



Report of the Working Group On Improving Air Service to Small Communities

May 9, 2017

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Executive Summary

Section 2303¹ of the FAA Extension, Safety, and Security Act of 2016 (P.L. 114-190) directed the Secretary of Transportation to establish a Working Group on Improving Air Service to Small Communities (referred to hereafter as “the Working Group”). The Secretary appointed 25 stakeholders representing a cross-section of airport officials, state aviation officials, airline executives, a pilot union, consultants, and academics.²

The mandate of the Working Group was to consider three subject areas:

- **Current or potential new air service programs**, including the **Essential Air Service program and the Small Community Air Service Development program**;
- Initiatives to help support **pilot training and aviation safety**;
- Whether federal **funding for airports** serving small communities is adequate.

The Working Group was also directed to report on “public-private partnerships that are successful in attracting and retaining air transportation service”. The Working Group fulfills its mandate with the following report.

Upon being appointed, the Working Group met in person four times during the first quarter of 2017. The Working Group conducted outreach via an online survey, which was distributed to the National Association of State Aviation Officials, among others. The outreach efforts revealed, and consensus of the Working Group concurred, that small community air service is vitally important to the economic and social well-being of small communities, and to bind the nation together as a whole.

Recommendations

The Working Group achieved consensus on 21 recommendations for improving air service at small communities. The consensus of the Working Group was that two subjects in particular merit special attention: resolving the nationwide pilot shortage and bolstering the Essential Air Service program.

Pilot shortage

The nationwide pilot shortage is the dominant theme in many of today’s challenges to small community air service. While demographics and business cycles play a role, a major driver of the pilot shortage is the 2013 First Officer Qualification (FOQ) Rule, which but for a few exceptions³, requires pilots to have at least 1,500 hours of flight time and an Air Transport Pilot (ATP) certificate before they can be considered for their first airline pilot job. This new 1,500 hours requirement is an increase from the long-standing statutory requirement that first officers had at least an FAA Commercial Pilot certificate, which required a minimum of 250 flight hours. The imposition of the new 1,500 hours requirement has

¹ See Appendix A for complete wording of Section 2303 of P.L. 114-190

² See Appendix B for complete listing of working group members and affiliations.

³ A pilot can earn a Restricted Air Transport Pilot (r-ATP) rating, permitting service as a first officer in a Part 121 air carrier, with 750 hours if they were a military pilot or 1,000 hours for graduates of certain baccalaureate degree programs, and 1,250 for graduates of certain associate degree programs.

drastically increased the time and cost for aspiring aviators to become commercial airline pilots, in many cases putting the piloting career out of reach. Meanwhile, the 2015 Pilot Source Study indicates that first officers hired since the increased flight hours requirement was imposed have a decreased rate of new-hiring training completion, and “required significantly more extra training”. Another study, the 2010 Pilot Source Study, concluded that the highest new-hire training completion rates for first officers and lowest “extra training required” rates were for pilots with 501-1000 flight hours experience—not those with more than 1,500 hours, as is now required by FOQ. Therefore, among other important recommendations, the Working Group recommends that Congress direct the FAA to:

- 1) Reevaluate and increase the amount of hours of credit awarded to academic pathways for the issuance of a Restricted ATP. Congress should affirm that qualifying “academic” training should not be limited to military and aviation degree programs.
- 2) Award substantial hours of credit toward a carrier-specific and type-specific Restricted ATP based on carrier-specific and type-specific training and testing.

Effective implementation of both of these recommendations would re-open the pathway for aspiring aviators to become competent professional airline pilots.

Bolstering the Essential Air Service Program

The Working Group concludes that the EAS program is the backbone of small community air service in the United States and must be maintained and optimized. It is vital that Congress enhances and fully funds the EAS program. Many of the perceived inefficiencies in the EAS program are symptoms of larger issues, especially the shortage of qualified pilots. Therefore, the DOT, FAA, and Congress should take urgent steps to address the pilot shortage to improve the EAS program. Additionally, the Working Group concludes many of the eligibility requirements on the EAS program are overly restrictive, prevent communities with legitimate air service needs from accessing air service, and do not take into account the seasonality of service in many communities. Finally, the Working Group believes it is essential to enhance the decision-making role for communities in the EAS program.

Each of the 21 recommendations of the Working Group was carefully considered, and should be implemented by the relevant agency, department or Congress.

Mission of the Working Group and Overview of the Process

Section 2303⁴ of the FAA Extension, Safety, and Security Act of 2016 (P.L. 114-190) directed the Secretary of Transportation to establish a Working Group on Improving Air Service to Small Communities (referred to hereafter as “the Working Group”). The Working Group is comprised of 25 stakeholders representing a cross-section of airport officials, state aviation officials, airline executives, a pilot union, consultants, and academics.⁵

The first meeting of the Working Group was held on January 25, 2017 at the Department of Transportation headquarters in Washington, D.C. During this meeting, Mr. Andrew Bonney (Cape Air) was elected chairman and Mr. Joshua Abramson (Easterwood Airport) was elected vice-chairman of the Working Group. The Working Group agreed to closely follow the statute in determining the scope of its work. Specifically, Section 2303 directs the working group to both “identify obstacles to attracting and maintaining air transportation service to and from small communities” and “develop recommendations for maintaining and improving air transportation service to and from small communities.” Section 2303 of P.L. 114-190 did not define “small community,” and the Working Group used the common meaning without further definition.

The statute directed the Working Group to consider three potential impediments to air service in small communities:

- Consider whether funding for, and the terms of, current or potential new programs are sufficient to help ensure continuation of or improvement to air transportation service to small communities, including the Essential Air Service program and the Small Community Air Service Development program;
- Identify initiatives to help support pilot training and aviation safety to maintain air transportation service to small communities;
- Consider whether federal funding for airports serving small communities, including airports that have lost air transportation services or had decreased enplanements in recent years, is adequate to ensure that small communities have access to quality, affordable air transportation service.

Additionally, the statute directed the Working Group to “identify innovative State or local efforts that have established public-private partnerships that are successful in attracting and retaining air transportation service in small communities”.

⁴ See Appendix B for complete wording of Section 2303 of P.L. 114-190

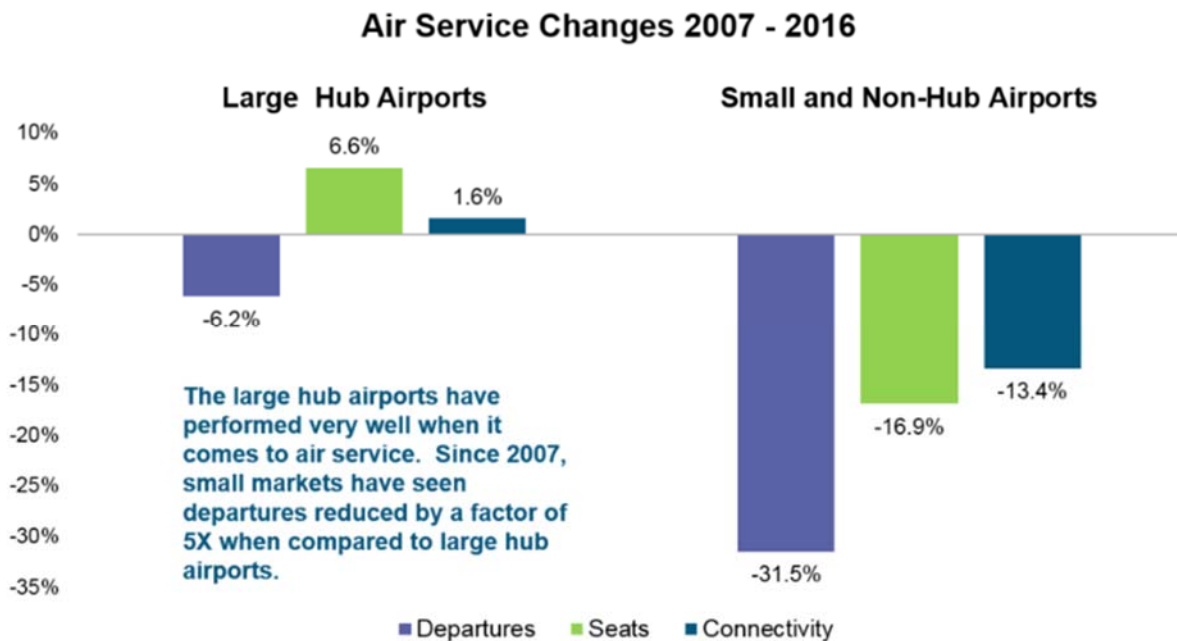
⁵ See Appendix C for complete listing of working group members and affiliations.

