REGIONAL AIRLINE ASSOCIATION

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Regional Airline Access to Airports and the Air Transportation System

Report to Accompany Congressional Testimony

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Air traffic control modernization and airport expansion are critically important for the future of small and medium-sized community air service and for competition between airlines. The debate over access to increasingly constrained airspace and the urge to place blame on a single industry sector risks losing sight of a more important question: How can America's Air Traffic Control system expand in a way that keeps pace with passenger demand?

The Regional Airline Success Story

Regional airlines are committed to setting and achieving the highest standards as we provide safe, cost-effective, and on-time service to our passengers. As a result, regional airlines are one of the great success stories of the U.S. aviation industry. Regional aircraft represent about 40 percent of the nation's commercial airline fleet and regional airlines operate nearly one-half of scheduled U.S. departures. More than 153 million passengers – nearly one out of four U.S. passengers – traveled on a regional airline flight last year.

Like any successful business, regional airlines offer different product lines in order to effectively, competitively, and profitably serve a variety of diverse markets. Regional aircraft generally carry fewer than 100 passengers and are typically operated in markets between 300 and 1600 miles apart. Service to such a wide variety of communities requires the prudent utilization of every single aircraft in the regional airline fleet. In particular, regional airlines must be able to deploy aircraft that are sized appropriately for service to small and medium-sized communities. Many smaller communities simply cannot support air service with larger aircraft. In fact, 21 percent of domestic passengers travel in markets that produce fewer than 50 passengers per day. (*Source: Eclat Consulting)* Of the 674 airports currently receiving scheduled airline service, regional airlines provide the *only* scheduled air service at 442 communities. That translates to a full 70 percent of all U.S. commercial airports with scheduled air service (figure 1).

Regional jets, in particular, have become very popular with passengers because they provide many of the same amenities found on larger aircraft, including flight attendant service, comfortable cabins, and fast turbojet operations. In fact, there's not a single "middle seat" anywhere in the regional airline fleet. Regional jets have also become popular with airlines because they can be deployed for multiple short and medium flight segments in a single day with fewer crew and ground support staff and with lower fuel costs. Unfortunately, regional jets have also become a popular scapegoat in the wake of recent airport and ATC congestion and delay.

Regional Airline Hub Presence Builds Competition and Access to Air Travel

Typically, regional airlines provide service between communities large and small as part of a network of collaborative marketing partnerships with one or more major airlines called code-sharing. By definition, code-sharing is a commercial agreement between two airlines where an airline may put its two-letter identification code on the flights of another airline as they appear in computerized reservation systems and in the *Official Airline Guide*. To passengers traveling to and from small and medium-sized communities, code-sharing means access to nationwide air

travel networks. As major airlines deploy regional aircraft, which can be right-sized to match passenger demand, travelers from all over America gain access to the nation's air transportation network through major airline hubs.

Because of these code-sharing partnerships, the health and financial well-being of regional airlines is inextricably linked to that of their major airline partners. Conversely, the service provided by regional airlines is critical for the operational and financial success of the major airlines. Through code-sharing relationships with regional partners, major airlines can deploy appropriately-sized aircraft to precisely match supply to demand in a given market. Regional airlines may also be deployed in order to preserve a major airline's market presence in the event of an economic downturn or to provide new competition in markets too small to support large-aircraft competition by two or more airlines. Regional airlines help to absorb risks associated with developing new markets by offering service with nimble, cost-effective aircraft, and regional aircraft are deployed in order to offer service to communities that *cannot economically sustain service by larger mainline aircraft*. Code-sharing partnerships are cost-efficient and convenient because they allow airlines to tailor aircraft size precisely to a variety of diverse markets, offering greater frequency and lower capacity on shorter routes and providing critical hub access for "spoke" communities.

