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COMMERCIAL AVIATION

Programs and Options for Providing Air Service to Small Communities

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

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April 25, 2007

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Highlights

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

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.

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.

Example of a 19-seat Turbo Prop Aircraft Serving Small Communities

Source: GAO.

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.

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.

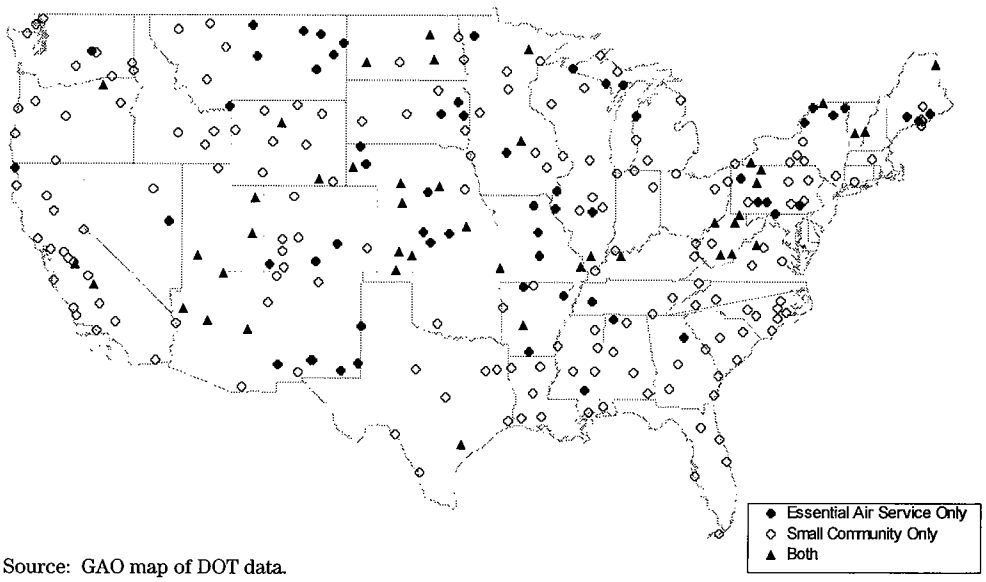
The Office of Aviation Analysis in DOT's Office of the Secretary is responsible for administering the program. The law establishing SCASDP allows DOT considerable flexibility in implementing the program and selecting projects to be funded. The law defines basic eligibility criteria and statutory priority 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.

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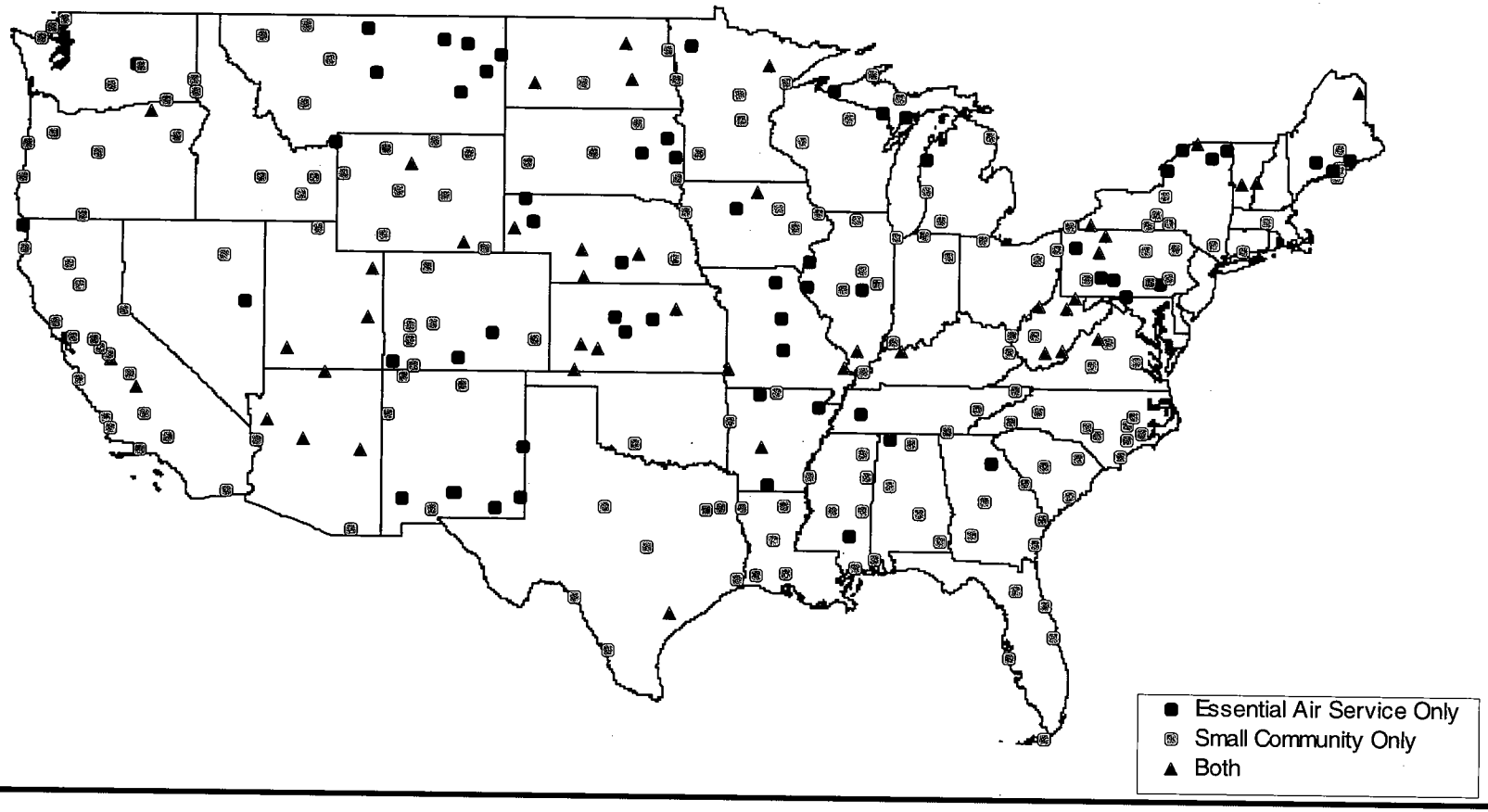
Locations of Communities Receiving Essential Air Service Subsidies and Small Community Air Service Grants



