive between Enterprise and Atlanta solely to avoid having to deal with ASA.

Karl Lukas

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 12:10 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Sherry McNeill
Address = 316 Nobles Road
Address2 =
City = Cottonwood Alabama 36320-
Phone =
E-mail = sltaylor@graceba.net

Comments = In regards to your request for feedback on airline service into Dothan, AL, I have had several bad experiences. I don't have the dates handy but could research my travel and be able to provide them. There have been occassions when the flight in / out of Dothan, AL have either been delayed numerous times such that connections in Atlanta are impossible, or cancelled the flight altogether. I have been put on a bus to Atlanta due to cancelled flights, I have been flown part of the way home (Atlanta to Columbus, GA) and then put on a van for the remainder of the trip, or just been told that the next available flights were the next day. All these instances are not only inconvenient, but most of the time unacceptable. I travel mostly for business and delays and cancellations cause problems not only for me but for the company I work with as well. I have never been offered a refund for any part of the airline itinerary that was not used (bus and van trips). I understand some delays are inevitable due to weather, etc., but the majority of the time it is due to mechanical problems with the planes or crews not arriving, or combinations of both according to who is giving you the excuse at the time. Few times have I been told flights in and out of Dothan, AL were due to weather. I work at Nuclear Power Plants and you cannot just show up on a different day than you are scheduled or late because of the Security Restrictions in access to a Nuclear Power Plant, etc. I have been seriously checking into flying out of either Birmingham or Atlanta which will mean a 4 hour drive but at least I have a greater chance of making my trip on schedule. I don't want to have to do this because of the lost revenue and convenience for those who are not on a tight schedule. I would think with as many military personnel flying in/out of Ft. Rucker, we would be able to get better service. Maybe another airline servicing our area would give greater
competition to the airline already there.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 2:06 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Dorinda Henry
Address = 3600 Flynn RD
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = nubianqueen877@aol.com

Comments = Congressman,

I want to voice my opinion in regards to the air traffic in Dothan and Montgomery. I live in Dothan and travel often due to the fact my children are spreaded out around the U.S. When I travel I always fly out of Birmingham or Atlanta.
The fair from Dothan or Montgomery is extremly high. Also,the planes are uncomfortable for such high price. Thank you so much for looking into this problem.

Dorinda Henry

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 2:45 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Jay Wrenn
Address = 318 Partridge Lane
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = jwrenn@gswp.net

Comments = Bassically, I have not used the Dothan airport since last Oct ('06) due to poor service and extremly high pricing. I average flying commercial 2-3 times a month mostly for business. You can see on the list below that I know use Tallahasse to get away from ASA.Any time you see Tallahassee below is flight that could have been taken to or from Dothan.

Account History
Mobile Enabled
for the Previous Twelve Months

Mr. Junius R Wrenn III
SkyMiles Number: 2283728893
Membership Level: Silver Medallion
Crown Room Club® Member

Medallion® Qualification Miles: 14364
Total Available Miles: 200576

To view your account activity by month, just click SkyMiles Monthly Statement

Total Program Summary
Current SkyMiles Mileage Balance 200576 Total Available Miles 200576 Million Miler™ Miles 150350 SkyMiles Mileage Expiration 31 Dec 2009

Account Activity for the Previous Twelve Months

Date Description Miles Bonus Miles Total Miles MQM Earned
04 Apr 2007 Delta SkyMiles Credit Card (posted on 05Apr2007) 809 0 809
04 Apr 2007 the Delta Web site Bonus: Flight 1696 on 28Mar2007 0 500 500
30 Mar 2007 Delta Flight 6402 from Tampa, FL to Tallahassee, FL (Y) 500 250 750 750
Bonus: SILVER MEDALLION BONUS 0 125 125
30 Mar 2007 Delta Flight 6297 from Raleigh/Durham, NC to Tampa, FL (Y) 587 293 880 881
Bonus: SILVER MEDALLION BONUS 0 146 146
30 Mar 2007 the Delta Web site Bonus: Flight 1696 on 22Mar2007 0 500 500
29 Mar 2007 Hilton/HHonors Hotels Hotel - RDV (posted on 29Mar2007) 100 0 100
28 Mar 2007 Hilton/HHonors Hotels Hotel - SEN (posted on 28Mar2007) 100 0 100
28 Mar 2007 Delta Flight 1644 from Atlanta, GA to Raleigh/Durham, NC (LV) 500 0 500 500
Bonus: SILVER MEDALLION BONUS 0 125 125

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 3:10 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Jay Wrenn
Address = 318 Partridge Lane
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = Jwrenn@gswp.net

Comments = I've formatted this e-mail so it is a little easieer to read concerning the Dothan Airport. Below is a list of flights through Delta/ASA that I havae taken since October that I have driven to Tallahassee to fly out or in to avoid Dothan's Airport.

Date	Description	Miles	Bonus Miles	Total MQM Miles Earned		
30-Mar-07	Delta Flight 6402 from Tampa, FL to Tallahassee, FL (Y)	500	250	750	750	
28-Mar-07	Delta Flight 1696 from Tallahassee, FL to Atlanta, GA (L)	500	0	500	500	
24-Mar-07	Delta Flight 1504 from Atlanta, GA to Tallahassee, FL (A)	500	250	750	750	
22-Mar-07	Delta Flight 1696 from Tallahassee, FL to Atlanta, GA (U)	500	0	500	500	
17-Mar-07	Delta Flight 6173 from Fort Lauderdale, FL to Tallahassee, FL (K)	500	0	500	500	
14-Mar-07	Delta Flight 6006 from Tallahassee, FL to Fort Lauderdale, FL (K)	500	0	500	500	
23-Feb-07	Delta Flight 4684 from Atlanta, GA to Tallahassee, FL (L)	500	0	500	500	
21-Feb-07	Delta Flight 6150 from Tallahassee, FL to Atlanta, GA (U)	500	0	500	500	
2-Feb-07	Delta Flight 9701 from Atlanta, GA to Tallahassee, FL (MV)	500	250	750	750	
28-Jan-07	Delta Flight 6119 from Tallahassee, FL to Fort Lauderdale, FL (H)	500	0	500	500	
20-Dec-06	Delta Flight 1654 from Atlanta, GA to Tallahassee, FL (TV)	500	0	500	500	
19-Dec-06	Delta Flight 4627 from Tallahassee, FL to Atlanta, GA (B)	500	250	750	750	
10-Nov-06	Delta Flight 1716 from Atlanta, GA to Tallahassee, FL (U)	500	0	500	500	

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 3:12 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Dr.
Name = Kay Roney
Address = 900 N. Cherokee Ave.
Address2 =
City = Dothan Alabama 36303-3117
Phone =
E-mail = kroney@wallace.edu

Comments = I just returned from a business trip to Tampa. We had to fly out of Tallahassee because the fare from Dothan was twice as much. Also, I have been reviewing fares in advance of a trip to Houston in July, and again, the rates from surrounding airports are about half as much. We prefer to fly from Dothan, but in addition to the higher fares, we have experienced the cancelled flights too many times. NOt only is Dothan's service expensive, it is unreliable. We will appreciate any help you can provide.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 4:05 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr., and Mrs.
Name = Eugene Thurman
Address = 11 Diamond Circle
Address2 =
City = Fort Rucker Alabama 36362-
Phone =
E-mail = ethurman@sw.rr.com

Comments = Thank you once again for assisting me in 2004 with getting my Veteran's benefits. The reason I am writing today is because I have had the distinct pleasure in flying with you on several occasions on ASA from Atlanta to Dothan. I have always noted you to be a very patient individual even with to continual delays going and coming to Dothan. We at Fort Rucker are a large customer base for Delta (ASA) and it is just obsurd the number of times we have missed meeting, failed to get home or miss connecting flights. And they simply apologize for the unexcusable service. I travel TDY 4-7 times per mont and 50% of the time I am delayed, baggage fails to arrive at my initial destination or the flight is cancelled without a notice. Even when I switched to the earlier red eye flight it does not help much. Prior to switching the morning and evening flight were the worst and when you miss the red-eye all bet are off you will usually miss your connection as well as your scheduled appointments as a result. needless to say we are happy you have decided to champion this issue because it has gone on for far too long with no regard to the customer.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 5:08 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Amy Vinson
Address = 301 Blumberg Drive
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = vinamy@gmail.com

Comments = Regarding air service into and out of Dothan - I travel frequently for my job. The problems I have are not with the Dothan Airport - the ASA staff there and airport staff are most accomodating and helpful. The problems really stem with the unhelpfulness and the overall inability to rely upon ASA operations in Atlanta. Dothan, unfortunately, is at the mercy of the poor quality of Atlanta. We would benefit greatly by bringing in another airline - possibly American -- that could offer flights at similar times and at the frequency that the ASA flights are scheduled. This would help to keep the costs of the flights in check and would give travelers an option if original flights were canceled.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 5:37 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Ms.
Name = Mary Hammack
Address = 2602 Timothy Rd
Address2 =
City = Dothan Alabama 36303-1064
Phone =
E-mail = mhammack@graceba.net

Comments = Dear Mr. Everett
The problem with the air service out of Dothan has been since the 1980s. As a travel agent for more than 26 years this is been a problem that long. Bottom line for travelers is the airfares. Most people shop as do travel agents and it has been cheaper to fly out of Montgomery, Tallahassee and Columbus Ga. your best way to help you with this situation would be to contact local travel agents. The service was not only bad with Delta ASA but with Southern, then Norhwest then Norwest Airlink. The reason for the fares being more was that ASA and Delta were codeshares therefor their a fare from Dothan to Atlanta then Delta from Atlanta even tho they were codeshares. This is an ideal place for Southwest or any other carrier to come in to Dothan but when they look at the numbers they are so low that they choose not to come into Dothan. It's a shame but this is not something that has just happened. I wish you luck.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 5:38 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Hubert Burns
Address = 404 Montezuma Ave
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = hubert@bmiauto.com

Comments = Dear Congressman Everett,
I have experiences too many bad air experiences into Dothan. I was stuck in Atlanta 24 hours with no way home. I could not even rent a car and drive from Atlanta to Dothan and had to pay $180 out of pocket to stay in Atlanta and have my family come and get me. Since then I very rarely fly out of Dothan. It is too expensive and very inconvenent. If we had a bus that ran every hour to the Atlanta Airport it would be the best money spent. Everyone I know has has the same feeling. I am a business man and travel a lot, but air travel out of Dothan is a waste of time.

Thank you for your interest in my feelings. I hope for better transportation and other choices beside ASA the airline who could care less about me and service.

Sincerely

Hubert Burns

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 6:36 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Ms.
Name = Carolyn Vaughan
Address = 106 Shea Dr
Address2 =
City = Dothan Alabama 36305-
Phone =
E-mail = cmvaughan@dothan.org

Comments = I don't fly often but I'm comforted to know that there is serive into and out of Dothan should the need arise. Dothan, as you know, is not a big metropolis and that is why I love it her. I was born and raised in Birmingham, AL and later mover to Mobile, AL. As an adult, I can choose where I want to live and for over thirty years, I chose Dothan, AL. It is the the BEST place to live anywhere. I am sorry that the service here seems inadequate but it is worth the difference in life styles as compared to the larger cities. I hope you can help fix the problems and hopefully ASA won't leave or be run out of town. (Like the hospitals, I am glad they are here but don't necessarily want to use them.)

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 7:38 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mr.
Name = Mike Herring
Address = 900 West Main St
Address2 =
City = Dothan Alabama 36301-1410
Phone =
E-mail = mherring

Comments = RE: ASA AIR SERVICE - DOTHAN

I'm the Senior Vice President and Deputy to the CEO of Movie Gallery, Inc. located in Dothan, Alabama. We are an international retail company with over 4500 stores located throughout the US and Canada. Travel to and from our headquarters is necessary to conduct business with our internal field management personnel, external vendor executives and support representatives. ASA scheduled air service through the Dothan Airport has become and continues to be so unreliable and extraordinarily costly that the majority of travelers fly in and out of Atlanta with three and one-half hours rental car drive to and from Dothan. Others opt for Tallahassee, Pensacola, Montgomery or Birmingham with the rental car drive. This usually requires our travelers to arrive one day in advance of meeting dates, which creates unnecessary time and expense waste, just to guarantee a timely arrival. Some needed face on meetings just don't happen because of the uncertainty of ASA air service on the executive traveler. The negative economic impact to our company, to the Dothan Airport and to the whole community is aggravated.

We began our business in Dothan in 1985 and became a publicly traded company in 1994. We had timely and cost effective scheduled air service during these formulative years, so it’s not something that we chose to live with by by electing to keep our headquarters in Dothan. It’s our home. As our dependency on air service has steadily increased, the scheduled air service available in Dothan has simply failed, both in timeliness and cost.

My message is only intended to provided insight on the personal and business effects of ASA's failures. The numbers of dates and times of extended delays and flight cancellations, are so numerous that revelation of each incident would take weeks, if not months, to prepare. The documentation is captured however by ASA and by the air carrier industry.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Wednesday, April 18, 2007 10:37 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Marie Henricks
Address = 70 Private Road 1565
Address2 =
City = Midland City Alabama 36350-3350
Phone =
E-mail = hmhenric@aol.com

Comments = Dear Mr. Everett,

I am writing in reference to Dothan airport. I flew in January from Dothan to Atlanta no problems with outgoing flights. My problems were coming from Atlanta to Dothan. I flew two different times and both times had delay out of Atlanta and also they change your gates more than once.

I know if you could adjust Atlanta you might can straighten out Dothan's problem. The problem is in Atlanta alot of the time in my opinion. I do agree Dothan do need the flights and they should be able to be cheaper than what they charge.

I booked a flight on line from Dothan-Atlanta-Madrid, Spain-Rome, Italy cheaper with Orbitz than I could have from Delta. I not sure how they do all the sales cheaper but it looks like airlines would lower the prices to make the middle person from being able to do the sales. I have an idea the companies working together to sale the seats that would be empty if not sold throught companies like Orbitz.

Thank you for your time. I am interested in how this will turn out.

Sincerely

Marie Henricks

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Thursday, April 19, 2007 9:11 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Ms.
Name = Julia Holman
Address = 112 N. Englewood Avenue
Address2 =
City = Dothan Alabama 36303-
Phone =
E-mail = jmessitte@yahoo.com

Comments = Delta Airlines / ASA does a terrible job serving the Dothan airport. They cancel flights without informing passengers until the last minutes, try to claim it is "mechanical," and according to an FAA investigation, Delta admitted they had been lying about it since 2001, at the latest. Please do all you can to find an alternative carrier to serve the Dothan airport.
Thank you.

AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Thursday, April 19, 2007 9:40 AM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Linda Bancroft
Address = 145 Princeton Dr.
Address2 =
City = Dothan Alabama 36301-
Phone =
E-mail = linda@bmiauto.com

Comments = I fly out of Montgomery or Atlanta due to the price difference in airfare. The service out of both of these hubs is good. I had much rather fly locally out of Dothan because I live here and the time frame, but until they get their prices down I will not fly out of Dothan.
Thank you!

04/19/2007 08:31 FAX 3346711480 EVERETT-DOTHAN → EVERETT-DC 001/001
FROM :DEEP SOUTH FAX NO. :7023684 Apr. 19 2006 08:58AM P1

April 19, 2007

Mike

Congressman Terry Everett
256 Honeysuckle Road Suite 15
Dothan, AL 36305

Dear Congressman Everett:

We would like to comment on the Dothan Airport Service. We have used this service several times and have found the service extremely expensive. We have had cancellations, lost luggage, and very poor schedules. We now drive to Atlanta to fly and save hundreds of dollars for flights. We can fly from Atlanta to our home town in Johnstown Pa for less than the cost of a ticket from Dothan to Atlanta!

Dothan and the surrounding area continue to expand and we think it would be beneficial for this area to have competitive air service.

Thank you.

Rena A. Streepy

Michael Streepy
Rena Streepy
107 Smoke Rise Court
Dothan, Al 36305

04/18/2007 14:47 FAX 3346711480 EVERETT-DOTHAN → EUERETT-DC ☑001/001

F. A. Flowers, Jr.
302 Liveoak Trial
Dothan, Al 36305
334 7946368

Mike

Honorable Terry Everett
256 Honeysuckle Rd.
Dothan, Alabama 36301

Dear Representative Everett:

I read in the Dothan Eagle that you are interested in helping us with our airline service. What we have is a "joke," and I appreciate what you are doing. Dothan is suffering because of our so- called "airline service."

A few months ago my granddaughters had tickets back to Virginia to attend school. They went to the airport to catch their flight and were told that the airplane was in Dothan, but they did not have a crew to fly it. My daughter-in-law had to drive them all the way to Virginia in one day.

This past Easter weak-end they tried to fly back to Dothan from Virginia. They made it to Atlanta from Virginia. The airline said they had cancelled the regularly scheduled flight to Dothan, but could take them to Panama City. My daughter-in-law had to go to Panama City to pick them up even though they have tickets to Dothan. Bad weather was not involved in either one of these flights.

I am chairman of the Dothan Industrial Development Board in Dothan. If I were an industrialist, I would never consider bringing an industry to Dothan. The airline service is so undependable.

Does the Department of Transportation have any authority over the airline industry?
Could that department give us any help. Something needs to be done.

Thank you for all you are doing in representing us in this area.