In turn, regional airlines feed passengers to the hubs, providing major airlines with access to traffic from airports the major airlines cannot service economically while contributing to higher load factors and allowing major airlines to offer competitive fares on mainline flights across the network. The connecting nature of this partnership means regional airlines account for a significant presence at our nation's hub airports as well as at the spokes (figure 2). Consequently, significant disruption of regional airline hub access could disconnect as many as 70 percent of the nation's airports from the national air transportation system. Under such a scenario, not only would passengers traveling to and from those communities suffer, mainline carriers would experience fewer flow passengers, decreased market presence at spoke cities, and diminished ability to compete at hub airports.

While regional airlines have played a key role in helping major airlines sustain and develop hubs; regional aircraft are also deployed by airlines eager to compete at an incumbent carrier's hub, allowing airlines to provide additional fare and flight choices to passengers. Regional airline access to hub airports is therefore necessary to connect small community passengers to the hub and spoke system and to foster healthy fare and service competition for passengers at communities large and small, providing lower fares and expanded service options across the nation.

The Air Traffic Control System is at Capacity and Many Airports are Congested

Because regional airlines play such a critical role in the health of the air transportation industry, the regional airline presence within the air traffic system has grown dramatically in recent years. Over the past decade, RJ frequencies in particular have increased substantially, with 1700 regional jets now in service in the United States. Considering this growth, some industry stakeholders have sought to blame current and anticipated congestion and delays on regional

airlines or regional aircraft. As a result, some policymakers have advocated the artificial manipulation of demand for air travel—rather than keeping pace with it—as an appropriate solution to the current capacity constraints. Unfortunately, this solution is one that ultimately fails the traveling public. In fact, regional airlines are just one part of a larger system with a very big problem. That problem is not the influx of regional jets but rather a failure to ensure our airports and Air Traffic Control (ATC) system keep pace with user demand.

Because the current ATC system was designed to provide only specific "highways in the sky," the network of airways through which aircraft are routed has become increasingly congested. The result of this capacity crunch can be seen across the nation as passengers and the airlines transporting them grow increasingly weary of costly system delays. Severe weather confined to one airport can impact traffic flow at multiple airports as a result of out-dated ATC response procedures. The solution to this problem, however, is not limiting access for small community passengers.

Together with our passengers, commercial airlines fund 92 percent of the airport and airways trust fund and contribute billions to the aviation system every year through taxes, airport leases, landing fees, and passenger facility charges. Moreover, passengers in communities large and small shoulder the same tax burden. No passenger should be denied access to the system he or she has helped to fund because of a failure to modernize and expand the ATC system beyond "highways" to enable flights to operate safely throughout the sky. Proposals to limit regional aircraft at hub airports are discriminatory towards passengers who rely upon these aircraft for competitive access to the system. Instead, the U.S. Air Traffic Control System must receive the resources and oversight necessary to expand and modernize. We must move forward on the transition to a satellite-based, air navigation system referred to as "NextGen," which is better suited to meet long term passenger demand. In the interim, the pursuit of additional incremental capacity must remain a top priority.

Along with regional airlines' tremendous growth and success comes a role to play in building an airport and airways infrastructure that meets the needs of all users. We therefore pledge to continue working with our government partners as they seek to fairly allocate the resources necessary to fund this transition.

Regional Airlines are Part of a Growing Aviation Industry

While an outdated ATC system represents one part of today's congestion and delay problem, airport capacity constraints represent another. In the wake of frustrated passengers and increasing airline delays, some critics have pointed to the presence of regional aircraft at busy hubs as the root of the problem. Proponents of demand management have prescribed a "quick fix" for airport congestion by advocating the replacement of multiple flights on smaller aircraft with fewer flights on larger aircraft. Under this same logic, advocates of demand management suggest the RJ—long seen as a desirable presence at spoke airports—should be barred from or operationally limited at hub airports.
Unfortunately, these proposals not only disenfranchise small community passengers, they are rooted in a fundamentally flawed logic that incorrectly blames regional jets for congestion at

busy airports. In reality, regional airlines are just one sector of a larger, growing industry. Large narrowbody aircraft (150-199 seats) are leading worldwide commercially-scheduled seat growth (figure 3) and, in the congested New York City area, narrowbody departures outnumber RJ departures by nearly 30 percent (figure 4). Neither regional jets nor mainline aircraft are to blame for airline efforts to meet consumer demand. Both aircraft types are appropriately sized to enable passengers to travel where they want to go and when they want to go. Overall industry growth represents the health of an increasingly strong and vibrant airline industry. Rather than artificially constraining demand for the system, the focus should be on expanding capacity to meet user needs.

