

Coburn Amendment #1752 – To strike \$6 million for the Small Community Air Service Development Program (SCASDP)

This amendment would strike funding in the bill for the Small Community Air Service Development Program, for which both President Obama or President Bush never requested funding.

SCASDP was created in 2000 to increase air service at small airports

- SCASDP's core objective is to award grants to airports with "insufficient air carrier service" or high air fares to be used to secure sufficient and cost-effective air carrier service.¹
- SCASDP grants are mainly used for revenue guarantees to attract new commercial airline routes and for marketing efforts to promote new or existing air routes.
- SCASDP has awarded for \$146,147,822 since funding started in 2002.²

SCASDP Is Ineffective

- While the goal of SCASDP is for grants to establish long-term sustainable air service, the program has been unsuccessful in attaining any sustainability after the grant benefits expire.
- The core of the problem with SCASDP is that it is premised on temporary actions sustaining permanent benefits. In reality, most of the airports that receive these grants cannot sustain the commercial service they are seeking, as airlines discontinue the SCASDP funded route once the revenue guarantees run out.
- In 2008, an FAA Inspector General (IG) study reviewed SCASDP and found that "Most Projects Failed to Fully Achieve Their Objectives." Specifically 62.5% of projects failed to attain even a single project goal, while 70% failed to fully achieve their objectives.³

SCASDP overlaps ineffectively with the existing Essential Air Service (EAS) program

- A similar program, Essential Air Service (EAS), subsidizes commercial flights to small community airports that operated before the deregulation of the airline industry in 1978.

¹ http://ostpxweb.dot.gov/aviation/X-50%20Role_files/smallcommunity.htm#Use

² <http://www.dot.gov/policy/aviation-policy/SCASDP-Recipient-Archive>

³ http://ostpxweb.dot.gov/aviation/X-50%20Role_files/OIG_Report_May_2008.pdf

- SCASDP grants are prohibited from being used as revenue guarantees for EAS airports. However, EAS airports can receive SCASDP grants to market their EAS subsidized lines in hopes they will become sustainable without EAS support.
- Since 2004, 28 grants have been awarded to 37 EAS airports for marketing enhancement purposes- all 37 airports still receive EAS subsidies.⁴

SCASDP Grants have been used for projects of questionable merit

- In 2011, a SCADP grant was awarded to Albany International Airport to provide revenue guarantees for a United Airlines direct flight to Houston. Notably, Albany received this “small community” grant despite the fact it is already served by 7 different airlines with 24 nonstop destinations, including New York City, Chicago, Boston, Washington DC, Charlotte, Atlanta, Philadelphia, Cleveland, Detroit, Minneapolis, and Orlando. Albany International Airport is going to use the federal funds to help solves its “East Coast-centric” service problem so that travelers from Albany to smaller market destinations in the Southwest and Mexico do not have to make the dreaded “double connections.”⁵
- Tunica Municipal Airport, located 39 miles from Memphis International Airport, received funds to establish its first scheduled commercial service route to Atlanta. Tunica, MS, a small gambling community, received the grant based on a cost sharing arrangement with local casinos, partnering tax payer dollars with gambling revenue to subsidize potential gamblers’ travels that do not want to make the drive from the major airport in Memphis. The SCASDP funded route ended with the expiration of the revenue guarantees on May 5th, 2011.⁶
- Palmdale Regional Airport, located 73 miles from Los Angeles International airport (the 7th busiest airport in the world) was a 2006 SCASDP recipient of a grant to establish its first commercial route from the airport to San Francisco through revenue guarantees. United Airlines discontinued the new route the day after the grant funds expired.⁷
- Two primary airports in Knoxville, TN and Huntsville, AL, with more than 1.35 million enplanements combined in 2009, used SCASDP grants for revenue guarantees to establish new commercial service routes. McGhee-Tyson Airport in Knoxville used the funds to attain air service to the vacation

⁴ http://ostpxweb.dot.gov/aviation/x-50%20role_files/NonAlaska010110.pdf

⁵ <http://www.regulations.gov/contentStreamer?objectId=0900006480ee11d8&disposition=attachment&contentType=xml>