Sincerely,

F. A. Flowers, Jr.

.submission { display: none; }

First Name: Location:

Enter Comments:

E-mail: (optional)

Submit Your Comment for Approval

Read Comments

Posted by: Chris Rader Location: Fort Rucker
I travel frequently out of Dothan on government business since that is where our contract is from. I would much rather drive to Montgomery or Atlanta to catch a flight because on numerous occasions I have not had my luggage at my destination and the flights are many times late or cancelled. I believe that the only way to get better service in Dothan is to get some competition for ASA. The ticket prices will come down and the service will have to get better. I know that it is not the fault of the workers in ASA because they do what they can with what they have but corporate ASA is the one trying to make huge profits not unlike the oil industry (another thorn for discussion). When Northwest Airlink left Dothan, ASA was left to charge what they wanted to and cancel when they wanted to because they have a monopoly on the market. One other option is to cancel the government contract with Delta. That might wake them up! The cost for a government employee to drive to Montgomery or Atlanta may be more beneficial to the government if the employee is allowed to drive instead of fly out of Dothan.

Find this article at:
http://www.wtvynews4.com/news/headlines/7084246.html

Check the box to include the list of links referenced in the article.

[Click here and type address]

facsimile transmittal

To:	Terry Everett	Fax:	(334) 671-1480
From:	Tim Gilmore	Date:	4/17/2007
Re:	Request for input on ASA airlines	Pages:	2
CC:			

☐ Urgent x For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

I was forwarded an email from the Dothan Chamber of Commerce that stated you were soliciting input on personal experiences with flying ASA out of Dothan. I am VP of Twitchell Corp. here in town, and I travel quite frequently. I do not, however, fly out of Dothan much, mostly because of the fares. I am attaching a letter to the Editor of the Dothan Eagle that I wrote recently and was printed sometime in March. The letter was in response to an article in February that I felt brushed over what I viewed as the main issue with the Dothan Airport (pricing). I hope this information may be of some help to you as you try to understand the full situation. While I have not had significant difficulty in delayed or cancelled flights in/out of Dothan (because I seldom use the airport), I do hear horror stories from other employees here at Twitchell. If I can be of further help, please feel free to contact me at (334) 714-7006 or by email at timg@twitchellcorp.com

2/26/07

Dear Editor, Dothan Eagle:

I read with great interest the article entitled "Enplanements down at Dothan Airport". While the article made some good points about companies scaling back on travel costs and travelers being disillusioned with the service provided by Delta Airlines, I think the article downplayed the main issue with flights from Dothan. Being employed by a local business whose customer base is outside the Wiregrass area, I (along with many others at Twitchell) must travel by air as part of my job. I have noticed for some time that flights out of Dothan seem to be much more expensive than any other surrounding airport. My coworkers and I routinely drive to other airports to catch more economical flights, and I am not just talking about Atlanta or Tallahassee, as the article implied.

In order to test my theory of higher fares from Dothan, I picked four cities around the United States (Chicago, New York, Denver, and Miami) as hypothetical destinations for a trip three weeks in the future. I went to Delta.com on the internet and shopped for the best fares to the four cities from the airports in Dothan, Montgomery, Panama City, Destin, and Columbus. Flights from all of these airports connected in Atlanta, and at least one of them (Columbus) had no competing carrier from their location. The results of comparing the cheapest flights from the five airports were as follows: Dothan was by far the most expensive airport to fly in and out of. On average, Dothan was 63% more expensive than Montgomery, 49% higher than Panama City, 99% higher than Columbus, and twice as expensive as Destin.

I realize this "fare survey" utilized a limited amount of data, but it seems to reinforce what we see almost every time we shop for airfares. I believe that Delta Airlines is the one who sets pricing for all of the airports, so I am not sure what if anything can be done locally to remedy this inequity of fares. I just wanted to make sure we are viewing the real problem. We have a beautiful new airport in Dothan with a wonderful staff, and I along with many others would rather fly to and from there whenever possible.

Tim Gilmore

04/18/2007 08:42 FAX 3346711460 EVERETT-DOTHAN → EVERETT-DC 001/001

April 17, 2007

Mike

Congressman Terry Everett
256 Honeysuckle Road, Suite 15
Dothan, AL 36305

Dear Congressman Everett:

I wanted to have input into your inquiry about the air service that we receive in South Alabama at the Dothan Regional Airport. I fly several times a year and always check with service to and from Dothan first but most of the time, I have to fly from somewhere else due to cost and dependability.

I have been inconvenienced several times with delays or cancellations which threw off my timing for meetings or making connecting flights. When I go to buy a ticket, I always check Montgomery, Tallahassee and Pensacola and 9 out of 10 times will wind up flying from one of those rather than Dothan.

For example, last month, I was flying to St. Louis and when I checked rates, I could fly out of Montgomery for $450 cheaper than I could fly out of Dothan. This was flying on the same air line carrier, making the same connecting flight in Atlanta. Needless to say, I drove to Montgomery and went from there. Dothan has a major problem with rates and if something is not corrected, I am afraid our airport will not make it. That is sad to say when the Tri-State area needs dependable and competitive service available to them.

Thanks for pursuing this and hope that much success will be achieved for the benefit of all of us that fly.

Sincerely,

Sara Jo Adams

Sara Jo Adams
Dothan, AL

April 18,2007

Mike

Congressman Terry Everett
256 Honeysuckle Road Suite 15
Dothan, AL 36305

Dear Congressman Everett,

In reply to your request for comments about the air service at the Dothan or Montgomery airports, please find enclosed a my letter to the editor of the Dothan Eagle which was printed around the 12th of March, 2007. In it I described the inept handling of the flights to and from Atlanta on a trip that my wife and I made to Denver.

I might say that the inept handling was not due to the ground personnel at the Dothan airport but with the flight operations office who seem to have complete control of the flight activity from their office on the ground. Let me please explain. I am a retired airline pilot having flown for the old National Airlines and Pan Am with 29 years experience. Captain pilots on our airlines made decisions, often with the assistance of the airline dispatchers. Nowadays it appears that all the decisions are made by the dispatchers and the pilots do as they are told to do. On this particular case the pilot reported that the visibility was zero-zero but pilots make the decision to proceed by the RVR or runway visual range equipment mounted at the runway. I could add more but the point has been made in my estimation.

My wife and I have only flown out of Montgomery three times and have not had any trouble on our flights out of there on Northwest Airlines.

Thank you for allowing me to vent my feelings about the Dothan situation. The airports theory about getting another airline for competition hasn't worked and will not until passenger traffic increases to a point that there will be enough to share or the two airlines will go broke.

Sincerely

Bob

R.W. Patton
2 Parkplace Court
Dothan, AL 36301
Phone: 334-702-1010

Letter to the Editor
Dothan Eagle

March 6, 2007

It is not often that I agree with an Eagle editorial but the recent one concerning ASA's service at the Dothan Airport hit the nail on the head. But the hammer could have hit that nail harder. I'm a retired airline pilot and I certainly don't profess to have all the answers to airline problems but am really put out with how sorry Delta's ASA's operation is.

About 3 weeks ago my wife and I had an opportunity to take a trip to Denver to visit our daughter and family. Since we did not make the arrangements to fly out of Dothan and hadn't flown out of there for several years due to their problems. We usually opted to depart from MGM, BHM, ATL or PNS. I'll try to keep the story as short as possible but we were to leave Tuesday morning Feb. 13, on flight 4140. Storms were to arrive in a couple of hours. Our flight arrive here about 2 hours late. After some weather passed we were boarded and taxied to the runway, The captain announced that they had a mechanical problem and we taxied back. On ASA, that usually requires that a mechanic has to be flown from Atlanta to do the repair so the flight was cancelled. There were not enough available seats on later flights that day so we went home to meet a flight the following morning. One day lost.

Then on our return from Denver on the 21st, we left Atlanta for Dothan on flight 954 about 9:10PM, about an hour forty late on a clear night. Halfway to Dothan the captain announced that the Dothan airport was reporting that fog moved in and Dothan was reporting zero-zero weather though another aircraft reported that over the city of Dothan, the weather was clear. The he announced that he was advised to land at Montgomery, which we did. On the way the attendants mentioned that ground transportation from MGM would probably be provided. It wasn't. Then we were told that we would have to get back on the plane and be flown back to Atlanta with arrival about midnight. When asked if they would provide rooms for the night the answer was no, as the problem was an act of God and not the airline's. Fortunately another passenger did find a car with Hertz and invited several to ride with him to Dothan where we sweated getting there before the parking lot closed.

It appeared that the whole operation was being run by office bound dispatchers who basically take the command authority from the pilots.

They day before our return, on Feb. 20, the *USA TODAY* newspaper ran an article about reports of mishandled baggage filed by domestic passengers. The results of the 19 airlines surveyed showed the total baggage "gone astray" per 1,000 passengers and guess who was listed by far the worst. If you guessed ASA, you win the gold medal.

The airport administrators believe the answer to the shortage of passengers out of Dothan is caused by fares that would be lowered by competition from a second carrier – forget it. There is not enough traffic to support both and sooner or later you would lose one or the other or both. Check out what happened at Panama City years ago when Air Florida entered with low fares. One suggestion that may work is to have one that runs North and another that runs East and West. But the best solution is to get another airline and throw that two bit ASA out on its ah, BUTT.

Bob Patton
2 Parkplace Ct.
Dothan, AL 36301
334-702-1010

211 Foxhall Road
Pike Road, AL 36064

Congressman Terry Everett
256 Honeysuckle Road, Suite 15
Dothan, AL 36305

Dear Congressman Everett:

I have had an extremely unpleasant experience with the Montgomery Regional Airport. In August, 2004, we were flying out of the Montgomery airport to Atlanta to Montreal, Canada on to Charlottetown, Prince Edward Island , Canada, to visit friends for 4 days. My husband and I arrived at the airport and hour and a half before the flight (It was the Delta Connector flight). We checked our luggage (1 bag each and we saw them put on the conveyor belt, side by side. When we boarded the aircraft, it was extremely full—each seat was taken. In a few minutes, the stewardess moved a man weighing approximately 400 pounds from a rear seat to a mid-plane seat. This gave us the distinct impression that the aircraft had weight problems and that they were re-arranging the passengers to distribute the weight.

Naturally, when we arrived at our destination, my bag did not arrive—my husband's did, but mine did not. I reported this to the appropriate airport authorities and they traced the bag back down the line to the Montgomery airport. They said that they had my bag there and would put it on the next flight out. I called the Montgomery airport directly and a clerk told me personally that oftentimes when one of these small commuter airplanes is fully loaded, that they have to take some of the luggage back off to fix the over-weight problem! My bag had been on my flight with my husbands, but because it looked somewhat large and heavy, they had taken it back off the aircraft! (Perhaps the luggage employee should not have told me so much information, but she did because she felt so sorry for me!)

I was just appalled. Not only did I have to spend the entire trip in the same clothes (we were having a reunion with some of our college friends), but MY BAG NEVER SHOWED UP—EVER. Delta airlines lost my very best clothes to say nothing about putting a damper on what otherwise would have been a wonderful trip!

Ever since 2004, we have never flown out of the Montgomery Airport. If I cannot be fairly sure that my bags will at least be on the flight that I'm on, then we will drive to Atlanta or Birmingham to fly anywhere. I know that this is not good for the airport's

bottom line, and I fully support my local enterprises, but having had an experience that the one we have had, I won't be flying out of Montgomery on a plane too small to accommodate me AND MY LUGGAGE!

I just hope you can do something about this!

Sincerely,

Angelina B. Jackson

Mrs. J. Theodore Jackson, Jr.

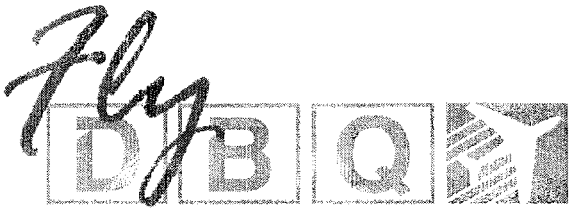
AL02WEBMAIL

From: Web forms [webforms@heoc-www6.house.gov]
Sent: Tuesday, April 17, 2007 5:37 PM
To: AL02WEBMAIL
Subject: Write Your Representative

Prefix = Mrs.
Name = Penny Stewart
Address = 398 N. Dalton St
Address2 =
City = Slocomb Alabama 36375-
Phone =
E-mail = penny.stewart@cummingssigns.com

Comments = I am writing in response to the issues regarding ASA airlines out of Dothan and Montgomery, Al . In the last month I have flown twice and will be planning to fly again the first of May. However each time I have had to fly out of Montgomery or Tallahassee due to the extremely high prices that it cost to fly out of Dothan. This not booking flights a week or day or two before , we are talking about 4- weeks prior to traveling. It is very sad that each time we travel for business we are forced to go to another town, sometimes spend the night depending on travel schedule and spend tax dollars somewhere else. When I did go out of town when leaving Tallahasse our flight was delayed by an hour, why we were never told.

Your concerns to this issue are greatl appreciated.



Statement of
Robert A. Grierson, A.A.E.
Airport Manager
Dubuque Regional Airport

Dubuque Regional Airport
11000 Airport Road
Dubuque, IA 52002
www.flyDBQ.com
(563) 589-4128

Statement of
Robert A. Grierson, A.A.E.
Airport Manager
Dubuque Regional Airport
Before the
House Transportation and Infrastructure Committee
Sub-Committee on Aviation of the
U.S. House of Representatives

April 25, 2007

INTRODUCTION
Chairman Costello, Ranking Member Petri and members of the House Transportation and Infrastructure Subcommittee on Aviation, and thank you Representative Braley for inviting me to participate in this hearing on the Administration's proposal to reauthorize the U.S. Department of Transportation's Small Community Air Service Grant Program. I am the Airport Manager for the Dubuque Regional Airport and the City of Dubuque, Iowa.

The Dubuque Regional Airport (DBQ) is a non hub commercial service airport located on the eastern Iowa border adjacent to Wisconsin and Illinois and provides air service connectivity to all of the Tri-State area. We are situated 180 miles west of Chicago's O'Hare International Airport and served by only one airline with 8 arrivals & departures daily to and from O'Hare. In CY 2006 DBQ had 47,000 passenger enplanements, which reflected a 16.5% growth over the previous year. However, that growth has taken many years in which to manifest.

HISTORICAL PERSPECTIVE
In CY 2000, DBQ generated in excess of 58,000 enplanements and boasted three air carriers with service to two major hubs with 26 daily arrivals/departures. By 2003, DBQ was down to only one air carrier and could only generate 38,600 enplanements on 6 daily departures/arrivals. Although our community could easily generate 200,000 annual passengers, we were limited by the number of available airline seats. Between 2000 and 2003, DBQ had lost 49% of available airline seats. Therefore, our passengers sought air service from O'Hare, Cedar Rapids, and Moline. Thanks to a $610,000 grant from the US Department of Transportation in 2003, we were able to reverse that trend.

The goals under the grant were a two-fold approach for air service:

- **Goal #1** was to maintain our current service to the tri-state region with American Eagle.
- **Goal #2** was expanding service through additional frequencies and/or hub access.

In Goal #1, the airport devised a marketing plan to increase awareness of American Eagle and Dubuque Regional Airport to the Tri-State market. In order to achieve this goal, $240,000 of the $610,000 grant was designated for marketing purposes. In order to obtain matching funds for this marketing portion of grant, DBQ Airport in partnership with Dubuque Area Chamber of Commerce and the community raised $57,210 in cash for a community match.

The Airport Manager and Chamber of Commerce President visited several businesses for support. A coordinated campaign was planned which including radio, television, direct mail, billboards and newsprint. The Airport media partners gave over $114,000 of "In-Kind" commitments towards this 2-year campaign. With the "In-Kind" commitments and local money match our marketing campaign comprised of $354,000.

Of the $354,000, $40,000 was utilized by the Dubuque Convention and Visitor's Bureau (CVB) to aid in attracting additional regional and national conference attendees. Tourism counts for a large portion of travelers into Dubuque. With the additional funding the CVB attended eight additional exhibit planner conferences to promote the region.

Implementing goal #2 required expanding existing services through additional frequencies and/or hub access. The second goal was to continue positive growth for the region by recruiting additional air service either through frequencies or to another hub. To address this issue, the plan is to provide several different incentives to the carrier for new service.

In order to achieve this goal $370,000 of the $610,000 was designated to reduce costs for American Eagle as a fuel reimbursement. Thirty-nine community businesses pledged a total of $333,000 in travel bank commitments for the grant match. An Air Service agreement was signed on July 14, 2004 between American Eagle Airlines for a 4th flight to/from DBQ and O'Hare. New service began on September 8, 2004, and is still operating today. After the air service agreement was signed, area businesses sent spreadsheets of travel bank expenses quarterly to airport to track their commitments.

POSITIVE ATTRIBUTES OF THE PROGRAM
This program provides opportunities for small & non-hub airports to increase air service. Additionally, it gives airports the potential for developing and implementing marketing plans not necessarily possible with budget constraints on small airports. Lastly, it provides opportunities for air service studies for targeting complimentary air service for specific airport conditions.

NEGATIVE ASPECTS OF THE PROGRAM
You may remember that the SCASDP started as the SCASDPP, a "pilot program". Unfortunately, the DOT guidelines continue to treat it as a lab experiment. Communities should be able to use the program for air service development initiatives that fit the situation. As it stands, you cannot get a second grant if your plan is to use the same

"method" or if it is for the same "purpose". So if you get marketing money in a first grant, you cannot use marketing in a follow-up grant. Rewrite the guidelines and award grants based on (1) need, (2) quality of the plan, and (3) community participation. Lastly, it does take US DOT over 60 days to process the requested reimbursement.

RECOMMENDATIONS
Today I am urging you to support three recommendations regarding the Small Community Air Service Grant. My recommendations come from the perspective of a small airport and those actions Congress can take to assist us in meeting our air service needs. However, these actions will benefit airports of all sizes which comprise the national air transportation system.