Source: GAO map of DOT data.

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.

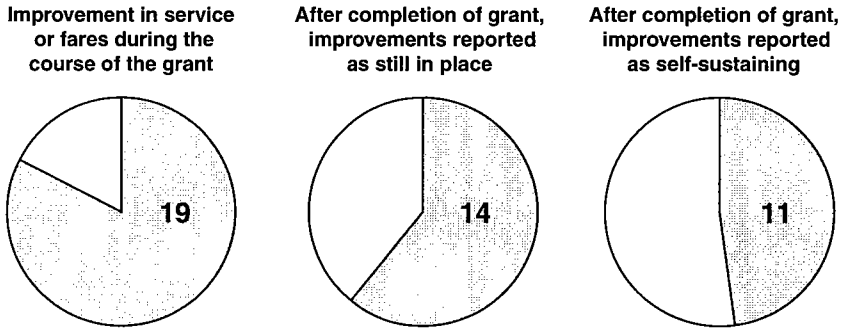
[17]Very Light Jets are new small, lightweight, jet aircraft equipped with advanced avionics and priced below other business jets.

[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.

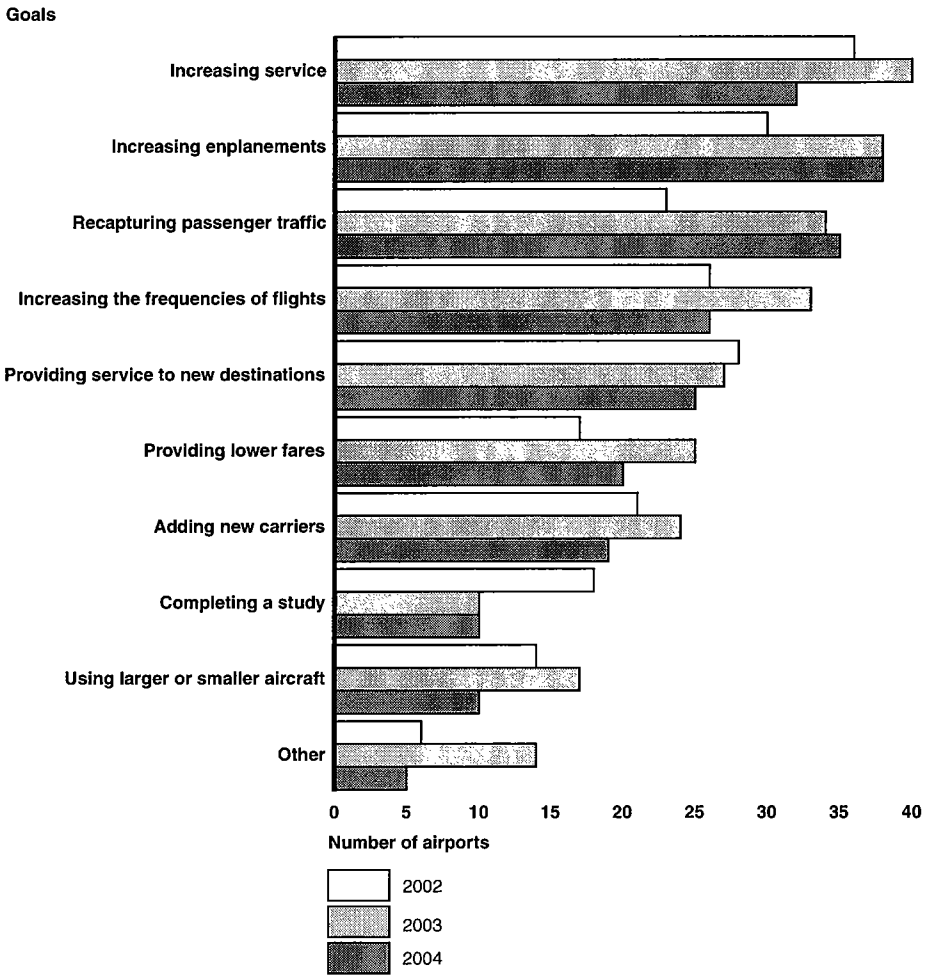
Figure 3: Air Service Improvement during the Course of 23 Grants and after Project Completion



