

Coburn Amendment 801 – To Eliminate the Small Community Air Service Development Program (SCASDP)

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

- The 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 is authorized at \$35 million annually to award up to 40 grants per year with a total of 285 grants having been awarded for \$132,230,822 since funding started in 2002.

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.²

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.
- 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.³

SCASDP Grants have been used for projects of questionable merit

- In 2011, a SCADP grant was recently 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 solve 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."⁴
- 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

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

² http://ostpxweb.dot.gov/aviation/X-50%20Role_files/OIG_Report_May_2008.pdf

³ http://ostpxweb.dot.gov/aviation/x-50%20role_files/NonAlaska010110.pdf

⁴ <http://www.regulations.gov/contentStreamer?objectId=0900006480ee11d8&disposition=attachment&contentType=xml>

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, 2011.⁵

- 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.⁶
- 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 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.⁷ 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.⁸
- 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.”⁹
- 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.¹⁰
- 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.¹¹ 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 expenditures.”¹²
- In 2010, Mid-Ohio Valley Regional Airport in Parkersburg, West Virginia was awarded a

⁵ http://www.tradingmarkets.com/news/press-release/aai_be_the-big-game-calls-for-big-savings-with-airtran-airways-new-sale-fares-1442849.html

⁶ <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

⁷ http://blog.al.com/breaking/2010/02/huntsville_international_airpo_3.html

⁸ <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

⁹ <http://www.rrstar.com/carousel/x1025060394/RFD-gets-500K-grant-to-attract-more-fliers>

¹⁰ <http://www.peninsuladailynews.com/article/20100810/NEWS/308109993/kenmore-air-eyes-setting-up-expedia-travelocity-links>

¹¹ http://ostpxweb.dot.gov/aviation/X-50%20Role_files/smallcommunity.htm#Use

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

\$60,000 grant for advertisement costs, conference and travel expenses, and to attain a market survey of potential service.¹³ 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.”¹⁴ 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.

Presidents Obama & Bush Recommended Terminating This Program

- President Obama or President Bush has never requested funding for this program.¹⁵

¹³ <http://www.regulations.gov/#!documentDetail;D=DOT-OST-2010-0124-0078>

¹⁴ <http://www.newsandsentinel.com/page/content.detail/id/552737/Airport-officials-looking-ahead.html?nav=5066>

¹⁵ E-mail from DOT Congressional Liaison, February 17, 2011