1. Reauthorize the Small Community Air Service Grant
2. Do not restrict marketing to only one grant. We may seek multiple grants to solicit multiple carriers. Small airports may take several years negotiating with a single carrier.
3. Reduce the local match portion to be consistent with AIP match requirements.
4. Fully fund the $20M program.
5. Allow some flexibility following award of funds. The aviation industry changes so rapidly that what was a good, workable idea six months ago is no longer even relevant by the time the grants are awarded.
6. DOT needs to Analyze the program's impacts.

Non airport participation by communities is crucial to successful air service initiatives. If all or most of the money comes from government or airport sources, the chances of success are remote. It is too easy to spend someone else's money. Communities must be willing to make an investment in air service. Dubuque did and it paid off.

There are approximately 400 airports that are in the small hub & non hub categories. The need for this program is great and getting larger. Congress needs to fully fund the $20M program. I encourage DOT to examine what it costs airlines to provide service between hubs and compare that to the existing and proposed program funding. $20M does not go very far when you are dividing it among 400 airports all seeking improved service. If DOT were to look at the scope of the problem, the need is probably much greater than $20M. As the number of turboprops continue to dwindle away and there are fewer operators of aircraft with less than 30-seats the problem is going to be huge. Surprisingly, no one is talking about what happens then.

One of the things that DOT stated as a goal of the program at the beginning was to determine how different programs worked. After five years they should be able to issue a report which lists four or five methods which have worked and put those on a list of "tried and true approaches" that any airport can use as many times as they want to attract additional service (even service by an incumbent or already assisted airline to a different hub). DOT can still emphasize that "new" ideas might receive priority consideration, but they should allow the working methods to continue to work.

CONCLUSION

Chairman Costello, Ranking Member Petri and members of the House Transportation and Infrastructure Subcommittee on Aviation, thank you for inviting me to appear before you to discuss the Reauthorization of the Small Community Air Service Grant Program. I urge you to continue, and if possible, expand this program in order to assist airports and small communities to seek creative and mutually beneficial methods of attracting and maintaining air service.

STATEMENT OF

THE HONORABLE BILL HANSELL
COMMISSIONER
UMATILLA COUNTY, OREGON

ON BEHALF OF THE
NATIONAL ASSOCIATION OF COUNTIES

ON
ESSENTIAL AIR SERVICE/ SMALL COMMUNITY
AIR SERVICE DEVELOPMENT PROGRAM

BEFORE THE
SUBCOMMITTEE ON AVIATION
HOUSE COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE

APRIL 25, 2007
WASHINGTON, D.C.

Good morning, Chairman Costello and members of the Subcommittee on Aviation. My name is Bill Hansell and I am a county commissioner in Umatilla County, Oregon. I am here representing the National Association of Counties (NACo), where I serve as the Immediate Past President. I want to thank Chairman Costello for the invitation to testify on Essential Air Service.

Essential Air Service (EAS) is extremely important to NACo members from rural areas, to Umatilla County and to the approximately 143 other rural communities in 36 states. In a nutshell, EAS keeps these communities connected to the rest of America. It provides a link for citizens to travel to the larger communities plus a link to the nation and world through the hub airports that EAS connects to. EAS plays a key role in local communities by attracting and retaining businesses that depend on commercial air service and in health care by enabling our citizens to more easily access sophisticated healthcare that is often absent in rural communities. NACo urges you to extend EAS, provide an authorized level of funding and dedicated source of funding that is adequate for meeting the demands and costs of the program and to make a number of reforms to the program.

I want to cover three topics today. First I will describe EAS service to Umatilla County. Second, I will comment on the Administration's EAS reauthorization proposal. Finally, I will make some recommendations which we hope you will consider as you develop the reauthorization legislation.

Pendleton is the only commercial service airport in Northeastern Oregon and has EAS subsidized service to Portland. In addition to Umatilla County, with a population of 72,000, the Pendleton airport serves four other counties and the Confederated Tribes of the Umatilla Reservation. Pendleton has been receiving EAS service since 2004. Beginning in 2001 enplanements on our non-subsidized service provided by Horizon dropped dramatically. This was because of 9-11, the immediate fall off in enplanement which created economic problems for Horizon that was followed by a change in the flight schedule. In 2004 Horizon made the decision to end non-subsidized service.

Subsequently, Horizon was selected as the EAS provider. While we retained the three flights per day, we did not get back our return flight from Portland in the late evening that had been earlier dropped. Horizon is not interested in changing the schedule because it fills up the three flights each day from Pendleton to Portland, in part, with the passengers that are picked up on the stop in Pasco, Washington. More importantly, a later flight would require an overnight stay in Pendleton and a new crew, adding, according to Horizon, $250,000 to the cost of their service. This means that flying to Portland for the day to do business is no longer very practical. The morning flight to Portland arrives at 9:30 am and a passenger would have to leave their meeting at 2:30 pm to get to the Portland airport for the 5:30 pm flight. For most people, four hours at their final destination is not enough time. As a result, while it is great to still have commercial service, enplanements at Pendleton have never returned to pre-9-11 levels. Prior to 2001, enplanements were between 14,000-15,000 annually. In 2006, our enplanements were 7252, half of pre-911 enplanements.. Prior to 9-11, Portland was the final destination for many of our passengers; since then our data shows that the remaining passengers are simply flying through Portland on the way to other destinations. There is nothing intrinsically bad about that except that our area citizens have lost a convenient business friendly service and we continue to experience a 50 per cent downturn from the pre-9-11 levels. Our airport and economic development staff are quite confident that Pendleton could return to 15,000 passengers per year if we added a fair and reasonable amount to Horizon's contract and we would soon be down the road to leaving the EAS program.

EAS service is important to our region mainly because of economic development. My county is the number one food producing county in Oregon. EAS has allowed Umatilla County to continue to be the regional center of northeastern Oregon. For any company looking to relocate or expand in our community, one of the first questions we will be asked is, "how far are you from a commercial airport?" We have been successful in attracting and retaining industry in our region. There are four plants that manufacture recreational vehicles, Pendleton flour mill, Krusteez Baking Corporation, the Pacific Northwest distribution center for Wal-Mart and, of course, the famous Pendleton Woolen Mills. Eastern Oregon State University, with a large number of students and faculty, is

located nearby. Another major user of EAS service are the residents of Confederated Tribes of the Umatilla Indian Reservation. These members, leaders and staff travel extensively through out the Nation for business, cultural and personal reasons.

Portland is the medical capital of Oregon, where our citizens go for specialized and advanced medical care. EAS service makes it possible for citizens in a rural community such as ours to take advantage of the type of medical care that is easily accessible to residents of metropolitan areas. EAS allows an individual in need of such critical care to avoid a 7-8 hour round trip drive to Portland from some parts of the airport's service area.

Let me comment briefly on the Administration's proposal for the EAS program. First and foremost it would provide only $50 million in funding, limiting the program to 70 communities. Cutting 74 communities from the program is a bad idea. Pendleton, Mr. Chairman would loose service as would Williamson County Regional Airport in your district and the Hibbing airport in Chairman Oberstar's district. Additionally, limiting eligibility to EAS to those communities currently in the program also doesn't make sense. EAS was established as part of airline deregulation because, with the passage of that legislation, airlines could stop serving a community without obtaining the permission of the federal government. In 2007, like 1978, airlines can stop serving needy communities. If we have another event like 9-11 and airlines loose passengers and can't profitably serve a community, why shouldn't that community be eligible for EAS?

NACo has a number of suggestions for improving the Essential Air Service Program. There needs to be more funding. It is certainly fair to say that the cost of fuel, equipment and operations of air service has increased. We also need more funds so we can subsidize better service. In Pendleton, a later return flight like we had before 9-11 might mean a substantial increase in enplanements, perhaps enough to justify non-subsidized service. We believe the 10% match requirement currently in law but never implemented should be eliminated. Many of the small and rural communities that would be required to provide a local match are not able to find the tens of thousand of dollars the match would require. Like any other product or service, EAS has to be attractive to the customer.

Hopefully with more funds, the issues often raised by EAS communities of frequency, convenience, and type of aircraft can be addressed. We also ask this subcommittee to help identify a guaranteed source of revenue for the EAS program. AIP has it, the highway program and transit program have it. A dependable source that assures communities and air carriers that the program will be fully funded would make EAS a stronger program. The $200 subsidy cap should be increased and indexed. It has been in place since 1989 and while we are not opposed to the concept of a cap, one that hasn't been changed in 18 years needs adjustment. There needs to be more marketing of EAS service to the community. Marketing funding should be provided directly through the EAS program and some thought should be given to requiring airlines who are bidding on EAS service to include a funded marketing plan in their proposal. One final suggestion to improve EAS service is that we need to study approaches to encouraging more airlines to bid on providing EAS service. More competition may result in better service.

Finally let me indicate NACo's support for the Small Community Air Service Program. This program needs to be funded at a level that comes close to meeting the demand. Every year grant applications exceed the available funding by a substantial margin. In particular, small communities need marketing dollars to help them get the word out to their residents that airline service is available. We also believe the match requirement for this program need to be modified, perhaps to reflect community size.

This concludes my testimony and I would be happy to answer any questions subcommittee members may have.

Statement of Faye Malarkey
Vice President, Legislative Affairs
Regional Airline Association

Before the U.S. House of Representatives
Transportation and Infrastructure Committee's
Subcommittee on Aviation

hearing on:

The Essential Air Service Program and the
Small Community Air Service Development Program

April 25, 2007

Chairman Costello, Representative Petri, and Members of the Subcommittee, thank you for the opportunity to testify before you today. I am pleased to join today's distinguished panel in order to discuss the topic of enhancing scheduled commercial air service to small and rural communities.

My name is Faye Malarkey and I am Vice President for Legislative Affairs with the Regional Airline Association (RAA). Although I have been working on this issue alongside Members of this Committee, as well as my colleagues on the other panels, for almost 10 years, today marks the first time I have the honor of providing formal testimony before this Subcommittee.

On behalf of the Regional Airline Association and our member airlines, I thank you for holding this timely hearing.

Background

RAA represents 41 U.S. regional airlines transporting 97 percent of all regional airline passengers. Our member airlines operate 9 to 68-seat turboprop aircraft and 30 to 108-seat regional jets and link together more than 600 communities in the United States.

At more than 70 percent of these communities, regional airlines provide the only source of scheduled airline service. Nowhere is the importance of regional airline service more apparent than at the more than 140 rural communities across the country that receive scheduled air service through the Department of Transportation's Essential Air Service Program (EAS).

The smallest airports, such as those with between one and three daily departures, have seen a 21 percent decline in daily departures between September 2001 and September 2006. Thirteen of these airports have lost service altogether. Airports with between three and six daily flights in September 2001 have experienced a 33 percent decline in departures with eight such airports losing service altogether. Because of increasing costs and continuing financial pressures in the post 9/11 aviation industry, at least 40 additional communities have been forced onto the EAS roles and 17 EAS communities have been dropped from the program altogether in the past five years.

As Members of this Subcommittee know, EAS was initially created as part of the Airline Deregulation Act of 1978. The program has been in effect each year since. Ten years after the program's original inception, Congress recognized that the free market alone could not be relied upon maintain air service to all small communities. At this time, Congress reauthorized the program for an additional 10 years. Congress later enacted the "Rural Survival Act of 1996," which removed the sunset provision governing EAS and codified a permanent funding stream for the program.

With the advent of new highways and increased highway speed limits, Congress has put in place more stringent distance criteria (currently 70 highway miles or more from the

nearest medium or large hub airport, 55 highway miles or more from the nearest small hub airport, or 45 highway miles or more from the nearest non-hub airport with 100 or more daily passenger enplanements) and a per passenger subsidy cap of $200, enacted in 1990, for communities within 210 miles of a large or medium hub airport.

In 1999, the Department of Transportation issued several service termination orders, triggering broad opposition from communities and air carriers, which highlighted the need for a sufficient and stable funding stream for EAS. Congress moved to increase funding for the program, and raised EAS funding to $113 million in Fiscal Year 2003 as part of the Century of Aviation Reauthorization Act. The law included several additional provisions aimed at reforming the EAS program, including a community cost-sharing pilot program. This proposal was met with so much opposition that its implementation was expressly prohibited in subsequent Appropriations.

During the 109th Congress, Appropriations bills in both Chambers slated $117 million for the program, but because the 109th Congress adjourned without passing a DOT Appropriations package for Fiscal Year 2007, the program is now being funded at 2006 enacted levels.

Congress included a provision in the Deficit Reduction Act of 2005 to set aside $15 million from telecom spectrum sales to fund the EAS program in Fiscal Years 2007 and 2008. Unfortunately, the provision contained a trigger mechanism, permitting the release of funds only if Congress funded the program at a minimum of $110 million. Because Congress simply extended FY06 funding levels for the current fiscal year, the total appropriation of $109.4 million falls $0.6 million short of the $110 million needed to trigger the release of additional funds. As a result, the additional $15 million in funding has not been released to date.

Department of Transportation and Federal Aviation Administration Proposals

The proposal contained in the FAA's own reauthorization bill this year would severely cut and potentially dismantle the EAS program as funding would fall by $59 million from current enacted levels, effectively forcing out a third or more of the communities that now use the program. The proposal further caps EAS subsidies at current levels and prohibits the addition of new EAS points for communities that lose air service in the future, telling residents of these communities that convenient, reliable air service is a luxury, and one they can't have. For the others, DOT would set up a tiered system to grant reduced subsidies to communities in descending order of distance from nearby hub airports, starting in Alaska and continuing until the funding runs out, which is sure to happen long before DOT's obligation to EAS communities has been met.

If enacted, this proposal would jeopardize rural air service in an unprecedented way because it fails to reflect the fact that, of 140 current EAS communities, 85 -- 36 in Alaska alone -- are further than 210 miles away from a medium or large hub airport.

Dozens more are further than 150 miles away from the nearest medium or large hub airport. Yet, under the DOT's proposal, even many remote communities would lose air service as the funding level proposed by DOT is simply too low to continue the program in any meaningful way.

While we have deep respect for our colleagues at FAA and DOT, it seems unlikely that such proposals have been offered with an eye toward enhancing and improving the program. Rather, these proposals seem designed to severely cut or even eliminate the program altogether.

We share with this Committee an understanding of the critical role air service plays in driving the economies of smaller communities and request the Committee's assistance in helping us protect rural communities against cuts that would undermine the EAS program. We also greatly appreciate the initiative DOT has taken, recently, in reaching out to the industry to solicit ideas on EAS reform. We stand ready to work with DOT and with this Committee to reach a shared goal for meaningful EAS reform.

Congress promised small communities, back in 1978, that deregulation would not leave them behind; rather, communities receiving scheduled air service before deregulation would continue to receive scheduled air service after deregulation. The vehicle for this promise has been EAS, and while we recognize the usefulness of reform, we urge Congress to reject proposals that significantly cut, eliminate, or undermine this important program.

Carrier Costs and Real-Time Rate Indexing

One of the greatest factors contributing to diminishing small community air service is the continuous and staggering affect of fuel cost increases. Turboprop aircraft are among the most fuel efficient aircraft for short-haul routes and, like our major airline counterparts, regional airlines have sought to minimize fuel burn by tankering fuel, lowering cruise speeds, safely altering approach procedures, and reducing onboard weight. We are making every effort to manage escalating fuel costs with an eye toward conservation. Nonetheless, fuel is now the highest cost for many regional airlines.

As part of the competitive EAS application process, carriers negotiate in good faith with DOT on subsidy rates that remain in effect for two years. In doing so, EAS carriers must project revenues and costs over this same two-year timeframe – no easy task in today's volatile cost environment. In cases of unexpected cost increases, EAS carriers lack a mechanism to renegotiate rates and must instead enter into the unpalatable process of filing 90 day service termination notices in order to begin the convoluted process of seeking rates that cover increased costs. This inevitably causes ill-will between airline and community and fosters a sense of unreliability that undermines community trust in and use of the air service.

Furthermore, one of the fundamental tenets of the EAS program held that no carrier should be expected to serve any market at a loss. Yet, in cases of unexpected cost increases, carriers are unable to provoke rate changes without filing such service termination notices, after which each carrier must continue to provide the service, at a loss, for 180 days while DOT undertakes the competitive bidding process.

The impact on rural air service is significant. Take the case of Merced, CA. While the carrier involved with the market engaged in rigorous cost savings and was able to initially double the traffic forecast in its original EAS proposal, escalating fuel costs ultimately caused the carrier to file 90 day notices at Merced as well as Visalia, CA and Ely, NV, noting:

> "Scenic's need to terminate service at [Merced / Visalia / Ely] stems primarily from fuel cost escalations that have undermined the economic viability of the carrier's EAS operations. As a consequence, Scenic has decided to refocus its resources on its historical aerial sightseeing operations and discontinue scheduled-service operations."

In 2005, Great Lakes Aviation experienced fuel cost increases of 21 percent, even though its fuel consumption was down 11 percent due to a reduction in scheduled flights. In fact, Great Lakes' average fuel cost per gallon increased almost 37 percent in a single year, costing 1.7 additional cents per Available Seat Mile (ASM).

In recent weeks, crude oil has climbed to over $60 dollars a barrel. To put these statistics into perspective, consider this: EAS contracts have a two-year lifespan. A winning carrier who negotiated a competitive contract one year ago would have based cost projections on then-current fuel rates of $1.80 per gallon. That same carrier would now be providing the service with fuel costs at $2.00 per gallon and climbing. (Recently, Federal Reserve Chairman Ben Bernanke remarked that the possibility of fuel costs reaching $3 a gallon this year is "not out of the question.") Because EAS carriers are strictly limited to five percent profit margins, climbing fuel costs frequently turn once-profitable routes into loss-generating routes.