At the initial meeting, the Working Group decided to hold three additional meetings to coordinate and complete its work. The dates, location, and topics discussed for each meeting are outlined in Appendix D.

An Introduction to the Present State of Air Service in Small Communities

Across the U.S., smaller communities face a challenging environment for attracting and retaining commercial air service. A series of factors including airline consolidation, airline fleet changes including upgauging (the practice of using larger aircraft on a particular route), evolving airline business models, inadequate funding for airports, an increasingly complex regulatory environment, macro-economic influences, and more recently, a shortage in qualified pilots has resulted in a significant decrease in air carrier service at small and non-hub airports as classified by the NPIAS. Figure 1 illustrates the decrease of service at small and non-hub airports compared to large hubs. Since 2007, smaller communities have lost over 31% of scheduled departures, 17% of seats, and 13.4% of total connectivity. Importantly, since 2007, over 50 communities have lost all scheduled air service with another 150 communities at risk of losing all or nearly all air service.⁶

Figure 1: Air Service Changes in the United States (2007-2016)



Source: InterVISTAS analysis of BTS data

There are severe economic consequences for small communities who experience a total or partial loss or decrease of air service. In many small communities around the United States, airports serve as an engine of a region's economy. In addition to direct economic impacts associated with employment and purchasing, airports facilitate trade, enhance and

⁶ Regional Air Service Alliance.

enable tourism, and provide connectivity to the global economy. Nationwide, the numbers are staggering: aviation accounts for more than 5% of gross domestic product (GDP), contributes \$1.6 trillion in total economic activity and supports nearly 11 million jobs.⁷

Airports in small communities provide vital links to the larger aviation network that facilitate this level of economic activity. While small and non-hub airports account for only 12% of all passenger traffic, they make up 88% of the communities where passengers access the commercial service airline network in the United States. These airports provide vital economic activity to their communities. These airports are typically served by regional airlines; in fact, regional airlines provide the only source of scheduled, commercial air service at 2/3 of our nation's airports.⁸

Figure 2: The Scope of Regional Airline Service in the United States



Source: Regional Airline Association

In 2016, small and non-hub airports contributed \$121 billion in economic output supporting 1.1 million jobs.⁹ Additionally, small and non-hub airports account for 30-45% of departures at large and medium hub airports such as Charlotte (CLT), Dallas/Fort Worth (DFW), and Atlanta (ATL). Therefore, loss or decline of service in smaller communities has serious economic consequences not only for small and non-hubs, but also for larger hubs reliant on connecting traffic.

⁷ The Economic Impact of Civil Aviation on the U.S. Economy. FAA. November 2016.

⁸ RAA Annual Report.

<https://cloud.3dissue.com/130636/137753/161104/RAA2016AnnualReport/html5/index.html?page=1&noflash>

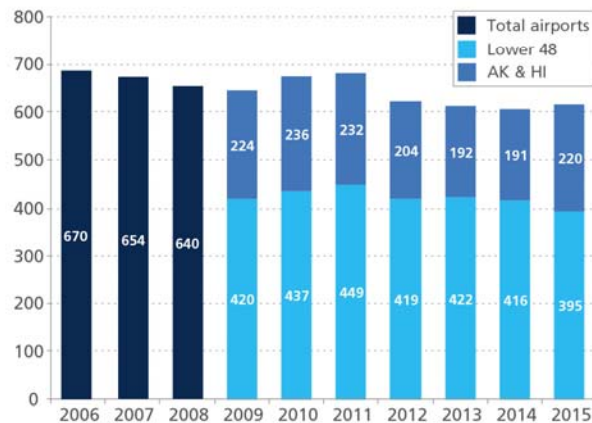
⁹ Economic Impact of Small Community Airports and the Potential Threat to Economies with the Loss of Air Service. InterVISTAS Consulting. January 2017.

Figure 3: Regional Airline Service at U.S. Airports

Service at U.S. Airports

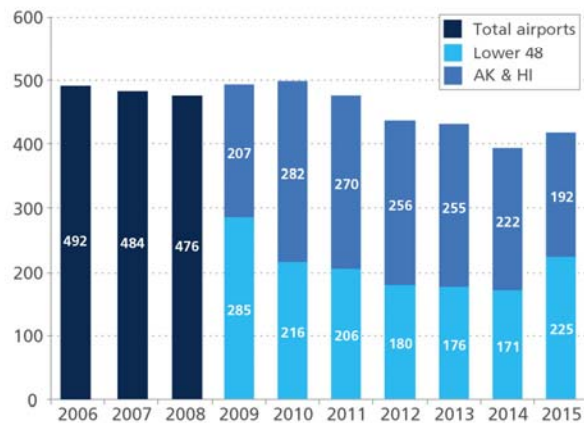
615

U.S. airports with regional service in 2015



417

U.S. airports with **ONLY** regional service in 2015



Notes: • Years 2006-2014 reflect values reported in previous annual reports. 2015 uses PlaneStats OAG data
• Service = >30 annual departures

Source: Regional Airline Association analysis of PlaneStats OAG data

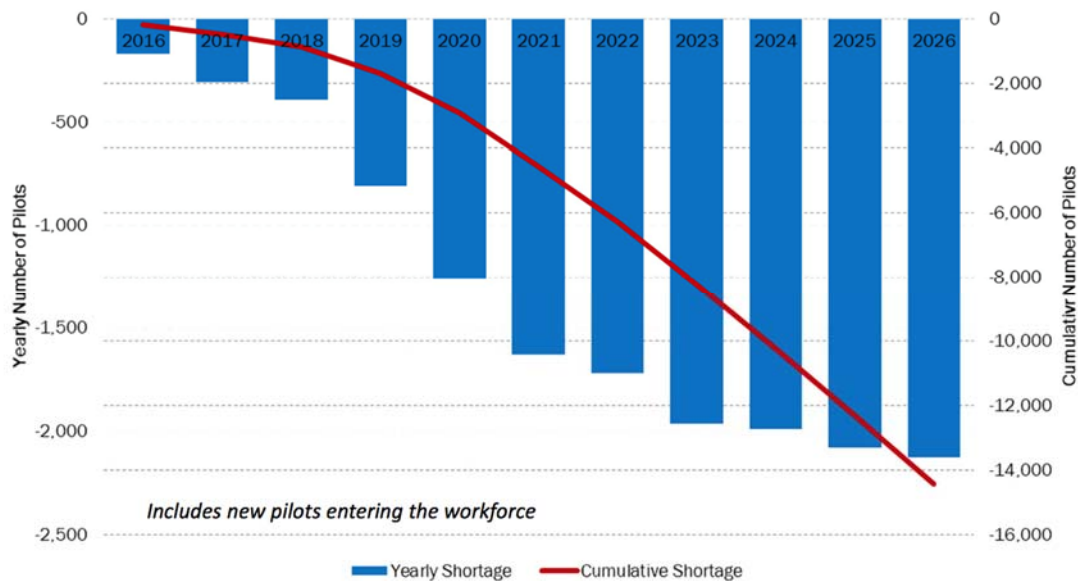
The statutory mission of the Working Group was to conduct outreach with stakeholders to identify the obstacles that are leading to this loss of service in smaller communities across the U.S. and to develop recommendations to address these challenges. In the sections below, we provide an overview of the major obstacles to attracting and maintaining air transportation service in small communities. We then provide recommendations for maintaining and improving service in small communities as well as addressing the shortage of qualified pilots. Finally, we highlight examples of public-private partnerships from small communities that have been successful in attracting and retaining air service.