Regional Airline Growth Trending toward Larger Aircraft Naturally

While regional airlines themselves have shown remarkable growth over the past decade, this growth has flattened out and is projected to remain slow through 2008 (figure 5). While the number of passengers flying on regional airlines increased by about 2.5 percent from 2005-2006, the number of regional airline flights declined 3 percent over the same period of time (source: RAA 2007 annual report). With some post 9/11 relaxations in major airline scope clauses allowing for right-sized aircraft deployment, regional aircraft seat capacity has naturally trended upward. In other words, while smaller aircraft are still a vital part of service in smaller markets, larger regional aircraft are now being deployed on routes where additional market demand justifies additional seating capacity. In fact, over the past five years, the average seating capacity of the regional airline fleet has grown by over 30 percent.

Delays and congestion are clearly a shared problem. Nonetheless, some stakeholders favor policies that encourage fewer flights with larger aircraft over the flexibility of regional airlines. Some proponents of demand management suggest that fewer flights with larger aircraft would translate to fewer delays and roomier airplanes; however, by reducing regional jets at a capacity-constrained and slot controlled airport like La Guardia, dozens of smaller communities served exclusively by regional jets could lose their only service to New York (figure 6). Moreover, limiting regional jet operations at La Guardia would diminish competition on other routes.

While regional airline presence at the spoke airports is welcomed with open arms, some claim that regional airlines should be deprived of access to major hubs to reduce congestion there. To provide meaningful service to and from spoke cities, however, regional airlines need access to the hubs. This hub feed is critical not only for the spoke cities, but for the system overall, since network carriers depend on these markets for 27 percent of their passengers (*source: Eclat Consulting).*

Clearly, congested airports and an antiquated ATC system create a shared problem. Instead of discriminating against passengers from small and medium-sized communities whose access to the system is largely dependent upon regional airline service, stakeholders, including government stakeholders, must continue to work together to meet the short and long-term airport and airspace capacity goals necessary to accommodate passenger demand.

Figure 1: 70 percent of U.S. communities receive service exclusively from regional carriers.