Because one of the fundamental tenets of EAS holds that no carrier should be forced to serve any market at a loss, Congress addressed the rate-adjustment issue twice. In Section 402 of Vision 100, the Century of Aviation Reauthorization Act, Congress affording DOT a rate-indexing mechanism to make real-time adjustments during periods of significantly increased carrier costs. In order to prevent deliberate cost underestimation, Congress required carriers to demonstrate "significant increases," defined as a 10 percent increase in unit costs persisting for two or more consecutive months, to trigger the adjustment.

There is little doubt that situations like the one with Scenic Airlines and Merced / Visalia / Ely could have been prevented had Section 402 been implemented to curb the grave financial consequences that EAS carriers are experiencing as a result of serving markets

at a loss. Unfortunately, DOT has been unwilling to implement the program to date, citing a lack of funds.

In response, Congress included a provision in the Deficit Reduction Act of 2005 appropriating an additional $15 million to offset costs associated with rate adjustments. Unfortunately, because of the unforeseen Appropriations shortfall this year, the trigger mechanism detailed earlier in this briefing has not been met and the funds have not been released.

RAA therefore respectfully asks Congress to include language in the expected FAA bill to *require* DOT to make real-time rate adjustments and asks that Congress reverse the requirement of a $110 million trigger for release of additional funding for Fiscal Years 07 and 08.

RAA stands ready to help Congress enact EAS program reforms as the next FAA Reauthorization takes place. We understand that a rewrite of the eligibility criteria may be necessary as some of the rules set nearly three decades ago may no longer apply. These decisions should be based on rational factors and not a funding crisis at DOT.

RAA further asks that Congress carefully examine all evidence suggesting the program is not facing a funding shortfall. The demonstrability of funding needs and expenditures related to the EAS program is closely tied to management of the program. DOT should not be allowed to cut service levels or eliminate points in order to lower programmatic expenditures without reinvesting in the program. In doing so, DOT trades a funding problem for a service commitment problem – one that carriers can do little to reverse.

Eliminated service points generate excess cash in the EAS coffers, which suggest that the program is over-funded; in fact, these funds should instead be reinvested in the program to raise service levels at more viable routes, thereby allowing passengers to best utilize service that has been granted. In order to fully explore these issues, RAA requests that Congress require an audit on unspent, obligated EAS funds currently retained on the EAS balance sheets.

As Congress considers potential eligibility criteria changes, we also ask that the same standard is applied. Reforms to the program should be aimed at enhancing the program and protecting rural air service; not gutting the program. Therefore, we ask that any service reductions resulting from EAS reform be revenue neutral. Subsidies recovered from communities losing eligibility should not be diverted from the EAS program but should instead be reinvested in the program. Given the correlation between increased frequency and increased enplanements, such a reinvestment could serve to help some communities reduce or eliminate subsidy reliance altogether.

Date Certain for Market Exit

Part of the nature of the Essential Air Service program, as you know, is that carriers compete rigorously for contracts. Even in cases where an incumbent carrier desires to continue serving a given market, DOT has the right to select another carrier. In cases where DOT awards service to a new carrier, RAA believes DOT should be required to give the incumbent carrier a date certain when it may exit the market, without exception.

The current practice, where DOT holds the carrier in markets in 30 day increments, is untenable. This practice means a carrier cannot sell tickets in the EAS market beyond 30 days, nor can it make plans to utilize its aircraft elsewhere. We urge Congress to end this unfair situation by mandating that DOT adopt a date certain component for incumbent carrier market exits when it selects an alternate carrier to serve the market.

DOT Term Length Upgrade

As you know, DOT contracts have a two-year lifespan. Post 9/11, DOT was fortunate that carriers possessed excess aircraft inventory sufficient to facilitate competitive bidding on new EAS routes. With more and more turboprop aircraft being sold overseas, there are fewer aircraft available in the United States for this type of service.

Unfortunately, airlines' ability to commit aircraft in a diminishing market has likewise grown more difficult. Aircraft financing models are ill-suited to short, two year-year commitments. In fact, one reason there are so few new-entrant EAS carriers, may be attributed to the lack of financing for aircraft with short-term commitment levels.

By upgrading the EAS contract terms to four or five-year service commitments, existing carriers would be better able to renew current contracts, a significant barrier to market-entry would be removed, and all carriers would better able to finance aircraft for longer-term obligations.

Smaller Aircraft and Very Light Jets

Both DOT and the Government Accountability Office (GAO) have recently discussed the use of Very Light Jets (VLJs) as the rising operating costs of current EAS carriers have translated to higher EAS program costs. Ironically, the rising costs in question have occurred as a result of compliance with the single-level-of safety standards imposed on this part of the industry in 1997 when the FAA moved smaller regional carriers to FAR Part 121. While RAA does not advocate a return to separate regulatory standards for 19 seat aircraft, the government should not be allowed to replace existing Part 121 carriers, who have diligently complied with the regulatory change at great cost, with new-entrant VLJs operating under the very same regulations the Agency formerly deemed inadequate.

Beyond the regulatory perspective, the business models of those smaller aircraft remain unproven. More questions than answers remain about how VLJs will operate. Will they feature reservations systems? Will they abandon the "on demand" model and simply become scheduled service on a very small airplane? Who is held responsible if a government-subsidized air taxi fails to fulfill a trip? Would VLJs be subject to regulations governing carriage of disabled passengers? Would the government be willing to scrutinize and, if necessary, enforce VLJ compliance with industry standards on lost-baggage and overbooked flights?

Additionally, the VLJ business models that do exist promise direct, non-stop service to destinations that would bypass the hub and spoke system. They would therefore fail to connect passengers to the existing air transportation system in favor of limited service. The fares for VLJs are also another great unknown, but most advocates pushing VLJ technology acknowledge they are "fairly expensive." Some communities eager to see VLJ service as an air service solution admit the on demand aircraft would ideally supplement, but not replace, EAS service.

We strongly caution the Congress against advancing this unproven technology as a solution to EAS shortfalls. The Congressional commitment to rural communities during deregulation was a continuation of *scheduled* air service. It is inappropriate to place the burden on passengers and communities to secure air service through expensive, untested, and potentially unreliable sources. Instead, we urge Congress to fully fund the program and to keep careful watch on the policies that are forcing communities into (and out of) the EAS program.

FAA Reauthorization and User Fee Proposals

The FAA proposal, which treats commercial airline passengers differently based on size or type of aircraft, discriminates against passengers from smaller communities. Further, the proposal undermines the notion of a national system of commercial aviation. Regional airlines provide 14,000 flights daily. To ignore the crucial service regional airlines provide in smaller communities by dismissing regional airline flights and passengers as a mere "blip" on a radar screen represents more than an oversimplification. Instead, such proposals fail to treat passengers equally, regardless of the point at which they access the system or how many passengers are seated onboard alongside them.

A recent press release from the FAA claimed that our belief that FAA's proposal would jeopardize service to small communities was "a myth." Let me tell you that the FAA user fee scenario, if enacted as is, would certainly and undeniably increase regional airline costs and would certainly and undeniably reduce service to smaller communities.

The FAA's proposal could also directly affect the EAS program by blocking service to congested airports -- carriers simply cannot amortize the cost of increased fees over the type of aircraft deployed along EAS routes.

We pledge to work together with Congress on our common goal of modernization but ask that you ensure regional airlines – and their passengers in medium and small communities throughout the United States – are not disenfranchised in the process.

Conclusion

Mr. Chairman, thank you for the opportunity to testify on this important issue today. I look forward to responding to your questions at the conclusion of the panel.

The Regional Airline Association represents U.S. regional airlines, and the manufacturers of products and services that support the industry, before the Congress, DOT, FAA and other federal agencies. Founded in 1975, RAA also provides a wide array of technical and promotional services to regional airlines. The association's member airlines transport 97 percent of total regional airline industry passengers. RAA engaged BACK Aviation, an aviation consulting firm, to compile the data. Data should be sourced to RAA and BACK Aviation.

STATEMENT OF
MICHAEL W. REYNOLDS
DEPUTY ASSISTANT SECRETARY FOR
AVIATION and INTERNATIONAL AFFAIRS
U.S. DEPARTMENT OF TRANSPORTATION

before the

SUBCOMMITTEE ON AVIATION
COMMITTEE ON TRANSPORTATION and INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

on

Essential Air Service Program and Small Community Air Service Development Program

April 25, 2007

Mr. Chairman, thank you for inviting me to this hearing. I appreciate the opportunity to discuss with you and the Subcommittee two programs administered by the Department of Transportation that affect air service to small communities, namely the Essential Air Service (EAS) program and the Small Community Air Service Development Program. I can assure you that the Department is committed to implementing its small community air service programs in the best and most efficient manner and thereby help smaller communities meet the challenges that they face in obtaining and retaining air service.

It is clear that air service in this country has changed dramatically over the past several years. Many of these changes have been very positive. The growth of low-fare carriers, for example, has made affordable air transportation available to millions of people across the country. The number of air travelers has expanded dramatically, as hundreds of passengers have taken advantage of the low fares that have become more widely available. While this is a good

development overall for consumers, we recognize that it can create new challenges for some small communities. With a greater number of service choices available, particularly those involving lower fares, many consumers are willing to drive to places with a broader array of air service options, making it more difficult for some individual airports to sustain their own traffic levels. There are, for example, some communities receiving EAS assistance within ready driving distance of two or three major airports. This can result in a struggling community airport, but not necessarily consumers who lack access to the national air transportation system.

Another challenge is the change in aircraft used by carriers that serve small communities. Many commuter carriers have been replacing their 19-seat aircraft with 30-seat aircraft, due to the increased costs of operating the smaller planes and larger carriers' reluctance to offer code sharing on 19-seaters. This trend began at least 10 years ago and has continued. There are now fewer and fewer 19-seat aircraft in operation as many carriers have upgauged to 30-seat aircraft, and, in some cases, even regional jets. As a result, many small communities that cannot support this larger size of aircraft are being left without air service. Additionally, the rise in the cost of aviation fuel has made all carriers more cost-conscious and more selective in initiating new service and maintaining service where yields and traffic are low. Also, some changes have occurred in response to the terrorist attacks of September 11, 2001. Many consumers, leisure and business, have changed their travel patterns and carriers have altered the structure of their airline services in both large and small markets. Finally, the financial condition of the network carriers has added further uncertainty for their regional code-share partner service.

The challenge that we face is one of adjusting the programs, to the extent we are able, to account for these changes in an efficient and effective manner, giving appropriate and balanced recognition to the reasonable needs of the communities, the carriers, the consumers, and the taxpaying public at large. Mr. Chairman, I do not use the word "challenge" lightly. All of us -- the federal government that manages programs affecting service at small communities, as well as the States and the communities themselves -- need to reexamine the way we approach small community air service.

We at the Department of Transportation have recognized for a while now that the way the federal government helps small communities has not kept pace with the changes in the industry and the way service is now provided in this country. For that reason, we have initiated some important reevaluations of the programs that we manage. I want to share with you today what we have done and are doing to address this issue.

As you know, the Department administers two programs dealing with air service at small communities. The EAS program provides subsidies to air carriers to provide air service at certain statutorily mandated communities. The Small Community Air Service Development Program, which was established by Congress in 2000 under the AIR-21 legislation, provides federal grants-in-aid to help small communities address their air service and airfare issues. While initially established as a pilot program, it was reauthorized through FY 2008 in Vision 100.

Essential Air Service Program

Let me first address the EAS program. The laws governing our administration of the EAS program have not changed significantly since its inception 28 years ago, notwithstanding the dramatic changes that have taken place in the airline industry. As currently structured, the EAS program acts only as a safety net for small communities receiving subsidized air service by providing threshold levels of air service. While ensuring some service, this approach does little to help communities attract self-sustaining unsubsidized air service, as evidenced by the fact that once a community receives subsidized air service it is rare for an air carrier to come in offering to provide unsubsidized air service.

The goal of our proposed changes to the EAS program is to focus the program's resources on the most isolated communities, i.e., those with the fewest driving alternatives. Our current proposal to accomplish this is quite different from those made in past years. The first change we propose is to cap EAS communities at those that currently receive subsidized air service. Second, we would rank all the subsidized communities by isolation, i.e., by driving miles to the nearest large or medium hub airport, with the most isolated getting service first. Last, we are proposing a maximum $50 million funding level.

Congress has also recognized the need for reform and created a few pilot programs in Vision 100. One program is the Community Flexibility Pilot Program. It allows up to ten communities to receive a grant equal to two years' worth of subsidy in exchange for their forgoing their EAS for ten years. The funds would have to be used for a project on the airport

property or to improve the facilities for general aviation, but no communities have volunteered for that program. Another program is the Alternate Essential Air Service Program. The thrust of this program is that, instead of paying an air carrier to serve a community as we typically do under EAS, communities could apply to receive the funds directly -- provided that they have a plan as to exactly how they would use the funds to the benefit of the communities' access to air service. The law gives great flexibility in that regard. For example, funds could be used for smaller aircraft but more frequent service, for on-demand air taxi service, for on-demand surface transportation, for regionalized service, or to purchase an aircraft to be used to serve the community. The Department issued an order establishing that program in the summer of 2004, but to date no communities have applied. I cannot tell you for sure why, but my guess is that part of it is that it is just human nature to resist both risk and change.

With regard to the EAS program, it is important to note the continued growth of the program's size and cost to taxpayers over time. As a point of reference, before the terrorist attacks of September 11, the Department was paying subsidy for 107 communities (including 32 in Alaska). We are now subsidizing service at 145 communities (including 41 in Alaska). Further, EAS is often viewed as an absolute entitlement whether the communities invest any time and effort in supporting the service or not. We have proposed reforms to EAS to better focus its resources on the most isolated communities.

Small Community Air Service Development Program

The Department is now in its sixth year of administering the Small Community Air Service Development Program (Small Community Program). Under the law, the Department can make a maximum of 40 grants in each fiscal year to address air service and airfare issues, although no more than four grants each year can be in any one State. Until 2006, Congress had provided $20 million in each year for this program. In 2006, the funding for the program was $10 million, and the Revised Continuing Appropriations Resolution, 2007 (P.L. 110-5), provides the Department with $10 million in Fiscal Year 2007 to administer the Small Community Program. On February 26, the Department issued a Request for Proposals for 2007 applications and proposals are due April 27.

Given the many and varying priorities facing the Department, this program was not accommodated within the President's 2008 Budget. Nonetheless, it is important to note the extensive support that the Department provides for small airports in terms of supporting the infrastructure that make any service possible. In the last two years (FY2005 and FY2006), the FAA has provided over $4 billion in grants for small airports, or nearly 2/3 of the Airport Improvement Program (AIP). Furthermore, the Department's reauthorization proposal would continue to direct AIP to small airports. The reauthorization proposal would also add new AIP eligibility for ADS-B ground stations and expanded eligibility for revenue producing projects at small airports that will help their financial stability.

With respect to the Small Community Program, the Department has made many awards to communities throughout the country and authorized a wide variety of projects, seeking to address the diverse types of problems presented and test different ideas about how to solve them. Some of these projects include a new business model to provide ground handling for carriers at the airport to reduce station costs, seed money for a new airline to provide regional service, expansion of low-fare services, a ground service transportation alternative for access to the Nation's air transportation system, aggressive marketing and promotional campaigns to increase ridership at airports, and revenue guarantees, subsidies, and other financial incentives to reduce the risk to airlines of initiating or expanding service at a community. For the most part, these projects extend over a period of two to four years.

This program differs from the traditional EAS program in a number of respects. First, the funds go to the communities rather than directly to an airline serving the community. Second, the financial assistance is not limited to air carrier subsidy, but can be used for a number of other efforts to enhance a community's service, including advertising and promotional activities, studies, and ground service initiatives. Third, communities design their own solutions to their air service and airfare problems and seek financial assistance under the program to help them implement their plans.

Over the past five years, the Department has made more than 180 grant awards. Overall, more than 90% of the grant recipients have implemented their authorized projects.

For example, new services have been inaugurated at many communities; others have received increased frequencies or service with larger aircraft. Several communities have begun targeted and comprehensive marketing campaigns to increase use of the service at the local airport and to attract additional air carrier service. We have been monitoring the progress of all of the communities as they proceed with the implementation of their projects. However, because the majority of the projects involve activities over a two-to-four-year period, and many communities have sought and received extensions for their grants, only now are some of them at the point of completion.

As you know, the Government Accountability Office (GAO) concluded a review of the Small Community Program in 2005. GAO too recognized that it is difficult to draw any firm conclusions as to the effectiveness of the Small Community Program in helping communities address their service issues because many grant projects are still in process. Of the grant projects that had been completed, the GAO concluded that the results were mixed because not all of the grants resulted in improvements that were achieved and sustained after the grant funding was exhausted.

Importantly, however, the GAO also found that the grant recipients were very pleased with the program and many believed that the service improvements would not have been achieved without the benefit of the grant award. The Department has received similar feedback from grant recipients. The GAO noted that nearly 80 grants were scheduled to be completed by the end of this year and they recommended that the Department review the results of these grants before the program is considered for reauthorization beyond 2008. The Department concurred with GAO's

recommendation and indicated that it would conduct such review before the reauthorization process.

In this regard, since the end of March 2007, the Department's Inspector General (IG) has been reviewing the outcomes of the limited number of projects that have been completed to date. Evaluation of the program will consist of two phases including a quantitative and qualitative analysis of a selected sample of all completed projects.