Obstacles to Attracting and Maintaining Air Transportation Service to Small Communities

An Inadequate Supply of Pilots Threatens the Future of Small Community Air Service

One of the most serious threats to the future of air service in small communities is the inadequate supply of qualified pilots. A study published by the University of North Dakota found that over the next decade, major airlines will need to hire almost 50,000 pilots resulting in a shortage of approximately 14,000 pilots at major airlines alone by 2026.¹⁰ Figure 4 illustrates the projected shortfall of pilots.

Figure 4: Projected Pilot Shortage 2016-2026

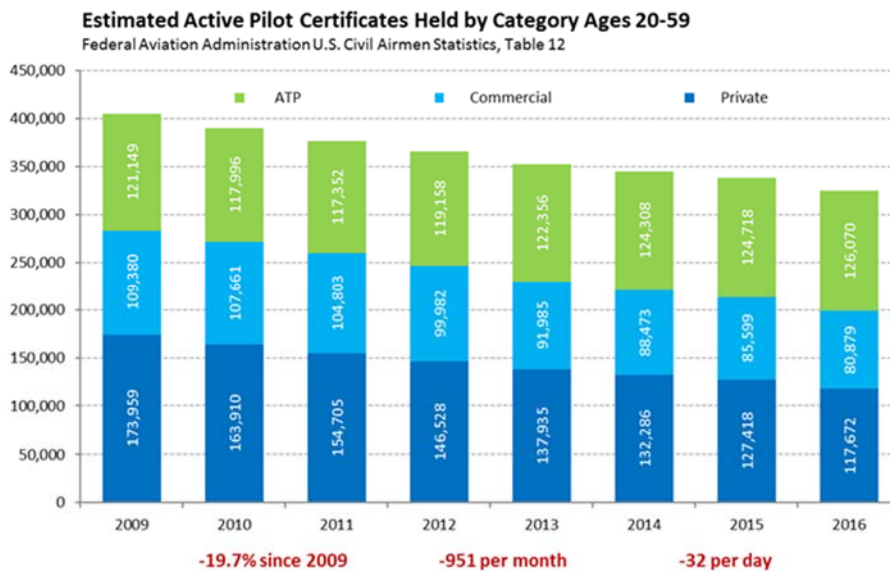


Source: University of North Dakota Pilot Forecast (2016)

Figure 5 below shows the number of active pilot certificates of those aged 20-59. The total number of private, commercial and ATP certificates held by pilots aged 20-59 has decreased by 19.7% since 2009. This shortage will be experienced by the regional air carriers first as they serve as the bottom rung on the pilot career ladder and the major air carriers hire a majority of their pilots from this pool of applicants. There are several factors that have contributed to the pilot shortage facing the country.

¹⁰ 2016 University of North Dakota Pilot Source Study.

Figure 5: Estimated Active Pilot Certificates



Source: FAA US Civil Airmen Statistics, Table 12

A major driver of the developing pilot shortage is the 2013 First Officer Qualification (FOQ) Rule, which but for a few exceptions¹¹, requires pilots to have at least 1,500 hours of flight time and an Air Transport Pilot (ATP) certificate before they can be considered for their first airline pilot job (the “1,500 Hour Rule”). This new 1,500 hours requirement is an increase from the long-standing statutory requirement that first officers had at least an FAA Commercial Pilot certificate, which required a minimum of 250 flight hours. The imposition of the new 1,500 hours requirement has drastically increased the time and cost for aspiring aviators to become commercial airline pilots, in many cases putting it out of reach. This has decreased the supply of available pilots and even suppressed demand for students entering the career track. A 2016 study by the University of North Dakota and the University of Nebraska Omaha found the FOQ rule prompted 20% of aspiring pilots to think twice about an airline career while 8% of those formerly planning airline careers no longer planned to fly for airlines.¹²

Most importantly, **there is an inverse correlation between increased flight hours of experience and first officer performance.** The Pilot Source Study found pilots hired after the FOQ rule often required more remedial training than those hired before the implementation of the rule, despite the fact that they had more flight hours logged than the comparable group before FOQ.¹³

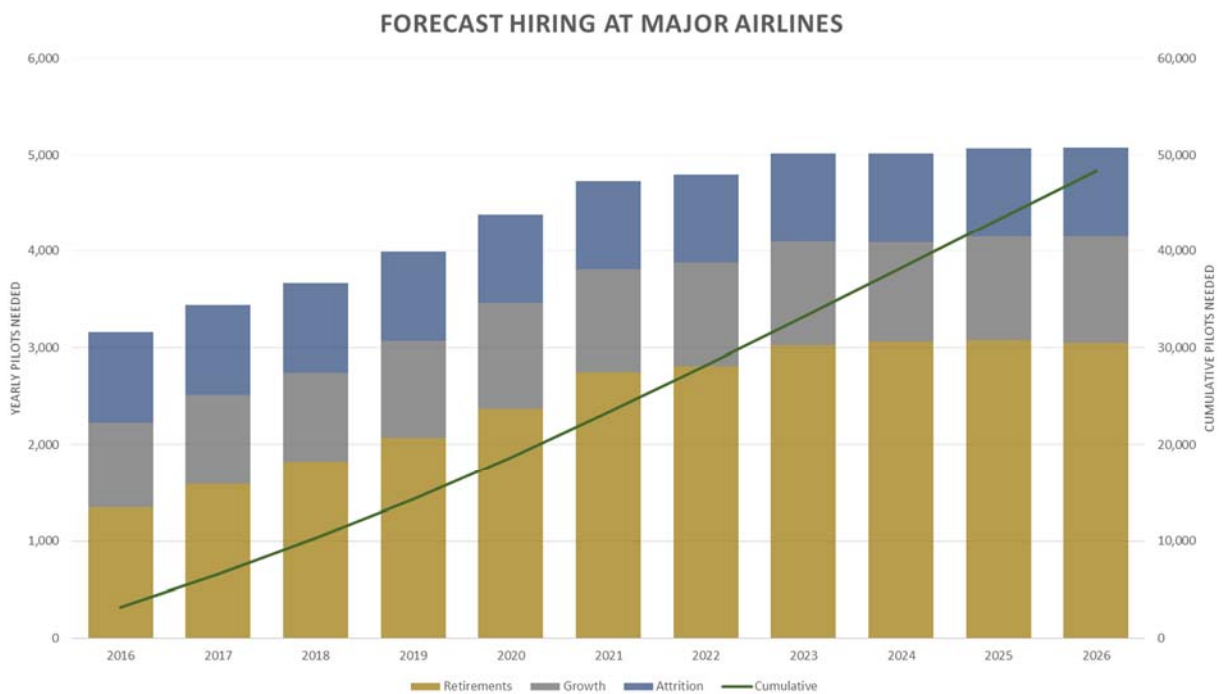
¹¹ A pilot can earn a Restricted Air Transport Pilot (r-ATP) rating, permitting service as a first officer in a Part 121 air carrier, with 750 hours if they were a military pilot or 1,000 hours for graduates of certain baccalaureate degree programs, and 1,250 for graduates of certain associate degree programs.

¹² Lutte, Rebecca and Kent Lovelace. 2016. “Airline Pilot Supply in the US: Factors Influencing the Collegiate Pilot Pipeline. *Journal of Aviation Technology and Engineering*. 6:1 53-63.

¹³ Bjerke, Elizabeth, et al. 2016. Pilot Source Study 2015: US Regional Airline Pilot Hiring Background Characteristic Changes Consequent to Public Law 111-216 and the FAA First Officer Qualifications Rule. *Journal of Aviation Technology and Engineering*. 5:2: 3-14.