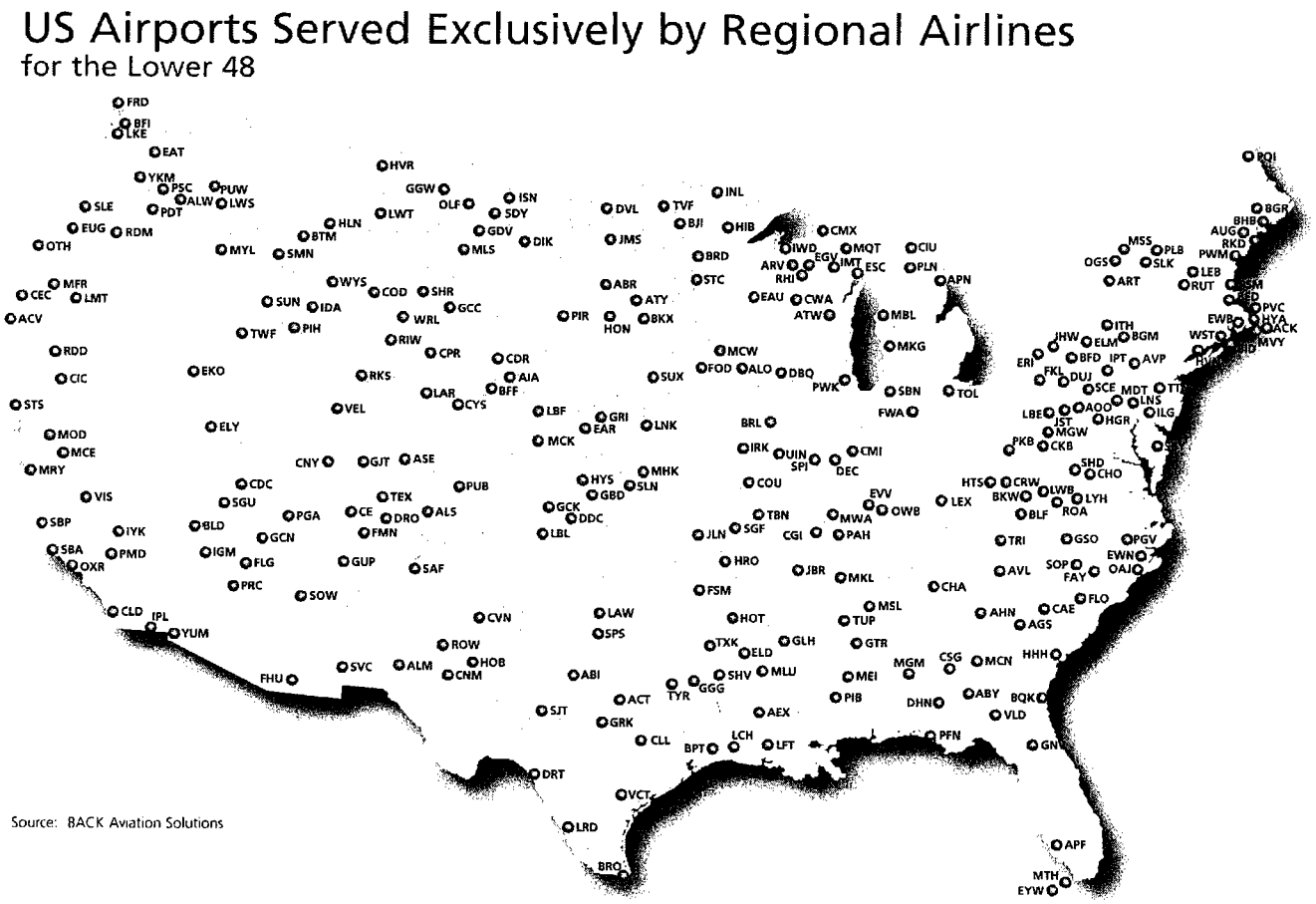


Figure 2: Regional airline presence at hub airports

Top 15 Airports (by Weekly Nonstop Flights)	Regional Share (Percentage of Total)
1. ATL	38.2
2. ORD	49.0
3. DFW	35.3
4. LAX	32.4
5. DEN	38.6
6. IAH	54.5
7. CLT	59.2
8. PHX	19.7
9. DTW	43.2
10. PHL	53.2
11. JFK	34.5
12. LAS	6.9
13. MSP	39.8
14. EWR	41.3
15. LGA	51.2

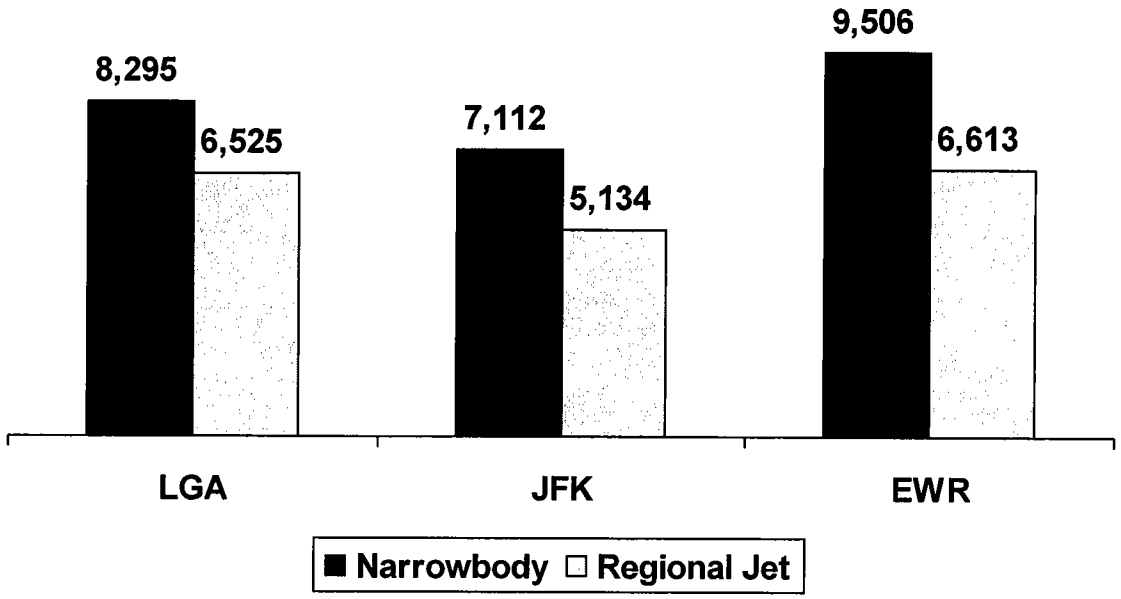
Source: Seabury/APG database via the Velocity Group ©