The Federal Government, however, is only one piece of the equation. States and communities will also need to review their air service in the context of the changed industry structure and service patterns to seek fresh, new solutions to maximize their air service potential, including regional and intermodal approaches and expansion of public/private partnerships to meet these challenges. In that regard, we are actively engaged in reviewing alternative solutions for assisting small communities address their air service needs.

In closing, Mr. Chairman, let me reaffirm the Department's commitment to implementing the DOT's small community air service programs in the best and most efficient manner. We look forward to working with you and the members of this subcommittee and the full committee as we continue to work toward these objectives. Thank you again. This concludes my prepared statement. I will be happy to answer any of your questions.

STATEMENT OF HONORABLE MIKE THOMPSON (CA-01)

APRIL 25, 2007

SUBCOMMITTEE ON AVIATION

Mr. Chairman, Mr. Ranking Member and fellow members of the subcommittee – thank you for the opportunity to discuss my legislation to assist our airports in small and economically-distressed communities.

As you know, the Essential Air Service (EAS) program is an important federal subsidy that helps airlines serve our country's small, rural communities. Like other airports, EAS airports can receive grants for improvements through the airport improvement program (AIP), and – like other airports – EAS airports must provide matching funds.

Unfortunately, for many of these small, rural communities with EAS airports, these matching requirements are a great burden. What may seem like a little amount of money to raise in a big city, can be next to impossible to raise in a small community. These communities may be trying to enhance their economy, and need a safe and functioning airport to attract business

and tourism. The matching requirement is often a barrier to critical airport improvements.

To solve this problem, I have introduced legislation that would ensure rural communities are not disadvantaged by their size or economy. Under my legislation – H.R.237 – if an airport is 1) designated as EAS and 2) meets any of the criteria to be considered economically distressed, the matching requirement for AIP grants is waived. These criteria include:

- The unemployment rate for the most recent 24 months is at least 1% greater than the national average unemployment rate;

- The per capital income is 80% or less of the national average per capital income; or

- A special need results from severe conditions, such as a natural or other major disaster, or a military base closure.

The Regional Council of Rural Counties has endorsed this bill. I request that their letter of support be inserted into the record.

This legislation recognizes the challenges facing our rural communities as they work to both preserve their way of life and create economic opportunities. Americans who live in rural communities know that they will never have the same transportation options as big cities. But they do need access to small – but safe and functioning – airports.

This legislation helps our rural communities improve and repair their airports as they strive to improve their economic conditions. Without this service, for example, it would make recruiting new businesses very difficult. In addition, air travel is sometimes the only alternative to driving many hours to obtain specialized healthcare or access to state officials. EAS airports also provide additional transportation options that may be critical during a public safety emergency.

This legislation will give these communities a small boost that could go a long way to improving their economy, public safety, and access to health care options.

Statement of the
Airport Minority Advisory Council
Submitted to
Subcommittee on Aviation
U.S. House Committee on
Transportation and Infrastructure
(April 2007)

Mr. Chairman and Members of the Subcommittee on Aviation:

I am William A. Kirk, the General Counsel of the Airport Minority Advisory Council ("AMAC"). On behalf of the Board of Directors of AMAC and its members, I am submitting this statement for the record on the reauthorization of the Federal Aviation Administration ("FAA") and the Airport Improvement Program ("AIP"). AMAC sincerely appreciates the opportunity to do so and we thank you for your consideration of our views.

AMAC is a national, non-profit, organization dedicated to promoting the full participation of minority and women-owned businesses in airport contracting as well as the inclusion of minorities and women in employment within the airport industry. AMAC members include airports, minority and women business owners, major corporations and others involved in the airport industry. The mission of AMAC is three-fold:

- To highlight, and constructively work to eliminate, discrimination and barriers within the industry that limit the participation of minorities and women on account of their race or gender.
- To promote dialogue between airport industry stakeholders on issues pertaining to diversity and inclusion.
- To promote best-practices and governmental policies that will help capitalize upon and realize the opportunities available within the industry.

In addition to AMAC's focus on diversity and opportunity within the airport industry, the organization also is involved in key aviation and airport policy issues, such as the status of the national airport traffic control system, airport infrastructure and capacity, FAA and AIP funding, airport financing and security matters. These issues are of critical concern to the organization's airport members and, inasmuch as they also affect the vitality of airports, they are of concern to the DBE firms with whom airports conduct business. Thus, AMAC is a part of the greater airport community, and has worked closely on a range of policy issues with the Airports Council International-North America ("ACI-NA"), the American Association of Airport Executives ("AAAE") and DOT/FAA. For example, AMAC has co-sponsored forums and seminars with ACI-NA and with AAAE. Moreover, every June in partnership with the FAA, AMAC hosts the Airport Business Diversity Conference, which is one of the larger airport conferences in the industry.

This statement includes comments regarding the above stated dual roles that AMAC plays in the airport industry.

I. Comments and Recommendations Concerning AIP and the Airport DBE Program

A. Background.

As this Subcommittee is aware, AIP includes a statutorily mandated small business participation and development component known as the airport Disadvantaged Business Enterprise ("DBE") program. Specifically, the AIP statute incorporates a ten percent (10%) aspirational participation goal for firms certified as DBE's for purposes of an airport's federally-assisted procurement, construction or professional services contracting, and for an airport's concessions contracting. For more than twenty years, AMAC has been the leading advocate and thought leader on the airport DBE program. Again, AMAC is grateful for the opportunity to present to the Subcommittee certain suggestions to support and strengthen the airport DBE program.

In 1980, the U.S. Department of Transportation ("DOT") established a minority and woman's business enterprise program for its highway, airport, and transit programs.[1] In 1983 Congress passed and President Reagan signed into law the Surface Transportation Act, which provided the first statutory DBE provisions for the federal highway and transit programs.[2] The provisions were a tool used by DOT to prevent ready, willing and competent minority-owned firms that might compete for DOT-assisted contracts and sub-contracts from being discriminated against. In 1987, Congress and the Reagan Administration agreed to explicitly apply the program to airport contracting and airport concessions and to expand the program's eligibility to women-owned firms.

DOT develops guidelines for the airport DBE program through the Office of the Secretary, and the FAA's Office of Civil Rights is charged with the program's day-to-day administration. DOT's airport DBE program regulations and guidelines are found in Title 49 of the federal Code of Regulations, in Parts 23 and 26.[3] The airport DBE program does not impose quotas or set asides. As specifically set forth in the DOT regulations, an airport's goals are just that. They are not quotas but rather they are aspirational. Airports set their own goals based on empirical data regarding the number of DBE firms in their local markets and the history of participation (or non-participation). No sanctions are invoked against airports for not meeting their goals as long as airports (and their contractors) act in good faith.

Except for certain DOT rules that uniquely apply to airport concessions, the airport DBE program regulation (i.e., pertaining goal setting, counting, or program eligibility, etc.) are synonymous to the rules applicable to federally-assisted surface transportation programs. Although, to AMAC's knowledge, the airport DBE program has not been legally challenged, federal courts have considered the constitutionality of

[1] Enacted under authority of Title VI of the Civil Rights Act of 1964.
[2] The Act sets a minimum 10% target of the funds provided to be expended with small firms owned and controlled by socially and economically disadvantaged individuals.
[3] Part 26 includes program rules (e.g., goal-setting, counting, eligibility and certification, etc.) that apply to airports and other recipients of DOT financial assistance such as transit systems or state highway departments. Part 23 includes certain additional rules unique to airport concessions (e.g., DBE firm size standards).

the DOT DBE rules in the context of surface transportation programs. The courts have analyzed and decided these cases under the standard adopted by the U.S. Supreme Court in 1995 in the case Adarand Constructors, Inc. *v.* Pena, 515 U.S. 200 (1995).

In the Adarand case, in upholding the DOT's program, the Supreme Court held that DBE programs were subject to "strict scrutiny" and that they must serve a compelling governmental interest. The Court further stated that redressing past discrimination and talking steps designed to prevent or ameliorate its future occurrence was such a compelling governmental interest so long as they were/are narrowly tailored or crafted to achieve that purpose.

B. Continuing Need for the Airport DBE Program and Strong Legislative History.

Fundamentally, the airport DBE program was authorized by Congress to counteract a national legacy of racial and gender based discrimination against minorities and women. As members of this Subcommittee are aware, it is a regrettable truth that race and gender continue to be key factors accounting for disparities in many areas including housing, employment, business and access to capital, education and health care. While meaningful progress has been realized, the achievements thus far have been the result of Congressional foresight and commitment to the redress of the pernicious problem of discrimination.

Sadly, the effects of discrimination still exist in the airport industry—notwithstanding the leadership of airport directors around the nation and the support of AMAC's "sister" organizations.[4] The evidence of the continuing need for the airport DBE program is abundant and compelling, e.g., while the number of minority and women-owned firms has grown in recent years, their share of contract opportunities and receipts continues to be disproportionately low. Further, DBE contracting tends to fall dramatically when there are no participation goals involved at all. As a consequence,

[4] ACI-NA and AAAE.

AMAC strongly believes that without strong, continuing Congressional support and (as further discussed below) sound airport DBE program rules, minority and women-owned firms will not be able to effectively participate in federally-assisted airport contracting and concessions.

As noted above, airports that receive federal financial assistance from the FAA are required to develop empirically supported DBE participation goals and must commit to use their best efforts to achieve those goals. In establishing the DBE goals, airports have reviewed probative and persuasive data that indicates there are statistically significant disparities between the number of qualified DBE firms ready, willing and able to perform a particular contract of service and the number of such vendors actually engaged. Attached to this statement is a partial list from DOT's website of disparity studies conducted for airports and state and local governmental agencies listed.[5] AMAC encourages the Subcommittee to review these studies, as well as other analyses of this matter, and to include them in a series of legislative findings.[6] Just as was done with the recent reauthorization of DOT's surface transportation programs, and given that DBEs are still not able to compete on the same basis in the airport industry as other businesses, AMAC believes that it is very important that the legislative history regarding FAA reauthorization and the AIP program address this reality. We strongly urge this Subcommittee and the Congress to include a clear and unambiguous Congressional statement of the compelling need for an ongoing and effective airport DBE program.

By fostering equal opportunity, the airport DBE program is an effective policy tool that provides meaningful remedial relief and counters the effects of discrimination that may be ongoing in airport contracting. Since its inception, the airport DBE program has been supported by the Congress on a bi-partisan basis and by Republican and Democratic Administrations alike. AMAC greatly appreciates the leadership of this Subcommittee in this regard and respectfully and strongly urges this panel to continue the

[5] *See* Exhibit 1.

[6] We are also aware that many of AMAC's airport members are performing updated studies and we are soliciting them for summary information for the Subcommittees review.

critical role of the airport DBE program in countering continued discrimination in the airport contracting sector.

In addition to documenting the airport DBE program's critical remedial role, AMAC also urges the Congress to note the program's positive small business development aspects as well. The program produces important and meaningful economic benefits to DBEs and to the communities in which they operate in terms of the diversity of products and services provided to airports and to the traveling public, in terms of employment, as well as with respect to overall economic impact. A recent study of the Dallas/Ft. Worth International Airport's ("DFW") DBE airport concessions program conducted by the University of North Texas from September 2002 through September 2005 is revealing and illustrative.[7] The study found that DBE concession firms at DFW accounted for nearly one-half billion dollars of regional economic activity as follows:

- More than $287 million in retail sales.
- Approximately $157 million in regional labor income supporting more than 3,000 jobs.
- Approximately $86 million in airport revenue (e.g., rents, profit participation, royalties, etc.)
- Approximately $85 million in State and local tax revenue (e.g., sales and property taxes, excise taxes, fees for licenses and permits, etc.)[8]

In addition, the study found substantial secondary (i.e., multiplier) impacts generated by the airport's DBE concessionaires, including approximately $266 million in secondary contracting with other off-airport minority and women-owned firms that supported more than 1,600 jobs.[9] The positive economic contribution of airport DBE firms is an untold story that should be documented and celebrated, and AMAC asks Congress to support grant funding for this purpose.

[7] Terry L. Clower & Bernard L. Weinstein, Center for Economic Development and Research - University of North Texas, DFW International Airport's Disadvantaged, Minority- and Women-owned Business Concessionaires Program: Economic and Fiscal Impacts ii-iii (2006). *See* Exhibit 2.
[8] *Id.*
[9] *Id.*

C. Airport DBE Program Regulations: Suggestions to Strengthen and Streamline.

DOT's DBE program regulations for airports have been revised in a manner that is consistent with the Supreme Court's Adarand decision. For example, the rules make clear that airport DBE participation goals should correspond to the availability of qualified DBE firms in their markets. The rules emphasize the importance of incorporating "race-neutral" measures in implementing their programs. Set-asides are prohibited (except in the most extreme cases of demonstrated discrimination) and as long as one is exercising good faith efforts, they are given flexibility to tailor their programs to local circumstances. program they are given flexibility to tailor their programs to local circumstances. Certain new eligibility requirements have been added including, as further discussed below, a "personal net worth" ("PNW") standard for firms seeking certification as a DBE (or seeking to maintain an existing DBE certification). In addition, airports and other recipients of DOT funding have been directed to create state-wide uniform certification programs ("UCPs").

Implementing the changes to the airport DBE program noted above, has not been without challenges and difficulties for local airport DBE program officials, for minority and women owned firms or for DOT/FAA. In many respects, the interpretation and implementation of the program's rules is uneven across jurisdictions. For example, even though the airport DBE program is governed by a single set of rules, information required by one certifying entity is far too often materially different than that of another entity (both as to form and content). Similar disparities occur in the interpretation or application of specific regulations to similar facts. In some instances, DOT and the FAA have not provided sufficient training or guidance prior to the effective date of a regulatory change. In the aggregate, these problems create unwarranted and costly administrative burdens on firms and sometimes lead to inequitable results.

AMAC believes these problems stem substantially from (1) insufficient DOT/FAA guidance and a shortage of program management manpower (2) the lack of

experience of local airport DBE program coordinators and certifying officials with many of the financial and/or legal concepts now incorporated into the program rules and (3) our belief that some of the eligibility rules are simply inconsistent with the economic realities of airport contracting.

The incorporation of a PNW standard is illustrative of these problems. In March 2005, DOT announced that a PNW test of $750,000 was being adopted for airport concessions as part of DBE eligibility and certification. Under the new test, a firm with owners who have personal net worth exceeding this amount cannot be certified as a DBE. DOT stated that the rule would become effective on April 21, 2005 -- just thirty (30) days after it was published in the Federal Register. Because this new requirement represented a fundamental change to the program, and one that would require airport officials to make critical financial (and in some cases legal) judgments, AMAC urged DOT and FAA to postpone its effective date until it could provide adequate interpretative guidance. Without such action, we predicted that there would be confusion among airport staff responsible for administering the New PNW Standard and for business owners. We also were for fearful that some firms that should in fact be certified would not be because of the confusion. Unfortunately, our request was not granted and regrettably our predictions have proven accurate.

In a petition to DOT, AMAC questioned whether constitutional considerations required the adoption of a PNW test for program eligibility purposes. DOT believes that incorporating PNW standards as part of the program's regulatory framework is necessary for legal "narrow tailoring" purposes. While acknowledging that *dicta* of some courts refer favorably to PNW standards, we pointed out that we were not aware of any court decision specifically holding or prescribing a PNW test as the only legal (or most effective) method of ensuring that the DBE program was narrowly tailored and not "over-inclusive".

We pointed out further that business size standards may be a more appropriate method to address this issue because comparing a DBE's revenues to those of non-DBE

firm's is a much more reasonable and reliable indicator of the ability of a DBE to compete with non-DBE peer businesses. AMAC also pointed out that the adoption of $750, 000 as the PNW standard was arbitrary and that the dollar level selected was not empirically based. By the agency's own admission, DOT essentially borrowed this standard from a Small Business Administration ("SBA") program that was first set more than twenty-eight (28) years ago.[10] A copy of AMAC's petition to the DOT on this matter is attached to this statement as Exhibit 3.

At the time, Congressman Oberstar, the current Chairman of the full Committee, expressed similar concerns in a letter to the DOT. In addition, several members of this Subcommittee—Representatives Norton, Brown, Johnson and Millender-McDonald—jointly signed a letter from the Small Business Task Force of the Congressional Black Caucus ("CBC") raising these concerns. On behalf of AMAC, we express again our sincere appreciation for your support on this matter.

AMAC offers the following suggestions as a first step toward rectifying the problems noted above:

1. Upward Adjustment and Indexing of the PNW Standard. We urge Congress to authorize and direct DOT to adjust the standard for inflation and periodically thereafter. As noted previously, the standard adopted by DOT (and borrowed from the SBA) is twenty-eight (28) years old and has never been adjusted for inflation over this time period. An inflationary adjustment is fundamentally a matter of fairness and is not in conflict with maintaining a "narrowly tailored" program. As a simple matter of economic common sense, a dollar today does not have the same purchasing power as a dollar twenty-eight years ago.

[10] The program is The Capital Ownership Development Program, referred as the "8(a) Program".

Such an adjustment, with future indexing, also is consistent with DOT's recent action to adjust the program's size standards for inflation.[11] In discussing this matter, DOT stated:

> "The Department notes that the existing size standards have not been adjusted for inflation since June 1, 1992. . . .The adjustment compensates for the rise in the general level of prices over time from the second quarter of 1992 to the third quarter or 2006. In order to ensure that this adjustment is made on a more timely basis in the future, the rule provides for a similar adjustment every two years . . . It should be emphasized that this action does not increase the size standard for ACDBEs in real dollar terms. It simply maintains the status quo."[12]

2. Advisory Panel on PNW Rules and the Economics of Airport Contracting.

As noted previously, minorities and women continue to suffer from discrimination in areas such as access to capital, bonding and insurance. However, AMAC is also concerned that these challenges may be exacerbated by key DBE program rules that do not sufficiently take into account market realities and requirements faced by airport industry business owners regardless of their race or gender. Similarly, AMAC is concerned that program administrators may not have relevant experience with or understand usual and customary business practices.