There are several additional factors that exacerbate the shortage of pilots. First, there is increased competition for first officers and captains by rapidly growing international carriers in the Middle East and Asia, where pilots may begin their careers with a commercial airman's certificate and just 250 hours of flight time. In fact, the 2015 Pilot Career Aspirations Study¹⁴ found that over half of pilots surveyed were "likely" or "very likely" to relocate abroad for an earlier career start. Second, commercial airline pilots are required to retire at age 65, so many pilots hired following the deregulation boom in the 1980s are quickly approaching retirement age. This predictable wave of retirements at the major airlines, which is similar to the air traffic control shortage, is resulting in major airlines hiring pilots from the regional airlines. American Airlines needs to hire approximately 100 pilots a month in order to replace retiring pilots.¹⁵ In fact, forecast hiring at U.S. major airlines alone, needed to keep pace with Age 65 related retirements, growth, and other attrition, is forecast at between 3,400 – 5,000 pilots per year between 2017-2026.

Figure 6: Forecast Hiring at Major Airlines



Source: University of North Dakota Pilot Forecast (2016)

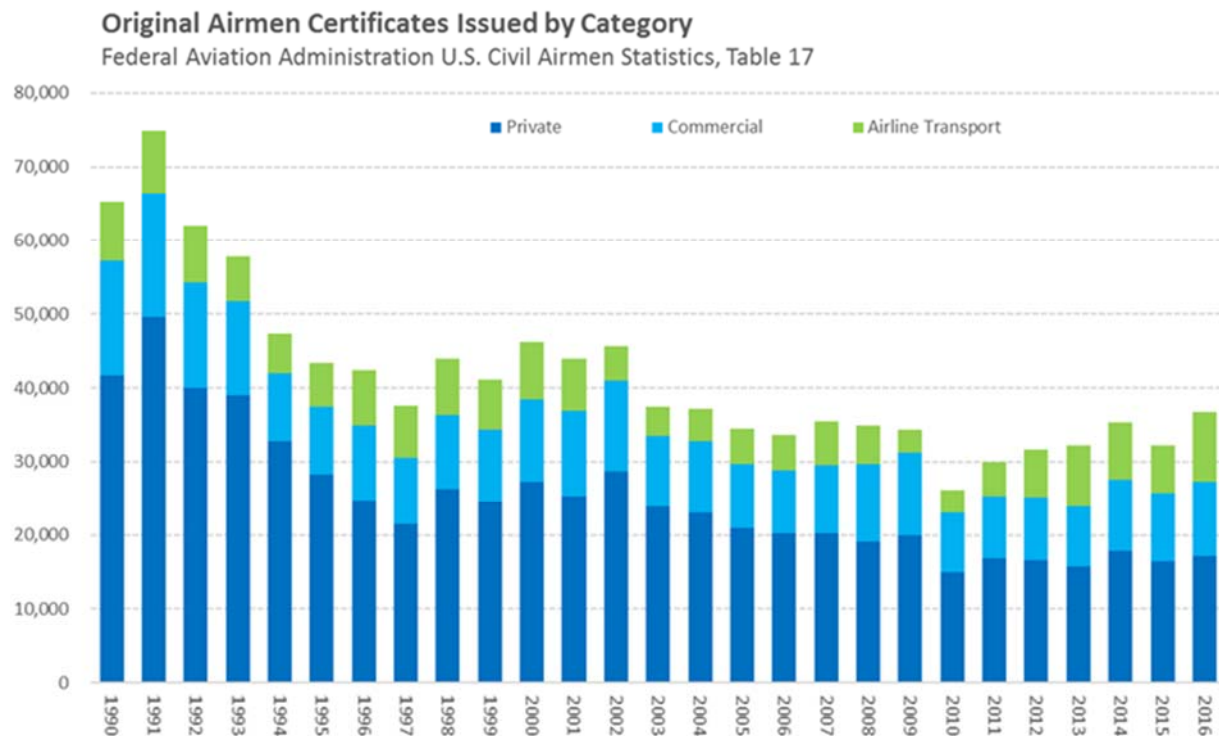
At the same time, far fewer new pilots are starting down the airline pilot career path. According to FAA airmen data, between 1990 and 2016, the number of new pilot certificates has declined significantly. During this period issuance of new private pilot certificates decreased by 59 percent, and issuance of new commercial pilot certificates

¹⁴ <https://www.halldale.com/files/halldale/attachments/Kent%20Lovelace.pdf>

¹⁵ University of North Dakota Pilot Source Study.

declined by 34 percent.¹⁶ During this same time period, ATP certificates increased by 19 percent but this increase began when PL111-216 spurred the new FOQ rule, and is associated with the rule change that required all Part 121 commercial airline pilots to hold that certificate.

Figure 7: Original Airmen Certificates Issued by Category (1990-2016)



Source: RAA Analysis of FAA US Civil Airmen Statistics, Table 12

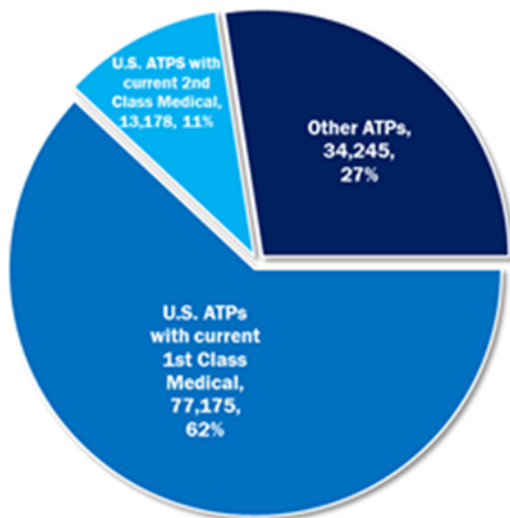
In March 2017, there were 124,598 ATPs in the FAA's Airmen Certification Database.¹⁷ Among these, only 90,353 ATP certificate holders resided in the U.S. and also held 1st or 2nd class medicals (required by the FAA for airline employment). The seniority lists for the legacy, regional, low cost, national, and large cargo air carriers exceed 86,000, and do not include pilots employed by business aviation or by operators who do not publish seniority lists. This leaves far fewer than 5,000 U.S. ATPs with unexpired 1st or 2nd class medicals who are actually qualified and available. Critically, these lists do not account for age, piloting skill and leadership skills, or the existence of other background events that would preclude hiring. In 2016 Regional Airline Association members collectively sought to hire more than 7,100 pilots, but were only able to hire 64 percent of pilots desired.

¹⁶ FAA Airmen Certificate Database.

https://www.faa.gov/licenses_certificates/airmen_certification/releasable_airmen_download/

¹⁷ https://www.faa.gov/licenses_certificates/airmen_certification/releasable_airmen_download/

Figure 8: ATP Certificates by Medical Qualifications



Source: Federal Aviation Administration U.S. Civil Airmen Statistics and Airmen Certification Database March 2017; RAA hiring trends source: RAA Membership Pilot Staffing Data, 2016

Overall, the pilot career path is lucrative; analysis by Brown Aviation Lease shows a pilot's return on education and training investment is healthy; for every dollar invested in education, pilots earn \$33 –higher than the ROI for teachers, doctors and lawyers.¹⁸ However, the cost of training, which has increased due to the “1,500 Hour Rule”, now exceeds \$150,000 for first officers.¹⁹ These initial investment costs of becoming first officers may deter potential pilots from pursuing a career in the airline industry.

The effects of the pilot shortage have rippled throughout the airline industry. Several regional carriers have had such difficulty finding pilots, they have had to end service on routes and cancel flights when pilots are not available. When small regional carriers cancel flights in smaller markets, it has the effect of suppressing demand as passengers choose more reliable modes of transportation including driving to airports three or more hours away. The passengers are not privy to the ‘reasons behind the cancellation’ and simply attribute it to unreliable airline service in their community, leading to decrease usage. The pilot shortage is so severe that Republic Airways cited the shortage as one of the factors that led to the company filing bankruptcy in February 2016. The CEO of SkyWest Airlines, Russell Childs, testified in a Congressional hearing on March 8, 2017 that many small communities are at risk of losing service due to the pilot shortage, which he estimates may result in the parking of up to two-thirds of the regional airline fleet.²⁰

¹⁸ <https://static1.squarespace.com/static/56c8c4cdd51cd438176c4c01/t/56d8a64ba3360ca9404f4344/1457038924614/ROI-Graphic.jpg>

¹⁹ Shane, Nancy. The Relationship Of A Pilot's Educational Background, Aeronautical Experience And Recency Of Experience To Performance In Initial Training At A Regional Airline. Ph.D. Dissertation.