⁶ http://www.tradingmarkets.com/news/press-release/aai_be_the-big-game-calls-for-big-savings-with-airtran-airways-new-sale-fares-1442849.html

⁷ <http://articles.latimes.com/2008/nov/18/local/me-regional18;>

http://www.redorbit.com/news/business/738703/los_angeles_world_airports_city_of_palmdale_request_airline_proposals/index.html

destination of Myrtle Beach, SC, and Huntsville International Airport used its grant to establish a new route to Baltimore/Washington International even though it already had unsubsidized service to the two other Washington, D.C. area airports.⁸ These recipients of an award to improve “underserved airports” were so worried about competition concerns that they filed and received confidentiality agreements for their grant proposals.⁹

- Rockford-Chicago Airport, located 72 miles from Chicago O’Hare (the third busiest airport in the world) received a grant in 2009 to establish new service to a priority business destination, despite having received a SCASDP grant in 2005 to accomplish the same goal. The previous grant failed to make the Chicago-Rockford to Denver route sustainable without revenue guarantees. A spokeswoman at the airport referred to the federal grant money as a “risk-free trial.”¹⁰
- An SCASDP grant was used by a Port Angeles, WA airport to hire a marketing advisor, whose strategy was to put the airport on the approved General Services Administration Airports so that government workers assigned to a local federal project could be reimbursed to fly there. This federal grant essentially paid \$360,000 for an employee to find a way to use government money to reimburse government workers so they can fly to a more conveniently located airport to work on a government funded project.¹¹
- Lynchburg Regional Airport recently received \$700,000 in federal funds to establish revenue guarantees for a commercial route to Atlanta, its 3rd time receiving SCASDP funds. In their proposal, Lynchburg Regional Airport claims the need for a second commercial route based on “considerable untapped air service potential” that is not met through its current service to Charlotte.¹² However, the demand capacity in Lynchburg is questionable, considering the failure of the 2006 SCASDP revenue guarantees to ever attract a commercial carrier. The Lynchburg Regional Airport received a one-year extension at the end of the 3 year grant period, but was never able to successfully attract a recipient airline for the revenue guarantees, claiming the “value of the total package was clearly inadequate to garner much attention.” Given the need for a more lucrative revenue guarantee package, this hardly seems like a candidate that meets the program’s sustainability standard of benefits that “can be expected to continue after the initial

⁸ http://blog.al.com/breaking/2010/02/huntsville_international_airpo_3.html

⁹ <http://www.regulations.gov/#!documentDetail;D=DOT-OST-2009-0149-0008.1>;

<http://www.regulations.gov/#!documentDetail;D=DOT-OST-2009-0149-0036> ; <http://www.hsvairport.org/hia/index.html>;

http://www.faa.gov/airports/airport_safety/part139_cert/?p1=definitions

¹⁰ <http://www.rrstar.com/carousel/x1025060394/RFD-gets-500K-grant-to-attract-more-fliers>

¹¹ <http://www.peninsuladailynews.com/article/20100810/NEWS/308109993/kenmore-air-eyes-setting-up-expedia-travelocity-links>