We believe these problems must be urgently addressed. AMAC also believes that this can and should be accomplished within the constitutional framework of "strict scrutiny" and "narrow tailoring" -- and in a manner that does not indirectly or unintentionally create a "glass ceiling" on success. As the Supreme Court in Adarand stated: "We wish to dispel the notion that strict scrutiny is strict in theory but fatal or fact." Accordingly, we urge Congress to authorize and direct and FAA's Office of Civil Rights ("FAA-OCR"), the office that is responsible for administering the airport DBE program, to constitute a panel representative of small business experts that would include business administration scholars, economists, accountants, capital providers, DBE business owners, legal advisors, airports and other program stakeholders. The panel

[11] Disadvantaged Business Enterprise Program, Final Rule, 72 Fed. Reg. 15,614, 15,614 (April 2, 2007).
[12] *Id.*

should be charged with educating and advising FAA-OCR on the financing, business, legal and other related issues involved in airport contracting so that these issues can be considered and appropriately incorporated into the airport DBE program regulations. To this end we also strongly urge Congress to provide FAA-OCR with additional staff positions (i.e., FTE's) specifically dedicated to the airport DBE program administration and oversight.

3. Streamline DBE Program Eligibility Processes; Require Certification Training and Credentials and Require Reciprocity.

The current DBE program eligibility and certification processes are far to cumbersome and burdensome than can be justified. To reduce unwarranted, duplicative and costly burdens on minority and women-own firms seeking DBE certification, AMAC urges Congress to require that DOT and FAA develop a single, uniform DBE program application. Moreover, AMAC believes that it is essential that Congress require DOT/FAA and local airport personnel involved in making certification decisions (including certification appeals) undergo formal and structured training. Further, we believe it is essential that such personnel be tested and credentialed in order to promote fair and consistent interpretation and application of the DBE eligibility rules. AMAC believes that such requirements will go a long way toward substantially reducing or eliminating inconsistent decisions among certifying jurisdictions and airports even with respect to nearly identical facts. Curtailing the incidence of such varying outcomes will also reduce the incidence of undeserved hardship and/or expense suffered or incurred by small firms. In addition, Congress should direct DOT or the General Accounting Office to study feasibility of authorizing airport DBE program certification by private, national third-party certifying entities.

Finally, to enhance best practices and consistent results, AMAC also urges Congress to require that airport DBE program certifications be recognized nationally. At present, no such reciprocity exists even though the program is governed by a single set of national federal rules. Unless in a particular firm's case there is a clear and d

demonstrable reason to the contrary, there is no compelling justification to prevent national reciprocity.

II. Comments Regarding Other Policy Issues and AIP and FAA Reauthorization

As previously noted above, in addition to diversity and the airport DBE program, AMAC closely follows other important aviation and airport policy matters. As you know, AIP is an important source of funding for airport capital projects, especially for smaller airports that have less ready access to private capital markets. For this reason and more, AMAC strongly urges Congress to reauthorize the AIP program and to ensure that sufficient discretionary funding is available to meet critical airport infrastructure needs. We urge Congress to strengthen the FAA's Letter of Intent program for large infrastructure projects that help increase the efficiency of the airports and, thereby, support the national air transportation system.

With respect to the Airport and Airways Trust Fund ("Fund"), there are concerns that the current structure of federal taxes that support the Fund (combined with the effects of uneven general fund participation) has resulted in a funding source that may be less than adequate to finance aviation system needs. AMAC, believes that, among other things, long-term capital investment in airport infrastructure is needed to ensure a robust air traffic control system and sufficient airport capacity. We encourage Congress to develop more stable and predictable funding mechanisms that are equitable in its burdens and that are realistic with respect to current and future needs.

In addition, as you know, airport bonds are a vital ingredient in the financing tools available to airports. AMAC believes that federal tax policy regarding airport capital needs and the national air transportation system should fully recognize that airports serve a vital public purpose. Notwithstanding this fact (and the fact that airports are owned and operated by state and local governmental entities), sixty (60) percent of airport bonds issued to finance needed capital projects are classified as "private activity" bonds under the Internal Revenue Code ("Code"). This means that the interest earned and paid to

bond holders are subject to the Alternative Minimum Tax ("AMT"), which raises the cost of borrowing and results in making fewer projects fundable. AMAC encourages this Subcommittee and the full Transportation and Infrastructure Committee to work with the Congressional tax panel to address this problem in the Code and to acknowledge the important public benefits derived from the projects made possible by airport bonds.

Finally, somewhat similar to the airport DBE program, the AIP program is comprised of a great many laws, regulations and grant assurances some of which unduly restrict an airport's ability to efficiently utilize their revenue. Some of these provisions are obsolete or redundant. We would hope that Congress uses the opportunity of AIP reauthorization to encourage FAA review of this matter.

In conclusion, again AMAC is most grateful for the opportunity to present its views to the Subcommittee. We are also most appreciative of this panel's leadership on issues of diversity and inclusion in the airport industry. We respectfully ask that you fully consider our comments and suggestions and we look forward to working with you.

Office of Small and Disadvantaged Business Utilization: Partial List of Disparity Studies[1]

Partial List of Disparity Studies Conducted For State and Local Agencies

8/17/92	AL FINAL RPT OF A STUDY TO SUPPORT A DISADVANTAGED BUSINESS ENTERPRISE SET ASIDE PROGRAM SUBMITTED TO BIRMINGHAM JEFFERSON COUNTY TRANSIT AUTHORITY	MGMT OF AMERICA
Jul-93	AZ DISPARITY STUDY CITY OF PHOENIX	BBC
Jun-94	AZ PIMA COUNTY DISPARITY STUDY	BBC
7/10/89	AZ THE CITY OF TUCSON DISPARITY STUDY	MASON TILLMAN
6/3/94	AZ THE CITY OF TUCSON DISPARITY STUDY	BBC
7/10/89	AZ THE MARICOPA COUNTY MINORITY AND WOMAN OWNED BUSINESS ENTERPRISE PROGRAM STUDY	MASON TILLMAN
Jun-94	CA ALAMEDA COUNTY TRANSPORTATION AUTHORITY DISPARITY STUDY FINAL RPT	MASON TILLMAN
3/17/89	CA CITY COUNTY OF SAN FRANCISCO DISPARITY STUDY	BOARD OF SUPERVISOR
Jan-93	CA CITY OF LOS ANGELES DEPT OF AIRPORTS MBE WBE UTILIZATION STUDY EXECUTIVE SUMMARY	MASON TILLMAN
3/17/89	CA CITY OF SAN FRANCISCO DISPARITY STUDY	BOARD OF SUPERVISOR
Apr-95	CA CITY OF SAN JOSE DISPARITY STUDY PROFESSIONAL SERVICES AND PROCUREMENT	MASON TILLMAN
2/24/93	CA DISPARITY STUDY FOR THE CITY OF SAN JOSE VOLUME ONE FINAL RPT	DJ MILLER ASSOCIATES
2/24/93	CA DISPARITY STUDY FOR THE ORANGE COUNTY CONSORTIUM	DJ MILLER
1990	CA MBE WBE DISPARITY STUDY FOR THE CITY OF SAN JOSE VOL ONE FINAL RPT	BPA ECONOMICS
Nov-94	CA OAKLAND UNIFIED SCHOOL DIST DISPARITY STUDY	MASON TILLMAN
1990	CA OAKLAND UNIFIED SCHOOL DISTRICT DISPARITY STUDY	BPA ECONOMICS MASON TILLMAN ASSOCIATES AND BOASBERG AND NORTON A JOINT
Oct-92	CA SACRAMENTO MUNICIPAL UTILITY DIST M WBE DISPARITY STUDY	MASON TILLMAN
Nov-94	CA SACRAMENTO MUNICIPAL; UTILITY DISTRICT M WBE DISPARITY STUDY	MASON TILLMAN
May-92	CA THE UTILIZATION OF MINORITY AND WOMAN OWNED BUSINESS ENTERPRISE BY CONTRA COSTA COUNTY FINAL REPORT PREPARED FOR CONTRA COSTA COUNTY	NERA
Mar-93	CA THE UTILIZATION OF MINORITY AND WOMAN OWNED BUSINESS ENTERPRISE BY THE CITY OF HAYWARD FINAL REPORT PREPARED FOR THE CITY OF HAYWARD	NERA
Jun-92	CA THE UTILIZATION OF MINORITY AND WOMAN OWNED BUSINESS ENTERPRISES BY ALAMEDA COUNTY FINAL REPORT PREPARED FOR ALAMEDA COUNTY	NERA

[1] Partial List of Disparity Studies, Office of Small and Disadvantaged Business Utilization, Department of Transportation, http://osdbudev.heitechservices.com/business/dbe/disparity.cfm (Apr. 24, 2007).

	CALIFORNIA	
Aug-87	CO A STUDY OF MINORITY AND WOMEN BUSINESS ENTERPRISE PROBLEMS IN THE COLORADO HIGHWAY CONTRACTING INDUSTRY	CO CIVIL RIGHTS DIV
Apr-98	"CO The Colorado Department of Transportation Disparity Study conducted by MGT of America, Inc"	"MGT of America, Inc"
1995	CO ANALYSIS OF MINORITY AND WOMEN OWNED BUSINESS IN THE DENVER METROPOLITAN ARE CONSTRUCTION AND PROFESSIONAL DESIGN MARKETPLACE	BBC
1995	CO ANALYSIS OF MINORITY AND WOMEN OWNED BUSINESS IN THE DENVER METROPOLITAN AREA	BBC
1995	CO ANALYSIS OF MINORITY AND WOMEN OWNED BUSINESS IN THE DENVER METROPOLITAN AREA CONSTRUCTION AND PROFESSIONAL DESIGN MARKETPLACE THE CITY AND COUNTY OF DENVER	BBC
3/7/90	CO DENVER DISPARITY STUDY CONSTRUCTION AND PROFESSIONAL DESIGN SERVICES FINAL REPORT	BBC
6/22/90	CO DENVER DISPARITY STUDY CONSTRUCTION AND PROFESSIONAL DESIGN SERVICES FINAL REPORT	HARDING AND OGBORN
6/27/91	CO FINAL REPORT DENVER DISPARITY STUDY GOODS SERVICES AND REMODELING	HARDING AND OGBORN
1995	CO POTENTIAL GOAL SETTING METHODOLOGY FOR GENERAL SERVICES THE CITY AND COUNTY OF DENVER	BBC
9/14/92	CO THE UTILIZATION OF MINORITY AND WOMEN OWNED BUSINESS ENTERPRISES BY THE REGIONAL TRANSPORTATION DIST	NERA
5/23/90	CT MINORITY AND WOMEN PARTICIPATION IN THE NEW HAVEN CONSTRUCTION INDUSTRY	NEW HAVEN BOARD OF ALDERMEN
8/31/92	CT THE NEW CT TOWARD EQUAL OPPORTUNITY IN STATE CONTRACTING	HENDERSON HYMAN HOWARD ASSOCIATES
Mar-88	DC AN EXAMINATION OF WSSCS MINORITY BUSINESS PROGRAM EXECUTIVE SUMMARY AND RECOMMENDATIONS SUBMITTED TO THE WASHINGTON SUBURBAN SANITARY	MBELDEF
Mar-88	DC AN EXAMINATION OF WSSCS MINORITY BUSINESS PROGRAM PART I LEGAL ANALYSIS SUBMITTED TO THE WASHINGTON SUBURBAN SANITARY COMMISSION	MBELDEF
2/14/90	DC AVAILABILITY AND UTILIZATION OF MINORITY AND WOMEN OWNED BUSINESS ENTERPRISES AT THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY PREPARED FOR METROPOLITAN WASHINGTON AIRPORTS AUTHORITY	NERA
7/1/94	DC DC DEPT OF HUMAN RIGHTS AND MINORITY BUSINESS DEVELOPMENT DISCRIMINATION STUDY ON MINORITY BUSINESS ENTERPRISES FINAL RPT	AD JACKSON CONSULTANTS
Apr-96	DC POST-CROSON FACTUAL PREDICATE STUDY WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY	MBELDEF
4/22/92	DC THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY DBE PROGRAM AN EXAMINATION OF ITS EFFECTIVENESS IN IMPROVING CONTRACT ACCESS FOR MINORITY AND WOMEN BUSINESS ENTERPRISES	MBELDEF
3/23/82	ESTABLISHING GOALS FOR AND SUBCONTRACTING	GAO

	WITH SMALL AND DISADVANTAGED BUSINESSES UNDER PUBLIC LAW 95 507	
11/29/93	FL A MINORITY AND WOMEN OWNED BUSINESS DISCRIMINATION STUDY PART 2 ECONOMIC ANALYSIS PART 3 SOCIOLOGICAL ANALYSIS PART 4 CONCLUSION	MRD CONSULTING
11/29/93	FL A MINORITY AND WOMEN OWNED BUSINESS DISCRIMINATION STUDY PART ONE GENERAL OVERVIEW PREPARED FOR METROPOLITAN DADE COUNTY FL	MRD CONSULTING
11/29/93	FL A MINORITY AND WOMEN OWNED BUSINESS DISCRIMINATION STUDY PART TWO ECONOMIC ANALYSIS PART 3 SOCIOLOGICAL ANALYSIS PART 4 CONCLUSION SUPPLEMENT AND EXECUTIVE SUMMARY	MRD CONSULTING
Nov-90	FL CITY OF JACKSONVILLE DISPARITY STUDY	DJ MILLER
Jun-90	FL CITY OF ST PETERSBURG DISPARITY STUDY	DJ MILLER
Jun-90	FL CITY OF ST PETERSBURG DISPARITY STUDY	DJ MILLER
1/11/90	FL CITY OF TALLAHASSEE MBE DISPARITY FACT FINDING STUDY FINAL RPT	MGMT OF AMERICA
Nov-90	FL CITY OF TAMPA DISPARITY STUDY	DJ MILLER
Nov-90	FL CITY OF TAMPA DISPARITY STUDY	DJ MILLER ASSOCIATES
5/14/91	FL CITY OF WEST PALM BEACH DISPARITY STUDY FINAL RPT	MGMT OF AMERICA
4/24/91	FL DADE COUNTY PUBLIC SCHOOLS BUREAU OF MGMT AND ACCOUNTABILITY DIV OF MINORITY BUSINESS ENTERPRISES MINORITY BUSINESS ENTERPRISES UTILIZATION STUDY RECOMMENDATIONS AND ADMIN RESPONSES SCHOOL BOARD MEETING	DADE COUNTY PUBLIC SCHOOLS BUREAU OF MGMT AND ACCOUNTABILITY DIV OF MINORITY BUSINESS ENTERPRISES
Unknown	FL HILLSBOROUGH COUNTY DISPARITY STUDY EXECUTIVE SUMMARY HILLSBOROUGH COUNTY FL TAMPA	DJ MILLER
7/12/91	FL MBE WBE DISPARITY STUDY FOR THE BROWARD INTERLOCAL COMM	BPA ECONOMICS
Unknown	FL MINORITY WOMEN BUSINESS STUDY REVISED FINAL RPT PHASE I VOL I	TEM ASSOCIATES
1/17/91	FL PALM BEACH COUNTY DISPARITY STUDY REVISED FINAL RPT	MGMT OF AMERICA
Dec-90	FL STATE OF FL MINORITY WOMEN BUSINESS STUDY EXECUTIVE SUMMARY PHASE II VOL I	TEM ASSOCIATES
Dec-90	FL STATE OF FLORIDA MINORITY WOMEN BUSINESS STUDY FINAL REPORT PHASE I VOLUME II REVISED	TEM ASSOCIATES
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY ATLANTA AND FULTON COUNTY GA PART IV PROCUREMENT PROCESSES IN THE CITY OF ATLANTA	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GA PART I MINORITY AND FEMALE BUSINESS DEVELOPMENT PROGRAMS ASSESSMENT AND OPTIONS	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GA PART III DISCRIMINATION AND ECONOMIC DEVELOPMENT EFFECTS ON MINORITY AND FEMALE BUSINESS ENTERPRISES	BRIMMER AND MARSHALL

6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GA PART V RACIAL DISCRIMINATION AND BUSINESS ENTERPRISES ACTIVITY MEASUREMENT OF PARTICIPATION INDUSTRY IN ATLANTA THE EXPANSION OF OPPORTUNITIES	BRIMMER AND MARSHALL
7/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GA PART VI RACIAL DISCRIMINATION AND BUSINESS ENTERPRISES ACTIVITY MEASUREMENT OF PARTICIPATION INDUSTRY IN ATLANTA THE EXPANSION OF OPPORTUNITIES	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GA PART VII OBSTACLES TO THE DEVELOPMENT OF MINORITY CONSTRUCTION CONTRACTORS IN ATLANTA	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GA PART VIII WOMEN IN BUSINESS OPPORTUNITIES AND OBSTACLES	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GEORGIA PART I MINORITY AND FEMALE	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GEORGIA PART II DISCRIMINATION IN THE	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GEORGIA PART III DISCRIMINATION AND	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GEORGIA PART V RACIAL DISCRIMINATION AND	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GEORGIA PART VII OBSTACLES TO THE	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FULTON COUNTY GEORGIA PART VIII WOMEN IN BUSINESS	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA AND FUTON COUNTY GA PART II DISCRIMINATION IN THE ATLANTA MARKETPLACE HISTORICAL AND CONTEMPORARY EVIDENCE	BRIMMER AND MARSHALL
6/29/90	GA PUBLIC POLICY AND PROMOTION OF MINORITY ECONOMIC DEVELOPMENT CITY OF ATLANTA FULTON COUNTY GEORGIA PART IV PROCUREMENT PROCESSES IN	BRIMMER AND MARSHALL
8/8/91	GA UNEQUAL ACCESS MINORITY CONTRACTING AND PROCUREMENT WITH THE ATLANTA BOARD OF EDUCATION	BOSTON-TD