²⁰ Karp, Aaron. SkyWest CEO warns pilot shortage could lead to big service cuts. Air Transport Magazine. March 8, 2017.

Regional airlines have taken steps to reduce the impact of the pilot shortage and as of 2017 are offering the shrinking pool of qualified pilots lucrative hiring incentives. The Regional Airline Association reports that member carriers have increased new hire First Officer total compensation more than 105% between first quarter 2015 and first quarter 2017. Most regional airlines have developed flow programs to major carriers and all Part 121 regional airlines also offer financial incentives to new ATP pilots. In some cases these bonuses exceed \$30,000, in addition to pilots' minimum guarantee (base) pay. Almost all regional carriers now have established pipeline programs with flight training schools and universities designed to attract graduates to their airlines. This competition for graduates of universities and flight schools has also put pressure on flight training programs that struggle to maintain a cadre of certified flight instructors to train the next generation of pilots. The airlines are recruiting the flight instructors into airline pilot jobs.

However, not all smaller air carriers have been able to compete as effectively for pilots. As larger regional carriers that are partners of network carriers and have significant size and scale of operation have raised FO pay, the entire group of independent regional airlines (both Part 121 and Part 135), which focus almost exclusively on small community and EAS service, find it more difficult to recruit and retain pilots.

EAS is Essential to Small Community Air Service and Must be Fully Funded

As part of the 1978 Airline Deregulation Act, Congress created the Essential Air Service (EAS) program to ensure all communities receiving commercial air service before deregulation would continue to receive commercial air service in a deregulated market. The program recognized that reliable, scheduled air service is a key economic driver for communities of all sizes; however, lower density, rural markets are more vulnerable to air service loss when they compete with higher density, higher yield markets. To help smaller communities remain viable, the Department of Transportation provides a subsidy to offset lack of passenger revenue at certain communities in order to preserve access to the National Air Transportation System. These subsidies allow air carriers serving these markets a profit margin allowance of five percent. A five percent operating profit on a route that has \$2,000,000 in combined revenue from EAS and ticket revenue nets the airline \$100,000, provided cost targets are met. However, EAS subsidies also pay for aircraft, maintenance, station costs, and salaries for all work groups, including pilots.

The pilot shortage discussed above is impacting the EAS Program as well, both directly, because there are too few pilots to fly all the routes; and indirectly, as pilot compensation strategies associated with pilot recruitment increase the cost of providing air service to EAS communities, which directly increases overall program costs.

The Working Group concludes that the EAS program is the backbone of small community air service in the United States and must be maintained and optimized. It is vital that Congress recognize the need to make the EAS program a permanent part of the DOT's transportation framework. This also includes the need to fully fund the EAS program.

In addition to providing vital access to the air transportation system, EAS service provides significant economic benefits to communities. Detailed economic impact studies at two Essential Air Service Airports (Clarksburg, West Virginia and Kearney, Nebraska) produced similar results. On average EAS service in these two cities was estimated to generate 23 local full time equivalent (FTE) jobs by direct effect and a total of 31 local FTE jobs with the addition of indirect and induced effects. Local annual payroll averaged \$1.1 million and total annual local economic output averaged \$4.1 million.

Although the EAS program provides enormous economic benefit to rural communities while improving the quality-of-life for Americans residing in those communities, the program has been reformed a number of times to focus resources on those communities having few alternatives to commercial air service. Points that are considered to be within short driving distance of hub airports and points with a very high per passenger subsidy have been eliminated through eligibility changes over the years. Specifically:

- The 2000 *Department of Transportation and Related Agencies Appropriations Act* made permanent a prohibition enacted in 1990 on subsidies for communities in the contiguous United States within 70 miles of a large or medium hub airport and for communities with a per-passenger subsidy over \$200 unless that community is more than 210 miles from the nearest large or medium hub airport.
- *The Airport and Airway Extension Act of 2011*, Congress prohibited DOT from providing EAS to communities with annual per-passenger subsidies over \$1,000, regardless of their distance from a large or medium hub airport.
- *The FAA Modernization and Reform Act of 2012* amended eligibility criteria to communities who participated in the program between September 30, 2010 and September 30, 2011 and communities with 10 or more enplanements per service day unless it is more than 175 driving miles from the nearest large or medium hub airport or unless the decrease in enplanements is temporary. Additionally, the Act waived the requirement that carriers use aircraft with 15 or more seats.²¹

In addition to amending the eligibility criteria for the EAS program, Congress also created two pilot programs to enhance the flexibility of the program. In the 2003 *Vision 100-Century of Aviation Reauthorization Act*, Congress directed the DOT to develop the Alternate EAS program and the Community Flexibility Pilot Program. Under Alternate EAS, communities can forgo subsidies in exchange for a grant to spend on other transportation options including on-demand air taxi service or on-demand surface transportation. A total of 5 cities are participating in the Alternate EAS Program. The Community Flexibility Program allows communities to obtain a federal grant equal to twice the subsidy that the DOT paid to the EAS carrier in the most recent 12-month period in exchange for foregoing their subsidized EAS for 10 years. To date, one community, Visalia, California, has participated in this program.

Congress has already—and recently—acted to reform the program to ensure connectivity while moderating costs. Meanwhile, EAS communities, like other small communities, have

²¹ Tang, Rachel. 2015. "Essential Air Service". *Congressional Research Service*. R44176.

been challenged to maintain acceptable service due to the pilot shortage, yet have no meaningful control over the reliability of the air service. When EAS service becomes unreliable due to a lack of pilots or any other reason, passengers and the community tend not to patronize the service because of its unreliability. This has the effect of increasing the overall program costs. The DOT, FAA, and Congress should take steps to address the pilot shortage, and give those steps a chance to work, before considering a reduction in funding or eligible communities for the EAS program. Importantly, cutting the EAS program may also exacerbate the pilot shortage as many pilots earn their ATP-required hours as first officers for Part 135 EAS carriers.

Finally, one of the major limitations of the EAS program is that it is structured as a contract between an air carrier and the Department of Transportation and while community comment is an important component of a selection decision, EAS does not currently provide a substantive role for the community or airport during the term of a contract. This is particularly problematic when an air carrier cannot provide an adequate level of service, leaving the community with little or no recourse. When reliability suffers fewer passengers use the service. The resulting erosion of enplanements threatens a community's EAS eligibility. Because communities lack a meaningful voice after selecting a carrier, they bear much of the risk but have little control over what happens with their service. By giving communities a meaningful voice in DOT's selection and monitoring process, the Department can strengthen the Program and grant communities greater influence over decisions related to their air service.

Small Community Air Service Development Program (SCASDP) is an Important and Effective Complement to EAS that Warrants Further Investment

The Small Community Air Service Development Program (SCASDP) began as a pilot program in 2000, authorized under the *Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21)*, P.L. 106-181. While no funds were appropriated in the first year of the pilot program's authorization, Congress provided \$20 million for SCASDP in 2002. The program was made permanent in the *Vision 100-Century of Aviation Reauthorization Act of 2003* (Vision 100) and has been reauthorized through FY 2017. Congress outlined several eligibility criteria in SCASDP's authorizing statute including:

- Communities must be served by an airport not larger than a small hub based on FAA 1997 enplanement data
- Have insufficient air carrier service
- Have unreasonably high air fares
- Are geographically diverse or present unique circumstances

In addition, Congress limited the number of grants that can be allocated in one fiscal year to 40, with no more than 4 grants awarded to the same state (DOT Order 2014-6-17). Also, Congress inserted a provision that limits communities to only trying a specific air service project once. For example, if an airport won a SCASDP grant to incentivize a carrier to provide service to Denver, that community could never receive another SCASDP grant for

service to Denver regardless if the project was successful or not. Finally, Congress outlined 6 statutory priorities for the allocation of grants including:

- Air fares are higher than the average air fares for all communities;
- Local community will provide a portion of the cost of the activity from local sources other than airport revenue;
- The community will establish a public-private partnership to facilitate air carrier service to the public;
- The assistance will provide benefits to a broad segment of the travelling public including business, educational institutions, and other enterprises;
- The grant will be used within 3-years;
- Consolidation of airport service into one regional airport.