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.

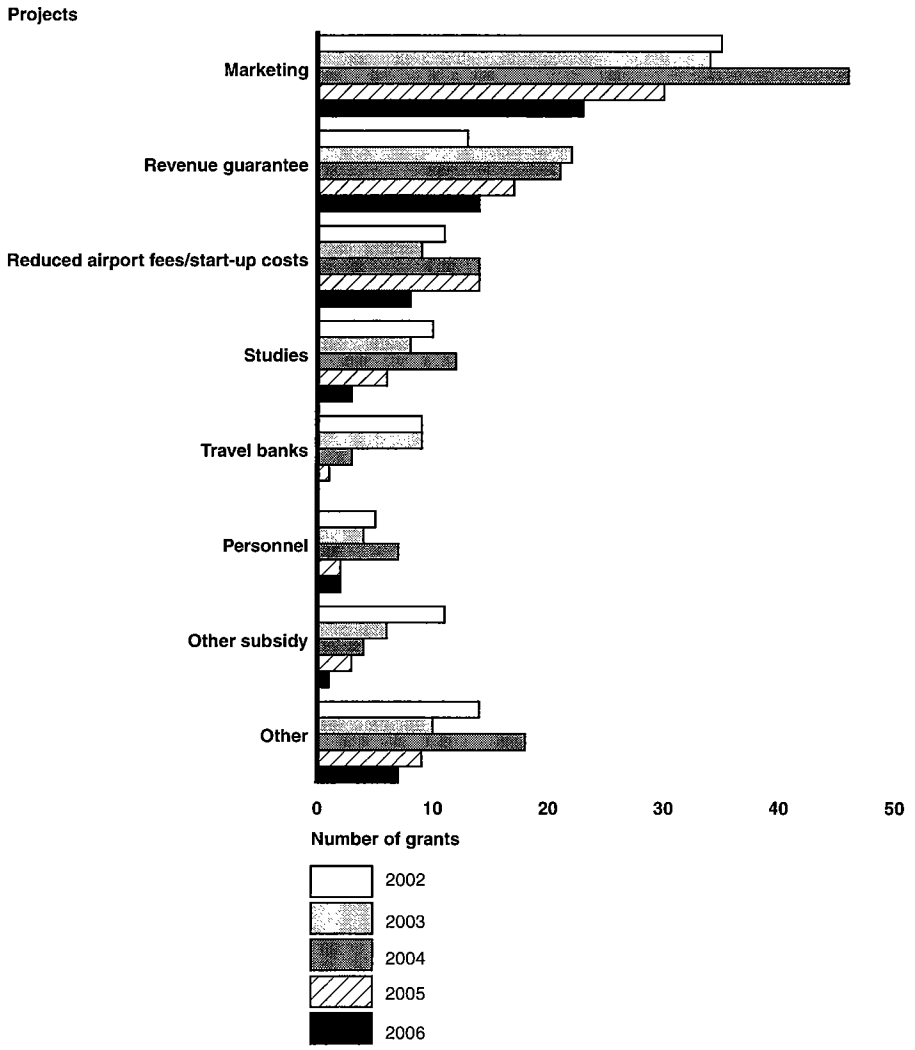
Finally, in our 2005 report, we recommended DOT evaluate the SCASDP grants after more were completed to identify promising approaches and evaluate the effectiveness of the program. DOT officials told us that they asked the DOT IG to conduct such a study, which the IG began in March

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	28.4	$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.

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