1/30/91	IL BOARD OF EDUCATION OF THE CITY OF CHICAGO RPT CONCERNING CONSIDERATION AND ADOPTION OF THE REVISED REMEDIAL PLAN FOR MINORITY AND WOMEN BUSINESS ENTERPRISES ECONOMIC PARTICIPATION	BOARD OF EDUCATION OF THE CITY OF CHICAGO
Jun-91	IL METROPOLITAN WATER RECLAMATION DISTRICT RPT ON AVAILABILITY AND UTILIZATION OF MINORITY AND WOMEN BUSINESS ENTERPRISES	METROPOLITAN RECLAMATION DIST OF GREATER CHICAGO
Jun-91	IL METROPOLITAN WATER RECLAMATION ODIST RPT ON AVAILABILITY AND UTILIZATION OF MINORITY AND WOMEN BUSINESS ENTERPRISES DIST OF GREATER CHICAGO REVISED APPEND D	METROPOLITAN RECLAMATION DIST OF GREATER CHICAGO
9/2/93	IL PREDICATE FOR THE COOK COUNTY MINORITY AND WOMEN OWNED BUSINESS ENTERPRISE PROGRAM	ABRAM-TG
3/29/90	IL REPORT OF THE BLUE RIBBON PANEL TO THE HONORABLE RICHARD M DALEY MAYOR OF THE CITY OF CHICAGO	GETZENDANNER-S
1990	LA AN ANALYSIS CRITIQUE AND CHRONICLE OF THE AUDUBON PARK COMMISSION MINORITY BUSINESS ENTERPRISE PLAN FOR CONSTRUCTION OF THE AQUARIUM AND RIVERFRON PARK	XAVIER UNIV OF LA ECONOMIC DEVELOPMENT CENTER
8/8/90	LA BASIC FINDINGS CONCLUSIONS AND RECOMMENDATIONS ON THE AUDUBON PARK COMMISSION MINORITY BUSINESS ENTERPRISE PLAN FOR CONSTRUCTION OF THE AQUARIUM AND RIVERFRONT PARK	XAVIER UNIV OF LA ECONOMIC DEVELOPMENT CENTER
9/13/94	LA DISCRIMINATION IN NEW ORLEANS AN ANALYSIS OF THE EFFECTS OF DISCRIMINATION ON MINORITY AND FEMALE EMPLOYEES AND BUSINESS OWNERS	NERA
Apr-90	LA STATE OF LA DISPARITY STUDY VOL I OF AN ANALYSIS OF DISPARITY AND POSSIBLE DISCRIMINATION IN THE LA CONSTRUCTION INDUSTRY AND STATE PROCUREMENT SYSTEM AND ITS IMPACT ON MINORITY AND WOMEN OWNED FIRMS RELATIVE TO THE PUBLIC WORKS ARENA	LUNN-J
Jun-91	LA STATE OF LA DISPARITY STUDY VOL II OF AN ANALYSIS OF DISPARITY AND POSSIBLE DISCRIMINATION IN THE LA CONSTRUCTION INDUSTRY AND STATE PROCUREMENT SYSTEM AND ITS IMPACT ON MINORITY AND WOMEN OWNED FIRMS RELATIVE TO THE PUBLIC WORKS ARENA	DJ MILLER
11/21/90	MA AVAILABILITY AND UTILIZATION OF MINORITY AND WOMEN OWNED BUSINESS ENTERPRISES AT THE MA WATER RESOURCES AUTHORITY PREPARED FOR MA WATER RESOURCES AUTHORITY	NERA
Unknown	MA PLEADINGS RELATED TO PERINI V MA BAY TRANSPORTATION AUTHORITY	FORDHAM-LS
3/16/94	MA THE COMMONWEALTH OF MA EXECUTIVE OFFICE OF TRANSPORTATION AND CONSTRUCTION DISPARITY STUDY PHASE I FINAL RPT	DJ MILLER
Jun-94	MA THE UTILIZATION OF MINORITY AND WOMAN OWNED BUSINESS ENTERPRISES IN THE BOSTON METROPOLITAN AREA	NERA
10/27/99	MD AN ASSESSMENT OF BALTIMORE CITYS MINORITY AND WOMENS BUSINESS ENTERPRISES PROGRAM IN LIGHT OF CROSON DRAFT RPT	MILLEMANN-M

Feb-91	MD AN EXAMINATION OF PRINCE GEORGES COUNTYS MINORITY BUSINESS PROGRAM PART I EXECUTIVE SUMMARY FINDINGS AND RECOMMENDATIONS	MBELDEF
Feb-91	MD AN EXAMINATION OF PRINCE GEORGES COUNTYS MINORITY BUSINESS PROGRAM PART II A SUMMARY OF QUALITATIVE EVIDENCE REGARDING DISCRIMINATION IN THE MARKETPLACE	MBELDEF
Feb-91	MD AN EXAMINATION OF PRINCE GEORGES COUNTYS MINORITY BUSINESS PROGRAM PART III A SUMMARY OF QUANTITATIVE EVIDENCE REGARDING DISPARITIES IN THE MARKETPLACE	MBELDEF
11/1/89	MD CITY OF BALTIMORE MBE AND WBE TASK FORCE DRAFT RPT	CROSS IMPLEMENTATION TASK FORCE
11/4/92	MD MARYLAND NATIONAL CAPITAL PARK AND PLANNING COMMISSION MINORITY FEMALE DISABLE BUSINESS UTILIZATION STUDY FINAL REPORT VOLUME I	AD JACKSON CONSULTANTS
11/4/92	MD MARYLAND NATIONAL CAPITAL PARK AND PLANNING COMMISSION MINORITY FEMALE DISABLED BUSINESS UTILIZATION STUDY FINAL REPORT VOLUME II	AD JACKSON CONSULTANTS
3/15/90	MD STATE OF MD MINORITY BUSINESS UTILIZATION STUDY VOLUMES I AND II FINAL RPT	AD JACKSON CONSULTANTS
12/6/94	MD THE UTILIZATION OF MINORITY BUSINESS ENTERPRISES BY THE STATE OF MD	NERA
4/4/94	MEMORANDUM ON FACTORS AFFECTING THE COST AND PERFORMANCE OF MBE DISPARITY FACT FINDING STUDIES	BULLUPS-C
6/1/94	MEMORANDUM ON MBE PROGRAM DISPARITY STUDY CONSULTANTS	BULLUPS-C
4/4/94	MEMORANDUM ON THE EFFECT OF RICHMOND B CROSON AND SIMILAR ATTACKS ON FED STATE AND LOCAL M W DBE PROGRAMS NATIONWIDE	BULLUPS-C
6/1/94	MEMORANDUM ON THE EFFECT OF RICHMOND V CROSON AND SIMILAR ATTACKS ON FEDERAL STATE AND LOCAL M W DBE PROGRAMS NATIONWIDE	BULLUPS-C
Apr-92	MI UTILIZATION STUDY OF MINORITY AND WOMEN BUSINESS ENTERPRISES IN KENT AND OTTAWA COUNTIES BY THE CITY OF GRAND RAPIDS	MBELDEF
4/4/94	MI UTILIZATION STUDY OF MINORITY AND WOMEN BUSINESS ENTERPRISES IN KENT AND OTTAWA COUNTIES BY THE CITY OF GRAND RAPIDS	MBELDEF
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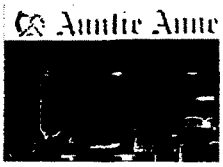
DFW International Airport's Disadvantaged, Minority- and Women-Owned Business Concessionaires Program: Economic and Fiscal Impacts



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Executive Summary

The following analysis estimates the total regional economic activity generated by retail trade and services at DFW International Airport. In addition, we specifically examine the economic and fiscal impacts of business operations at Disadvantaged, Minority- and Women-Owned Business Enterprise concessionaires operating at DFW Airport.

- DFW International Airport is setting the standard for actively engaging Disadvantaged, Minority- and Women-Owned Business Enterprises (DMWBE) as retail vendors in the airport's terminals and on airport grounds. More than 51% of all retail sales at the airport occur at DMWBE retail outlets.

- Retail sales at DFW International Airport totaled $559 million from September 29, 2002 through September 24, 2005. Of this total, $287 million occurred at DMWBE shops.

- Total retail sales at DFW International Airport during the study period generated $764 million in regional economic activity boosting salaries, wages, and benefits by more than $283 million (see Table ES1). Currently, more than 3,800 jobs in the Metroplex are supported by concessionaries' activities. State and local taxing jurisdictions enjoyed $85.6 million in revenues as a result of these activities. The Dallas division of the census-defined DFW metropolitan area captured most of this economic activity.

- DMWBE concessionaires alone had $287 million in sales during the study period creating $431 million in regional economic activity and adding $157 million to regional labor income. The activities of DMWBE concessionaires currently support over 2,200 jobs in the Dallas-Fort Worth Metroplex (see Table ES2).

- Limiting the secondary (multiplier) impacts of DMWBE concessionaire business activities to only those likely to occur through other DMWBEs, we estimate that retail trade and services at DFW International Airport generated over $266 million in economic activity in disadvantaged, minority- and women-owned enterprises (see Table ES3). These activities support more than 1,600 jobs with disadvantaged, minority, and women employers and boosted local income by $96.9 million from September 2002 through September 2005.

- By ensuring that vendor/concessionaire opportunities are available to businesses that reflect the cultural and ethnic diversity of the Metroplex, DFW International Airport strengthens the region's capacity to grow and maintain its competitiveness in a global marketplace.

Table ES1

Economic and Fiscal Impacts of DFW International Airport's Concessionaires (All Firms, September 29, 2002 through September 24, 2005)

Description	DFW Metroplex Impacts	Dallas Area Impacts	Ft. Worth-Arlington Area Impacts
Gross sales	$558,649,140		
Total Economic Activity	$763,753,823	$556,013,367	$207,740,456
Total Salaries and Wages	$283,636,122	$206,485,727	$77,147,588
Employment (jobs)#	3,843	2,797	1,045
Property Income*	$85,953,147	$62,573,644	$23,362,661
State & Local Tax Revenues+	$85,641,570		

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

Table ES2

Economic and Fiscal Impacts of DFW International Airport's DMWBE Concessionaires (September 29, 2002 through September 24, 2005)

Description	DFW Metroplex Impacts	Dallas Area Impacts	Ft. Worth-Arlington Area Impacts
Gross sales	$287,310,485		
Total Economic Activity	$431,306,778	$313,991,020	$117,315,758
Total Salaries and Wages	$157,231,298	$114,461,039	$42,767,452
Employment (jobs)#	2,214	1,612	602
Property Income*	$48,591,977	$35,373,814	$13,218,163
State & Local Tax Revenues+	$44,920,421		

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

Table ES3

Economic Impacts of DFW International Airport's DMWBE Concessionaire Activities on Area DMWBE Firms (September 29, 2002 through September 24, 2005)

Description	DFW Metroplex Impacts
Gross sales	$287,310,485
Total Economic Activity	$265,721,848
Total Salaries and Wages	$96,928,517
Employment (jobs)[#]	1,679
State & Local Tax Revenues[+]	$34,855,636

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

SECTION 1: Introduction

DFW International Airport continues to be one of the largest generators of economic activity in the North Central Texas region. A critical component of the airport's becoming what many consider to be the "economic engine" of the Dallas-Fort Worth Metroplex is a commitment to support small businesses, many of which are disadvantaged, minority, and women owned.

In our June 2004 study, we examined the economic and fiscal impacts of Disadvantaged, Minority- and Women-Owned Business Enterprises (DMWBE) who receive more than $150 million per year in construction, maintenance, service, and procurement contracts from DFW International Airport. The impacts of this airport spending result in thousands of permanent, high-quality jobs and the creation of *real* economic development opportunities for DMWBE firms in the Dallas-Fort Worth region. However, the airport's Small and Emerging Business Department does more than promote small and DMWBE enterprises through DFW's contracting and procurement. They also strive to create opportunities for small business participation in the concessions component of airport operations. This report focuses on the economic and fiscal impacts associated with the airport's concessions program and specifically examines these impacts as they relate to business operations at vendors owned by minorities and/or women.

Concessionaires at DFW International Airport are engaged primarily in providing retail trade and food and beverage services in terminals and on airport grounds.[1] Outlets for retail goods, personal services, currency exchange, newsstands, restaurants and food

[1] For purposes of this analysis, references to "retail" activities include retail trade establishments selling merchandise, food and beverage establishments, and providers of personal services.

kiosks are found throughout the terminals. Concessionaires also include gasoline stations/convenience store operations on airport grounds.

For the 36-month period between late September 2002 and September 2005, concessionaires at DFW International Airport realized more than $559 million is sales. Impressively, over half ($287 million) of these sales occurred in DMWBE firms.[2] Along with the evidence we offered in our June 2004 analysis, this level of DMWBE participation offers further proof that DFW International Airport has one of the most successful small business programs in the country.[3] However, direct sales by DMWBE concessionaires only tell part of the economic story. Like any other business, these DMWBE businesses hire people, buy goods to resell, and retain business services to support their operations. Therefore, in assessing the impacts of DFW International Airport's concessions, we look not only at direct impacts but also the indirect and induced economic impacts.

Our estimates of the economic activity associated with the airport's disadvantaged, minority- and women-owned business concessionaires are based on the IMPLAN[4] input-output model developed by the Minnesota IMPLAN Group. The IMPLAN model measures how a given change in output at a firm supports economic activity across many firms and households within a study area. The direct impacts represent operations at the given firm. Indirect effects generally measure the secondary

[2] If an individual vendor is 100% disadvantaged, minority- and/or women-owned, then 100% of their sales count towards the DMWBE total. If a vendor's disadvantaged, minority, and/or women ownership is less than 100%, only that ownership percentage of sales is counted towards DMWBE participation.
[3] While most airports do not publicly discuss their DMWBE participation levels, there are some comparisons that can be made. In 2004, the Minneapolis airport touted a new program that would increase underutilized business participation in concession businesses from 10% to 19%. A similar program at the pre-Katrina New Orleans airport targeted 39% participation, up from 25%, for airport concessions.
[4] IMPLAN (IMpact Analysis for PLANning) was originally developed by the USDA Forest Service in cooperation with the Federal Emergency Management Agency and the USDI Bureau of Land Management to assist the Forest Service in land and resource management planning.

economic activity that is created when the firm purchases goods and services from their suppliers. Induced impacts are a result of the firm paying salaries and wages to its employees, who then spend a portion of their earnings in the local economy for goods and services. When added together, the direct, indirect, and induced impacts create a "multiplier" effect such that the total impacts are greater than the initial value of output of the firm. The IMPLAN model is widely used in academic and professional studies and is judged to offer reasonable, conservative estimates of the impacts of firm activities.

In presenting our findings, we offer three estimates of the impacts of concessionaire activities. In the first, we calculate the full economic activity associated with all concessionaires, both DMWBE firms and non-certified firms. The second estimate calculates the full economic and fiscal impacts associated with business activity at DMWBE concessions. These impacts include all indirect and induced effects of DMWBE concessionaire spending, regardless of ownership structure of the indirect and induced impact firms. For example, a DMWBE concessionaire at DFW International Airport hires an accounting firm that is not a certified DMWBE. The third estimate considers only the proportion of the indirect and induced effects of the DMWBE concessionaire activities that will be realized at qualifying DMWBEs across the Metroplex. We have allocated indirect and induced impacts to DMWBEs based on our estimates and data from the U.S. Department of Commerce. Our findings are offered at three geographic levels—the Dallas-Fort Worth Metropolitan Statistical Area, the Dallas Metropolitan Division, and the Fort Worth-Arlington Metropolitan Division.[5]

[5] The Dallas Metropolitan Division includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman, and Rockwall counties. The Fort Worth-Arlington Metropolitan Division includes Johnson, Parker, Tarrant, and Wise counties.

The year 2005 will not be remembered fondly by many concessionaires at DFW International Airport. With Delta airlines closing their DFW hub, passenger traffic at Terminal E has declined precipitously. In addition, on-going debate about the future status of the Wright Amendment and the financial challenges facing most legacy carriers have hindered the airport's ability to attract new occupants to Delta's abandoned gates. Finally, though the new International Terminal D opened this past summer, American Airlines did not shift its international flights to the new terminal until the end of October, with attendant impacts on concessionaire sales opportunities. But despite these disruptions, overall retail sales by DFW International Airport's concessionaires increased about $2 million compared to a similar period in 2003-2004.

SECTION 2: The Economic and Fiscal Impacts of All Concessionaire Activities

As noted above, total concessionaire sales at DFW International Airport for the period September 29, 2002 through September 24, 2005 totaled a little over $558 million. These sales created more than $763 million in economic activity in the Dallas-Fort Worth Metroplex increasing labor income by $283 million (see Table 1).[6] In addition, property income—which includes rents, royalties, dividends, and corporate profits—was boosted by $85.6 million. State and local taxing jurisdictions realized $85.6 million in revenues associated with concessionaire business activity, including sales and property taxes, as well as excise taxes, licensing and permit fees. Currently, concessionaire activities are supporting more than 3,800 jobs in the region.