Figure 3: Scheduled Commercial Airline Seat Growth by Segment -- 20 to 600-seat aircraft

Seat Segment	2Q 2006	2Q 2007	*Change*	1st Half 2006	1st Half 2007	*Change*
20-99 Seats	113.9	118.0	*4%*	223.6	231.3	*3%*
100-149 Seats	294.2	316.2	*7%*	576.5	612.5	*6%*
150-199 Seats	229.8	249.2	*8%*	444.2	484.7	*9%*
200-600 Seats	170.4	175.7	*3%*	337.3	346.9	*3%*
20-600 Seat Totals	**808.4**	**859.2**	***6%***	**1,581.6**	**1,675.5**	***6%***

Source: OAG schedules and Bombardier Analysis

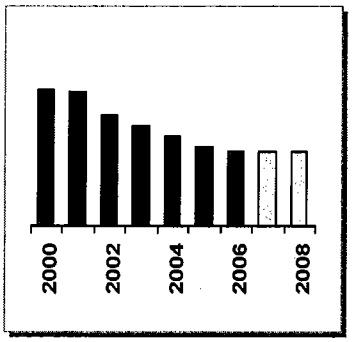
Figure 4: Monthly Departures by Equipment Type:



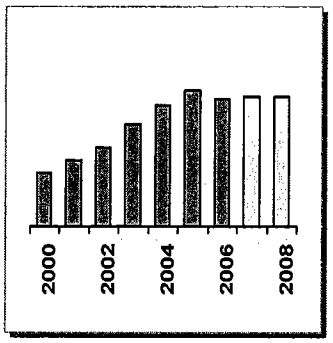
Source: Bombardier analysis of OAG data (May 2007)

Figure 5: North American growth will be led by large regional aircraft:

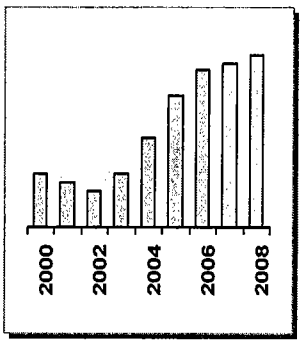
Total Scheduled Seats
20-39 Seat Segment



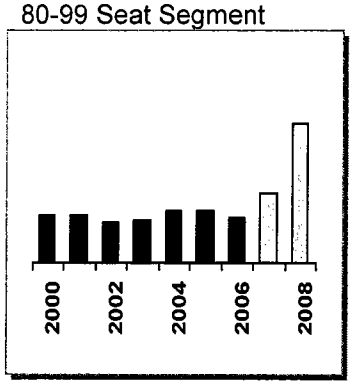
Total Scheduled Seats
40-59 Seat Segment