An important restriction outlined by Congress is that once a community receives a SCASDP grant, they are prohibited from receiving another grant while their current grant is active, often a period of three years (DOT Order 2014-6-17). Communities with EAS are eligible for SCASDP funding, but only to market the EAS service.

In addition to the statutory priorities outlined by Congress, the DOT Office of Aviation Analysis (OAA) has developed a set of secondary selection criteria including:

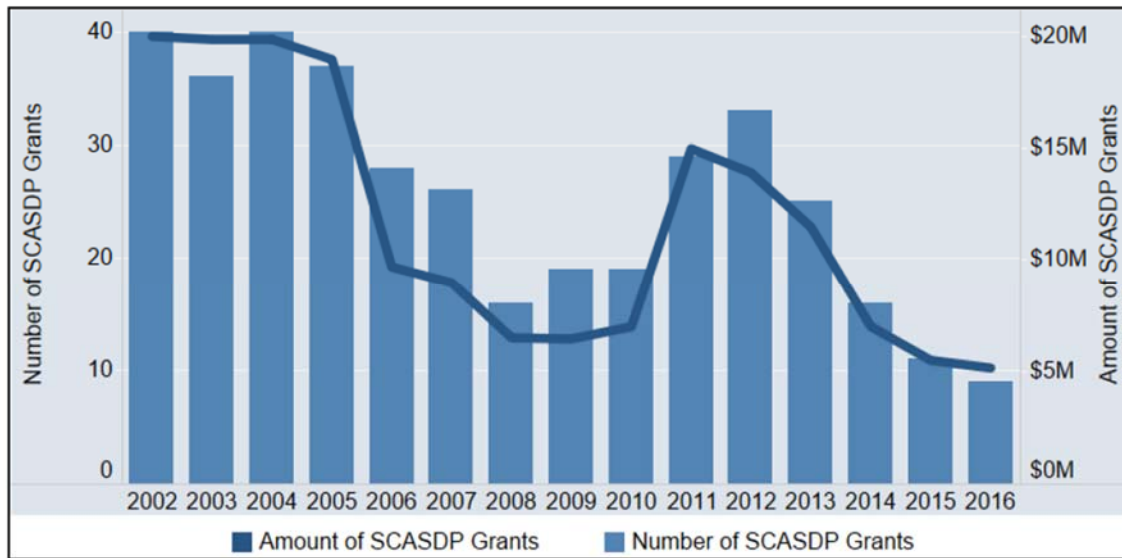
- Developing new and innovative solutions to air transportation issues facing the community including intermodal solutions.
- Whether the project has broad community participation, including support from elected officials.
- The geographic location of the community including considerations of nearby large centers of air service and low-fare alternatives and whether the community's proximity to an existing or prior grant recipient could adversely affect that project.
- Other factors including the ratio of proposed federal funds to community funds and if the community has a letter of support from an airline network planning office in its application.²²

If communities are awarded a SCASDP grant, they enter into a reimbursable agreement with the DOT for the federal portion of total air service project expenses. Importantly, while the DOT allocates funds to communities, there are no guarantees that they will be used. A new route introduced by a carrier may be so successful that it does not require subsidies to achieve the agreed upon profitability margin. Conversely, air carriers may view a route or community as so unprofitable, that it will not enter into an agreement for new service even with millions of dollars in revenue guarantees available. In this case, the unused funds are returned to the DOT and reused for future grant recipients.

Funding for SCASDP has declined precipitously over the past 5 years, as illustrated in Figure 9. Specifically, funding has decreased from roughly \$15M in 2012 to only \$5M in 2016. This decrease in funding has also limited the number of grants awarded to communities, with the DOT awarding only 9 grants in 2016.

²² DOT docket DOT-OST-2016-0037, order soliciting SCASD proposals, March 28, 2016.

Figure 9: SCASDP Funding and Grants Awarded 2002-2016



Source: Bowling Green State University

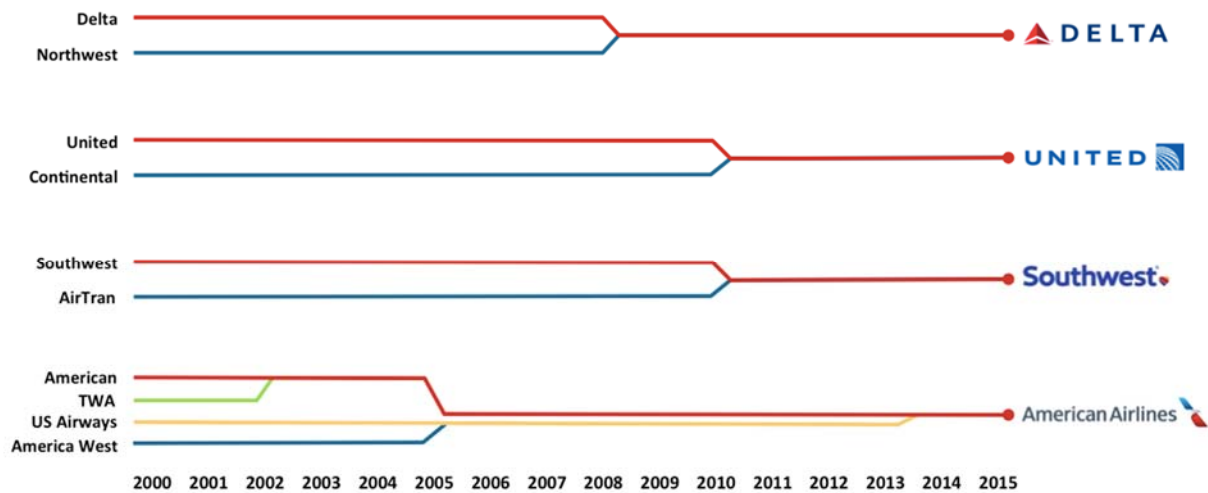
Several recent studies have tried to examine the effectiveness of SCASDP in attracting and retaining air service in small communities. One study from MIT found that SCASDP grants were successful in less than half of the small sample of cases studied.²³ Evaluating the effectiveness of SCASDP grants, particularly those for marketing, is difficult because of the multi-faceted nature of air service development efforts and the multiple factors that determine community support for a particular route. However, as the number of air carriers has decreased due to consolidation (see below), the competition between communities for air service is intense. SCASDP provides an important tool for smaller communities to leverage federal dollars to rally private and local investment to attract or retain air service.

Industry Consolidation Leads to Fewer Options for Smaller Communities

Deregulation of the U.S. airline industry has over time led to dramatic consolidation of major carriers. Figure 10 illustrates the scale of recent consolidation among major network carriers from 2000-2015. The number of major air carriers has decreased from ten to six over the past 15 years. The four largest U.S. carriers (Delta, United, Southwest, and American) today provide 80% of the domestic service. Although the Working Group did not evaluate the specific impacts that consolidation has had on service to small communities, there was general agreement that major airline consolidations resulted in fewer options for small communities looking to attract or retain air service.

²³ Wittman, Michael. 2014. Public Funding of Airport Incentives: The Efficacy of the Small Community Air Service Development Grant (SCASDG) Program. MIT.

Figure 10: Airline Consolidation in the U.S. (2000-2015)



Source: InterVISTAS

Airline Fleet Changes Leave Some Small Communities Behind

Fleet changes at major airlines and their regional airline partners have significantly impacted air service in small communities. The 50-seat regional jet has been a workhorse of small community air service over the past two decades. However, network carriers and their fee for departure regional partners are reducing 50-seat fleets due to the pilot shortage, business related reasons and passenger preference:

- The pilot shortage necessitates airlines use a scarce resource (pilots) to fly as many available seat miles as possible, which means larger, faster aircraft.
- Airlines' desire to up-gauge fleets to equipment with more seats that result in lower load factors because the aircraft is too large for the market, which raises per-mile costs.
- Worsening cost profile of the fleet of 50-seat regional jets as they age
- Passengers' preference for dual class cabin services. This includes passengers flying from small communities.