[6] The multipliers used in this analysis vary by type of activity. For example, food and beverage vending, retail stores, currency exchange, and other services each have their own industry profiles and impacts. Therefore, it is not appropriate to think of there being one multiplier for concessionaire activities. However, the average effective output multiplier in this analysis, based on the particular mix of activities recorded in the study period, is 1.37.

Based on their relative shares of total regional employment, the Dallas side of the Metroplex received a larger share of this activity. This disparity is due in large part to the definition and size of counties assigned to each metropolitan division. For example, the Dallas division includes Collin, Denton, and five other counties in addition to the core Dallas County. The Fort Worth-Arlington division includes only Wise, Parker, and Johnson counties outside of Tarrant County. Therefore, it is reasonable to assume that a much larger share of total regional economic activity will occur in the eastern half of the Metroplex.

Of the total impacts described above, the Dallas Metropolitan Division saw $556 million in total economic activity associated with concessionaire business activities during the study period. This activity supported over $206 million in labor income and $62.6 million in property income. In the most recent 12-month period, almost 2,800 jobs in the Dallas area can be attributed to concessionaires operating at DFW International Airport. The Fort Worth-Arlington Metropolitan Division realized $208 million in economic activity during the study period generating $77.1 million in labor income, boosting property income by $23.3 million, and supporting over 1,000 current jobs.

Table 1

Economic and Fiscal Impacts of DFW International Airport's Concessionaires (All Firms, September 29, 2002 through September 24, 2005)

Description	DFW Metroplex Impacts	Dallas Area Impacts	Ft. Worth-Arlington Area Impacts
Gross sales	$ 558,649,140		
Total Economic Activity	$763,753,823	$556,013,367	$207,740,456
Total Salaries and Wages	$283,636,122	$206,485,727	$77,147,588
Employment (jobs)#	3,843	2,797	1,045
Property Income*	$85,953,147	$62,573,644	$23,362,661
State & Local Tax Revenues+	$ 85,641,570		

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

SECTION 3: Economic and Fiscal Impacts of DMWBE Concessionaires

Of the $559 million in total concessionaire sales at DFW International Airport during the study period, DMWBE firms captured over $287 million. The business activities associated this level of retail sales generated a total of $431 million across the Metroplex, creating opportunities for DMWBE and non-DMWBE firms alike (see Table 2). These activities generated over $157 million in labor income, and $49 million in new property income. State and local tax revenues associates with sales and DMWBE concessionaires exceeded $44 million during the study period. These activities currently support over 2,200 jobs.

Based on proportional total employment in the region, we estimate that the economic impacts of DMWBE concessionaire activities total almost $314 million in the Dallas Metro Division during the 3-year study period and boosted area labor income by $144.5 million. In addition, property income gains totaled $35.4 million in the Dallas

division during the study period. Similarly, the Fort Worth-Arlington division captured $117.3 million in total economic activity as a result of DFW International Airport concessionaire business activity with associated gains in labor income ($42.8 million) and property income ($13.2 million).

Table 2

Economic and Fiscal Impacts of DFW International Airport's DMWBE Concessionaires (September 29, 2002 through September 24, 2005)

Description	DFW Metroplex Impacts	Dallas Area Impacts	Ft. Worth-Arlington Area Impacts
Gross sales	$287,310,485		
Total Economic Activity	$431,306,778	$313,991,020	$117,315,758
Total Salaries and Wages	$157,231,298	$114,461,039	$42,767,452
Employment (jobs)#	2,214	1,612	602
Property Income*	$48,591,977	$35,373,814	$13,218,163
State & Local Tax Revenues+	$ 16,003,000		

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

SECTION 4: Economic Impacts on DMWBE Firms Only

In this section, we make further assumptions regarding the distribution of indirect and induced impacts to DMWBE firms across the Metroplex. We have allocated the IMPLAN estimates for indirect and induced effects based on the relative share of total business activity enjoyed by certified DMWBE firms as reported by the US Department of Commerce.[7] It is important to note that our estimates only include certified DMWBE

[7] While these data from USDOC are somewhat dated (1997), they are the best source of information currently available. It is our opinion that the share of total business activity enjoyed by DMWBE firms in the Metroplex has likely risen over the past 8 years; therefore, our estimates likely understate the full values of the benefits enjoyed by DMWBE firms as a result of DMWBE concession activities at DFW International Airport.

firms. There are many minority- and women-owned businesses that do not register for DMWBE status and some of these are likely to benefit directly or indirectly from DMWBE concessionaire business activities. Based on this level of disaggregation of impacts among firms, we do not offer estimates of how these impacts are geographically distributed across the Metroplex.

Concessionaire activities at DFW International Airport by firms possessing certified DMWBE ownership generate almost $266 million in direct, indirect, and induced activities for the region's DMWBE firms supporting almost 1,700 current year jobs with $5 million being paid in salaries, wages, and benefits during the study period (see Table 3). State and local tax revenues associated with these direct, indirect, and induced impacts were $12.4 million.

Table 3

Economic Impacts of DFW International Airport's DMWBE Concessionaire Activities on Area DMWBE Firms (September 29, 2002 through September 24, 2005)

Description	DFW Metroplex Impacts
Gross sales	$287,310,485
Total Economic Activity	$265,721,848
Total Salaries and Wages	$96,928,517
Employment (jobs)#	1,679
State & Local Tax Revenues+	$34,855,636

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

SECTION 5: Conclusions

DFW International Airport continues to be one of the largest and most consistent generators of economic opportunity for disadvantaged, minority- and women-owned

businesses in the Dallas-Fort Worth region. Not only have the airport and its staff demonstrated success in exceeding DMWBE participation goals in contracting and procurement, they have succeeded in attracting a diverse complement vendors to offer retail sales and services to airport passengers and visitors. And despite recent challenges to retail vendors in the airport's terminals, due to reductions in gate occupancy, total sales have increased over the past year.

DFW International Airport has succeeded in attracting competitive DMWBE concessionaires who are capturing more than half of the $559 million in retails sales at the airport during the study period. The impacts of these business operations spread across the Metroplex, creating over $431 million in regional economic activity – some of which is captured by other DMWBE firms. Once Terminal D is fully occupied, and the unutilized gates in Terminal E re-leased, the opportunities for new DMWBE concessionaires will increase dramatically.

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2. The PNW Concept Distorts the Fundamental Purpose of the DBE Program.

At the heart of our concern is that the new PNW standard runs counter to the fundamental purpose of the airport DBE program. Based on Congressional findings that the full participation of minorities and women in DOT-airport assisted contracting and concessions has been, and continues to be, hampered because of their race and/or gender, the DBE program is a policy tool to redress these barriers. As I am sure you will acknowledge, race and gender continue to be key factors affecting disparities in other areas such as housing, employment, education and health care. While no doubt meaningful progress is being achieved in the airport industry, in large measure it is *because* of the DBE program. That progress is threatened, however, because of the PNW concept (and as further discussed below, the PNW standard adopted in new Subsection 23.35).

We strongly believe that regardless of the business owner's income or net worth, regrettably race and gender are still critical factors affecting a DBE firm's ability to participate in airport concessions contract opportunities. The PNW standard turns this fact on its head. Quite literally, and without any evidentiary support, in effect the rule asserts that race or gender is no longer an issue when an individual's net worth exceeds $750,000. Again, AMAC disagrees strongly with this assertion. It should also be noted note that the Conference Report recently reauthorizing DOT's surface transportation programs states in pertinent part "there is a continuing *compelling* need for the DBE program....as DBEs are still *not* able to compete on the same basis as other businesses". (Emphasis added).

3. The $750,000 PNW Standard Is Not Empirically Based. The issues of race, ethnicity and gender exist along side the basic economic realities of financing, operating and sustaining successful airport concessions or any contracting businesses. Contract bidding, build-out, working capital, insurance, bonding and similar costs are often considerable. Even though the concept of a PNW represents a fundamental change in the program's eligibility requirements, we are concerned and disappointed that there is little discussion of whether the PNW standard in new Subsection 23.35 was in fact based on a body of information gathered by the Department pertinent to these critical issues and, if so, what process was employed to obtain it (e.g., studies, surveys, questionnaires, etc.), who analyzed it, and how the Department ultimately determined that $750,000 was the appropriate amount for the general PNW standard for airport concessions. To the extent that the new PNW standard is *not* in fact based on a current and thorough empirical assessment of the capital requirements for bidding on and performing airport concession contracts it is then arbitrary.

We would also note that airports are required by DOT to perform comprehensive studies as the basis for establishing their DBE participation goals. For example, Subsection 23.51(b)(1) states in pertinent part . . ."Each overall concessions goal must be based on *demonstrable evidence*". (Emphasis added). Subsection 23.51(b)(2) further instructs airports as to the empirical rigor required by cautioning . . ."You cannot simply rely on the 10 percent national aspirational goal, your previous overall goal, or past ACDBE ["airport concessions disadvantaged business enterprise"] participation rates in your program without reference to the relative availability of ACDBEs in your market." Moreover, in discussing examples of approaches that might be used in the goal setting process, Subsection 23.51(c) in pertinent part intones . . "these examples should be considered a basis from which you begin when examining the evidence available to you" and later the subsection continues "Any methodology you choose *must be based on demonstrable evidence* of local market conditions and *designed to ultimately attain a goal that is rationally related* to the relative availability of ACDBEs in your market area". (Emphasis added). Highlighted terms such as "demonstrable evidence" and goals that are "rationally related" to the evidence indicate that obligation of airports to develop empirically based standards.

It would seem to us that a process no less rigorous than required for goal setting by airports would he undertaken by DOT with respect to the development of a PNW standard for airport concessions. However, it is our understanding that essentially the Department "borrowed" the $750, 000 PNW standard from the Capital Ownership

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Development Program authorized by the Section 8(a) of the Small Business Act (the "8(a) program") and administered by the U.S. Small Business Administration ("SBA"). As you may know, SBA incorporated a $750,000 PNW standard for the 8(a) program in 1979 in the agency's Standard Operating Procedures ("SOP") for the program. Neither the SOP nor applicable regulations give an economically grounded basis or rationale for this standard. The available information on this matter strongly suggested that the adoption of a $750,000 PNW had more to do with political considerations than policy, legal or financial reasons. Moreover, except for amendments in 1988 to exclude the equity in a primary residence and the value of an individual's ownership interest in a business, to our knowledge the 8(a) PNW standard has not been substantively reviewed since 1979--nor has the base standard been adjusted for inflation over the years. Accordingly, if in fact, the Department has essentially relied upon the SBA's 8(a) PNW standard it reinforces our assessment that the general PNW standard in new subsection 23.35 is not grounded in an understanding of the economic realities of airport concessions.

We acknowledge that the definition of "personal net worth" in new Subpart 23.35, as applied to airport concessions, includes an exclusion for "other assets that the individual can document are necessary to obtain financing or a franchise agreement for the initiation or expansion of his or her [business], to the maximum of $3 million." While AMAC is certainly appreciative and supportive of this approach, the very fact that this type of exception is included in the rule is a tacit *acknowledgement* by the Department that the PNW standard is a blunt tool that is in tension with the business realities and economics of *all* airport concessions—whether or not they are a DBE.

4. More Time Is Needed for Guidance. The new PNW standard was part of the broader revisions to 49 CFR Part 23 that was published in the Federal Register on March 22, 2005 and became effective just thirty (30) days after publication on April 21, 2005. AMAC believes that that a substantially longer transition period was/is warranted given the importance of this matter to airports and to DBE firms. In the ensuing months since the effective date, AMAC has received a great many communications from DBEs and airports expressing great concern about the harmful effects of the new standard, the potential for further harm and regarding the lack of consistent, clear guidance regarding its implementation. Moreover, as you might imagine this issue was a major focus at the 21st Annual Airport Business Diversity Conference held earlier this year (June 11-14). As you know, that conference is co-sponsored by AMAC and the FAA and, although it was hoped that clear guidance would be disseminated, we believe more questions were raised than answered and more problems were identified than solved.

As stated previously, a PNW for airport concessions represents a fundamental change to the program's eligibility and certification rules. Generally, rules changes of this nature become effective after 180 days or more as a matter of notice and fairness to those who will be affected. To our knowledge, no compelling reason has been articulated why this precedent was not followed.

5. The New PNW Standard Has Unintended and Unfair Retroactive Effects. The new PNW standard is intended to be applied prospectively. However, the new rule is having retroactive and adverse effects. For example, a DBE firm might be decertified on PNW grounds in the middle of an existing contract. While DOT has stated that an airport is not required by the regulation to terminate the former DBE firm, other contractual provisions may result in the firm being found in contract breach. For example, a minority or woman-owned firm may have made a covenant in a subcontractor with a majority-owned prime contractor that it will be a certified-DBE throughout the contract term. There are similar problems where the reasonable business expectations of contracting parties may be adversely and unfairly effected. For example, this may be the case where the concession contract contains option or extension provisions.

For the above reasons and more, even if a PNW is ultimately retained, AMAC urges you to suspend implementation of new Subpart 23.35 so that comprehensive transition rules and regulatory guidance can be developed. The lack of such transition rules and guidance is causing confusion for airport staff responsible for administering the rule and material harm to DBEs.

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Mr. Secretary, AMAC has had a longstanding and productive relationship with the Department with regard to the airport DBE program. As you will recall, that cooperation extends to the annual Airport Business Diversity Conference that is co-hosted with FAA's Office of Civil Rights. This letter of petition to you is respectfully being sent to you in the spirit of that cooperative same relationship. AMAC members that perform airport concessions contracts represent the diversity that is a strength of our country. They operate businesses that provide key products and services to the traveling public, employment and careers to many, and contribute to revenues necessary for airports to be financially successful. AMAC strongly values its partnership with DOT and FAA and our concerns are being voiced in support of a strong and effective airport DBE program based on regulations that are well-crafted and that reflect an understanding of the economics of the airport concessions business--and that are appropriate to a small business development program.

Again, we ask for an opportunity to meet with you on this matter and respectfully urge you to exercise your discretionary authority to suspend the PNW rule and initiate additional rulemaking.

Sincerely,

William H. Swift

William H. Swift
Chair

Written Testimony

For the Record

Of Bill Ayer, Chairman, President and CEO of Alaska Air Group

Before the

Subcommittee on Aviation

Committee on Transportation and Infrastructure

U.S. House of Representatives

April 25, 2007

Chairman Costello, Ranking Member Petri, and members of the Aviation Subcommittee, I thank you for the opportunity to submit written testimony regarding what changes, if any, should be made to the Essential Air Service ("EAS") program in the upcoming Federal Aviation Administration ("FAA") reauthorization bill. My remarks are confined to three key program reform suggestions.

I am Bill Ayer, Chairman, President and CEO of Alaska Air Group, the parent company of Alaska Airlines ("Alaska") and Horizon Air ("Horizon"), Alaska's sister carrier and regional partner. Both airlines are based in Seattle, Washington. Alaska is the ninth-largest U.S. airline and predominantly a U.S. West Coast air carrier. However, during recent years, the airline has expanded significantly to serve more U.S. East Coast, Mexican and Canadian destinations. Horizon Air, an independently operated company with its own brand, serves cities throughout

California, Colorado, Idaho, Montana, Nevada, Oregon, Washington, British Columbia and Alberta.

By way of brief background, Alaska currently operates under two EAS contracts in the state of Alaska. In Southeast Alaska, we provide essential passenger and cargo service to five communities – Cordova, Gustavus, Petersburg, Wrangell and Yakutat – under a three-year contract. We also provide essential passenger and cargo service to Adak, under a two-year contract. Horizon participates in the EAS program in the Lower 48, providing subsidized air service to Pendleton, Oregon, under a two-year contract.

The EAS program is not only an important component of our nation's air transportation network, but it is absolutely vital, or, literally, "essential," to many communities in the program, most notably those without access to any road system, like the EAS communities we serve in the state of Alaska. In those communities, air service is the only option for the transport of people and the delivery of basic necessities. For these remote communities, air service is not a question of convenience, but of true necessity. As such, we join the chorus of those who declare that adequate funding must be provided to ensure the EAS program is protected and sustained.

However, the program must also be reformed in order to justify airline investment in EAS markets. The contract term durations are too short: Under the current

scheme, airlines must commit fleet resources and make expensive capital decisions, but are only assured of serving a market for two or three years at a time. This short-term duration does not recognize the long-term nature of airline business planning and the risk associated with long-term capital decisions. A longer-termed EAS contract would better justify the investment of very costly airline resources in EAS markets.

The EAS program should also provide a more meaningful mechanism for the Department of Transportation ("DOT") to make real-time rate adjustments to previously-set subsidy rates, in the event of certain unexpected carrier cost increases, the rise in fuel prices being the most obvious example of such an unexpected increase. Given the volatile nature of fuel prices, it is impossible to predict extreme spikes in fuel prices that may occur during the contract term. An effective rate adjustment tool can save carriers from being forced to operate at a loss for a portion of the contract term.

Finally, the process in place for an air carrier to request an EAS subsidy, for a community it currently serves without subsidy, should be reformed. Under the present system, in order to set the EAS regulatory process in motion, the "last air carrier" serving a community (with or without subsidy) must submit an application to DOT to "discontinue air service after 90 days." This public notice requirement should not apply in cases where a carrier, operating without subsidy in a community, seeks to continue to serve that same community with subsidy. In

such cases, the potentially inflammatory 90-day discontinuance language may unnecessarily cause damage, mostly from a public relations standpoint, both to the carrier and the community. The EAS subsidy process can move forward without requiring such carriers to file a public notice.

Chairman Costello, Ranking Member Petri, and members of the Aviation Subcommittee, thank you again for allowing me to provide this brief written testimony for your consideration as the FAA reauthorization process moves forward.

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