¹² http://ostpxweb.dot.gov/aviation/X-50%20Role_files/smallcommunity.htm#Use

expenditures.”¹³

- In 2010, Mid-Ohio Valley Regional Airport in Parkersburg, West Virginia was awarded a \$60,000 grant for advertisement costs, conference and travel expenses, and to attain a market survey of potential service.¹⁴ Parkersburg is an Essential Air Service (EAS) community that already receives yearly federal subsidies in excess of \$2.5 million to fund a direct flight to Cleveland, Ohio. Due to its EAS subsidies, the airport is ineligible to receive SCASDP funds to provide revenue guarantees to attract competitive service. However, they were able to attain SCASDP funds to hire Air Service Partners, a private air service development firm, to conduct a market survey. The firm looked at “the main driver for this whole analysis is the future of EAS” concluding that “there will be some changes coming, in my professional opinion, but I don't know what those are.”¹⁵ Additionally, the firm provided advice on the viability of attaining leisure service because, as the airport manager states, the “airport's current commercial service to Cleveland by Gulfstream International Airlines is provided through EAS, he and the boards cannot bring in competitive air service, but leisure travel is not considered competition to the service by Gulfstream.” Essentially, the SCASDP grant funds were used to analyze whether Congress will make changes to the EAS program and to suggest a loophole to attain more air service to compete against a federally subsidized route. Amazingly, this is better use of taxpayer funds than the failed attempt to attain air service through a \$500,000 SCASDP grant in 2003.
- The Youngstown-Warren Regional Airport in Vienna, Ohio “has lacked consistent regularly scheduled commercial air service since 2002” and passengers “have changed their behavior during the past 10 years by relying on three other Ohio/Pennsylvania airports (Cleveland, Akron-Canton, and Pittsburgh)” which are all within 70 miles of the Youngstown airport. Despite the lack of passenger interest, the Youngstown airport received a \$250,000 SCASDP award in 2005, a \$575,000 grant in 2007 (which has yet to yield its desired results), and a \$780,000 grant in 2012. In 2011, the airport operated only 6 flights per week. The stated goal for the 2012 grant is to “change air-traveler behavior” to encourage travelers to use the Youngstown airport, rather than the larger airports located nearby.¹⁶
- The Sioux Gateway Airport received its third SCASDP grant in 2012 despite its first two grants being largely unsuccessful in fulfilling their goals. The 2004 award for \$609,800 was to be used to “introduce service by a second carrier” and the 2010 award of \$500,000 was to “provide competitive eastbound air service to adequately serve the Siouxland area.” Despite these efforts, Delta

¹³ http://ostpxweb.dot.gov/aviation/X-50%20Role_files/smallcommunity.htm#Use

¹⁴ <http://www.regulations.gov/#!documentDetail;D=DOT-OST-2010-0124-0078>

¹⁵ <http://www.newsandsentinel.com/page/content.detail/id/552737/Airport-officials-looking-ahead.html?nav=5066>

¹⁶ <http://www.regulations.gov/#!documentDetail;D=DOT-OST-2012-0069-0061>

eliminated its service to the Sioux Gateway Airport in 2011. Since Delta's decision, the Department of Transportation has subsidized flights from Sioux Gateway Airport to Chicago's O'Hare International Airport on American Airlines. The 2012 SCASDP grant is intended to help the airport market this American Airlines flight, already subsidized through the Essential Air Service. According to Sioux Gateway Airport's application, only 11 percent of people in the area use the airport, while 63 percent use Eppley Airfield in Omaha, NE , which is just over 90 south, and 18 percent use Joe Foss Field in Sioux Falls , which is just under 100 miles north. The airport has seen a significant decline in departures over the last decade, and had only 18 departures in 2011.¹⁷

- The Northeast Florida Regional Airport received a \$250,000 SCASDP grant in 2012 despite the fact it has not had air service since April 2008—the airport had scheduled service from July 2007 through April 2008 through SkyBus Airlines. In fact, the only available modes of transportation at the airport are rental cars, and shuttle and limousine services.¹⁸ According to the airport's own application, the Jacksonville International Airport, which is only an hour away hosts “all four legacy airline systems as well as low fare carriers Southwest/Airtran and jetBlue.” In addition, Delta and US Airways operate through the Daytona Beach International Airport, which just over an hour away. With the federal funding, the airport hopes to attract an airline and plans to run a marketing campaign to include “radio promotions and ticket/hotel give-a-ways,” “billboards emphasizing the destination and carrier in addition to the airport,” and “grass roots efforts in our community designed to maximize local exposure.”¹⁹

¹⁷ <http://www.regulations.gov/#!documentDetail;D=DOT-OST-2012-0069-0049>

¹⁸ <http://www.flynfra.com/airport.aspx?sec=3&id=3F674895-C01E-4E48-B8BA-3D8ECD378B0A>

¹⁹ <http://www.regulations.gov/#!documentDetail;D=DOT-OST-2012-0069-0045>