For these reasons, many 50-seat jets are being retired and replaced with larger 76-seat and 100-seat jets. Figure 11 illustrates the drastic shift in domestic airline fleets between 2011 and 2016. The number of departures using turboprops and 30-50 seat regional jets has decreased drastically while the use of larger 70-seat regional jets has increased by 83% from 2011 to 2016. Note that there is no replacement for turboprops or the 50-seat regional jet being developed by aircraft manufacturers at this time.

Figure 11: Shift in Airline Fleets 2011-2016

AIRCRAFT TYPE	DEPARTURES		
	JUL '16	JUL '11	CHANGE
Turboprop (< 30)	47,149	65,287	(28%)
Turboprop (30-50)	19,610	43,099	(55%)
Turboprop (50+)	12,324	21,828	(44%)
Regional jet (30-50)	117,572	191,163	(38%)
Regional jet (51-70)	40,473	37,423	8%
Regional jet (71-100)	38,286	20,934	83%
Narrow-body (70-125)	79,037	100,013	(21%)
Narrow-body (126-160)	259,311	257,914	1%
Narrow-body (> 160)	151,921	59,838	154%
Total U.S. Domestic	771,390	804,487	(4%)
All Turboprops	79,083	130,214	(39%)
All Regional Jets	196,331	249,520	(21%)
All Narrow-body Jets	490,269	417,765	17%

Source: Mead & Hunt

As carriers upgauge to economize on use of scarce pilots, decrease unit costs or for some other reason, some small communities inevitably are unable to sustain the service because the larger aircraft simply have too many seats for their smaller markets. For the small communities where the upgauging decisions were made and the markets are still fundamentally viable, the upgauging may mean a loss in frequencies, and therefore connectivity. The impact at each airport largely depends on the demand for air travel.

Burdensome Regulations and Inflexible Funding Mechanisms Limit Airport Self-Sufficiency

Regulations and requirements imposed on airports have grown substantially since 2000. There is a need for regulatory relief and empowerment for airports. The airport industry groups of the American Association of Airport Executives (AAAE) along with the Airports Council International – North America (ACI-NA) have demonstrated in their white paper dated March 31, 2017, that the regulatory environment needs to be re-focused to allow airports to be innovative and entrepreneurial²⁴. The Airport Cooperative Research Program (ACRP) Report 90, identified 291 regulatory and compliance actions imposed on airports, of all sizes, over the past decade²⁵. From 2000 to 2010 these newly imposed regulations have cost small community airports nearly \$2 billion. These regulations go far beyond “protecting the public interest” in civil aviation. Tied to the Airport Improvement Program grant funds are 39 grant assurances, with multiple subparts and over 50 other federal laws. This over-arching set of federal laws and obligations have crippled the

²⁴ AAAE and ACI-NA White Paper. Reducing Regulatory Burdens on Airports. 2017.

²⁵ ACRP Report 90: Impact of Regulatory Compliance Costs on Small Airports, 2013

airports' ability to be competitive, innovative, and entrepreneurial. Due to the burden of these regulations the current level of AIP and PFC funding does not meet the financial needs of capital improvement projects.

The FAA is a tremendous force for good when focused on safety. The Working Group, however, recognizes that the role of FAA should be more limited in 1) non-aeronautical land uses; 2) non-airfield facilities; 3) airport contracts and leases; and 4) air service incentives. The Working Group concludes that small community airports would have more success attracting and maintaining air carrier service if they had more latitude in these matters by enabling them to reduce their operating costs and be more competitive.

Recommendations for Maintaining and Improving Air Transportation Service in Small Communities

Using the input provided by stakeholders during the outreach process as well as the expertise of its members, the Working Group developed the following set of recommendations to maintain and improve air service to small communities. The 24 active members of the Working Group achieved consensus on the recommendations below. To ensure an inclusive process, individual members were able to submit dissenting opinions if needed, which are listed in Appendix F of the report. Three were received.

Address the Shortage of Pilots that Threatens the Future of Small Community Air Service

Goal: **Scalable improvement in access to the airline pilot profession so aspiring aviators can become highly competent professional airline pilots**, which will in turn mean there can be enough pilots in the United States to staff the cockpits that serve small community America.

The inadequate supply of qualified pilots poses an existential threat to the future of small community air service in the United States. While not the only reason for today's pilot shortage, the hours requirements of the 2013 "Pilot Certification and Qualification Requirements for Air Carrier Operations" ("FOQ Rule") is a major contributor. However, the **premise of the hours requirements part of FOQ was at least partially incorrect:**

- Regional airline new hire first officer training **"completions decreased from 93.4% in the Pre-Law dataset to 83.6% in the Post-Law dataset, and the Post-Law pilots required significantly more extra training"** (emphasis in the original).²⁶
- According to the Pilot Source Study 2010 airline new-hire first officers with 501-1000 hours required fewer extra training events and training non-completions than any other hours-accumulation category, including those with over 1,500 flight hours. This is to say, the best airline first officer trainees had between 501 and 1,000 flight hours—not more than 1,500 hours.
- Data-driven academic research has proven that quality and structure of training in a pilot's background, rather than a set number of hours, is correlated with pilot proficiency.²⁷
 - Other pilot career tracks work without the hours requirements of FOQ.
 - Note that the US Navy has pilots landing on aircraft carriers at just several hundred hours, flying:
 - Multi-million dollar, supersonic aircraft
 - Combat

²⁶ Bjerke, Elizabeth, et al. 2016. Pilot Source Study 2015: US Regional Airline Pilot Hiring Background Characteristic Changes Consequent to Public Law 111-216 and the FAA First Officer Qualifications Rule. *Journal of Aviation Technology and Engineering*. 5:2: 3-14.

²⁷ Shane, Nancy. The Relationship Of A Pilot's Educational Background, Aeronautical Experience And Recency Of Experience To Performance In Initial Training At A Regional Airline. Ph.D. Dissertation.

- Armed with weapons
- Solo
- Foreign airlines hire and train first officers with as few as 250 hours, including those presently flying to the U.S. These carriers recruit American pilots and further deplete the U.S. pilot supply.
- America's own history between World War II and 2013, 68 years during which first officers could serve based on their commercial pilot's license without the requirements of an ATP certificate.

The important requirement for first officers should be **competency** as measured by quality of training and testing, not simply the amount of flight hours logged.

The hours requirements of FOQ has had numerous adverse impacts:

- Severely constricted and massively elongated the pilot training pipeline, constraining access to the proud profession of commercial airline pilot.
- Reduction or outright loss of air service at smaller communities across America due to lack of pilots; Many communities not yet affected are threatened.
- Aircraft manufacturers are reluctant to begin new development programs for aircraft suitable for small community air service because of uncertainty there will be pilots to fly them, and by extension airlines willing to finance the aircraft acquisition cost.
- US airlines are at a competitive disadvantage when compared to foreign airlines on the same international routes; the foreign carrier does not require its first officer to have an ATP.
- FOQ's prerequisite for massively increased flight hours accumulation *before* becoming an airline pilot perversely mandates that more of an aspiring aviator's formation happen *outside a professional airline environment* (or even outside of a structured training environment). **This is exactly the opposite of what FOQ intended.** The ATP was initially required of commercial airline pilots upgrading to Pilot in Command (Captain). Under this scenario, a pilot would have gained this experience in the professional cockpit. When this requirement is moved to career outset, the options for amassing these hours are sharply limited. No requirement for the quality of those hours is included in the regulation, nor can be reasonably met, since opportunities for pilot professional development through flying are exceedingly scarce in the pre-hire environment.
- Unstructured training by definition has no systematic checks against development of bad habits and unprofessional behavior during the newly mandated hours accumulation.
- Raw accumulation of hours in light training aircraft may not develop cockpit resource management skills, which are invaluable for an airline pilot.

Therefore, the Working Group makes the following recommendations.