Total Scheduled Seats
60-79 Seat Segment



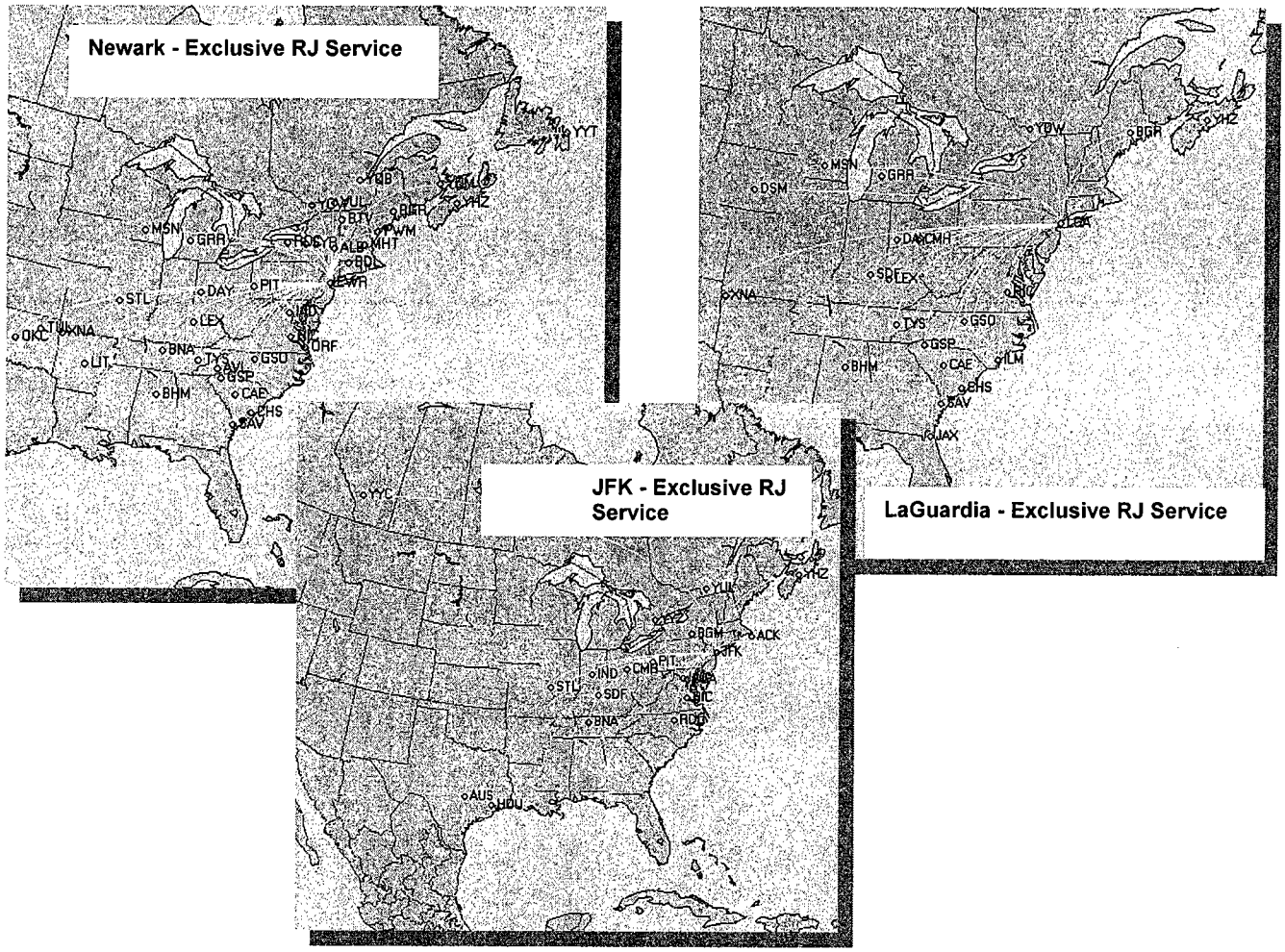
Total Scheduled Seats
80-99 Seat Segment



- **40-59 seat segment affected by Flyi shutdown in 2006**
- **60-79 and 80-99 seat segments growing at 28% CAGR combined from 2003**

Source: OAG Schedules and Bombardier Analysis

Figure 6: Regional Jets Create Important Links From NYC to Smaller US Cities



Source: Bombardier Analysis of OAG Schedules May 2007