Recommendation # 1: Congress should direct the FAA to use its existing authority to reevaluate and increase the amount of hours of credit awarded to academic pathways for the

issuance of a Restricted ATP. Congress should affirm to FAA that “academic” training is not limited to military and aviation degree programs.

This recommendation is supported by data published in the 2010 Pilot Source Study that indicates best airline new hire first officer training and testing performance in the 501-1000 hour range. This recommendation is scalable, maintains safety, and promotes an affordable pathway to becoming an airline pilot in America.

Recommendation #2: Congress should direct the FAA to award substantial hours of credit toward a carrier-specific and type-specific Restricted ATP for first officers based on carrier-specific and aircraft-type-specific training and testing. The carrier and type-specific training and testing should be part of the airline’s FAA approved training program. Congress should affirm to FAA that “academic” training should not be limited to military and aviation degree programs.

The Working Group intends this recommendation to fundamentally re-open the pathway for aspiring commercial pilots to become competent, safe first officers in America and thereby begin their airline pilot career. The purpose of affording this credit toward total flight hours recognizes that academic and other training courses offered by colleges, certificated air carriers, and other qualified providers not limited to the aforementioned, will provide meaningful enhancements to safety. This recommendation is supported by empirical data. In addition to the data discussed above, which demonstrates airline new hire first officer training and testing performance to be best at between 501-1000 hours, the 2015 Pilot Source Study shows that pilots coming through structured, continuous training programs, without interruption, progress through regional airline training more successfully than their counterparts.

Recommendation #3: Develop legislation to increase the borrowing limits for both subsidized and unsubsidized loans for the Federal Student Loan program for students pursuing ATPs/r-ATPs; create a student loan forgiveness program for students pursuing ATPs/r-ATPs; and expand GI Bill reimbursement for veterans pursuing flight training.

This recommendation is designed to make a career as a pilot a more attractive and affordable option for future generations by providing additional options for students to finance the cost of obtaining a bachelor’s degree with the appropriate flight training leading to an ATP/r-ATP (often over \$150,000). Specifically, this recommendation would increase both the lifetime cap (currently capped at \$57,500 for independent undergraduate students) and the maximum subsidized loan cap (currently \$23,000 for independent undergraduate students). The Working Group recommends increasing these caps to the current limits for professional degrees, which are \$138,000 and \$65,500 respectively, and indexing them to inflation.

Also, the working group recommends Congress allow graduates pursuing an ATP/r-ATP by serving as a flight instructor as part of a career pipeline program to defer student loan payments until they are hired by a Part 121 or Part 135 carrier. Additionally, the Working

Group recommends that Congress create a program(s) similar to the Public Sector Forgiveness Program (PSLF), Teacher Loan Forgiveness, or Perkins Loan Cancellation for Teachers where graduates who work for a Part 121 or Part 135 certificated air carrier as an airline pilot for a total of 5 years would have the remaining balance of their student loans forgiven if they make 60 consecutive on-time payments.

Essential Air Service (EAS) is the Backbone of Small Community Air Service and Must Be Fully Funded and Optimized

The Working Group concludes that the EAS program is the backbone of small community air service in the United States and must be maintained and optimized. It is vital that Congress enhances and fully funds the EAS program. Many of the perceived inefficiencies in the EAS program are symptoms of larger issues, especially the shortage of qualified pilots. Therefore, the DOT, FAA, and Congress should take urgent steps to address the pilot shortage to improve the EAS program. Additionally, the Working Group concludes many of the eligibility requirements on the EAS program are overly restrictive, prevent communities with legitimate air service needs from accessing air service, and do not take into account the seasonality of service in many communities. Finally, the Working Group believes it is essential to enhance the decision-making role for communities in the EAS program.

Recommendation #1: Fully and predictably fund EAS, the backbone of support for small community air service in America, while encouraging the Secretary of Transportation to review and enforce existing statutory requirements to improve the overall efficiency of the program. The DOT, FAA, and Congress should take steps to address the pilot shortage, and give those steps a chance to work before making wholesale changes to the EAS program.

Recommendation #2: Direct the Secretary of Transportation to develop and implement an EAS Community Bill of Rights that empowers the chief elected official of each EAS community to lodge with DOT a "vote of no confidence" if the community has substantiated data indicating unacceptable operational performance. A vote of no confidence would require the DOT within 2 months to review the operational performance of the EAS service in question. If DOT determines that the operational performance of the EAS service in question is inadequate, DOT may terminate the contract and rebid the service.

Recommendation #3: Following the creation of the Bill of Rights outlined above, direct the Secretary to select a "fresh" start date for the enforcement of all termination orders. Then direct the Secretary to enforce existing program criteria where it may improve the overall health and accountability of the EAS Program.

Recommendation #4: Allow airports eligible for EAS before the 2012 eligibility requirement change, to participate in an Alternative EAS Program whereby the communities are vested through a local/state match of funding. This recommendations is intended to help markets that exited the subsidized EAS program prior to 2012 on the merits of economically self-sustaining service but that subsequently lost all unsubsidized service after 2013.

Recommendation #5: Congress should request the DOT to convene a separate working group to review the list of eligible EAS Markets. Congress should update original community order determinations that specify levels of service to include a minimum service definition to account for day of week and seasonality by updating service goals to a total number of departures/seats in a year.

Small Community Air Service Development Program (SCASDP) is an Important and Effective Complement to EAS that Warrants Further Investment

The Working Group concludes that SCASDP is important in ensuring air service in small communities and warrants further investment by Congress. Additionally, the Working Group concludes many of the programmatic restrictions imposed by Congress around SCASDP, including the static indexing to 1997 enplanement levels and the prohibition on receiving a grant for the same project, are overly prescriptive and may limit the success of the program. Finally, the Working Group suggests FAA and DOT revisit the restrictions on airport officials collaborating with or directing community air service development efforts.

Recommendation #1: Restore the authorization for Small Community Air Service Development Program to 2002 levels (\$20M), plus additional dedicated funds for program administration to allow the program to operate with a regular and predictable annual funding schedule.

The Working Group recommends Congress invest \$20M annually in SCASDP to enhance the number of communities that can access funds to supplement their community air service development efforts. SCASDP receives many more applications from small communities than it can fund given its \$5M appropriation received in recent years. The Working Group also recommends Congress grant DOT an additional appropriation to invest in program administration to assist in the administration and evaluation of SCASDP to better target future grants.

Recommendation #2: Revise 49 U.S.C. 41743(c) to create two separate competitions for applicants (small-hubs on the one hand and non-hubs or smaller on the other) to ensure the smallest communities have a fair chance at being selected for a grant.

The Working Group proposes Congress create two applicant pools within SCASDP to allow funds to be directed towards communities with the most pressing air service needs. Specifically, the Working Group suggests Congress creates small-hub and non-hub and smaller classifications within SCASDP. The specific allocation of funds among the small-hubs and non-hubs and smaller would be at the discretion of the DOT based on the number of applications received in each classification.

Recommendation #3: Revise 49 U.S.C. 41743(c) to allow communities to apply for SCASDP funding for the same project if 3 years have passed since the project was awarded or closed out.

A major limitation of SCASDP is that once a community has received an award to pursue air service to a particular destination, it is ineligible to apply for service to that same city in future years. This is problematic for smaller communities that have lost service on previously successful SCASDP-supported routes due to factors outside their control such as the pilot shortage, consolidation, fleet changes, etc. The Working Group recommends Congress revise the statutory language to allow communities to apply for a SCASDP grant to support service to a previously awarded destination if that service no longer exists or if 3-years have elapsed since the initial project award or project closeout.

Recommendation #4: Direct the FAA and DOT to use existing authority to remove the prohibition in the FAA's Revenue Use Policy against small community airport sponsors' staff participating in, organizing and coordinating community air service incentive initiatives.

The FAA Revenue Use Policy prohibits airport officials from coordinating and being directly involved in community funded air service development efforts. Specifically, many Chambers of Commerce, Economic Development Corporations (EDC), Convention and Visitor Bureaus (CVB), and local businesses often work together to develop funds for minimum revenue guarantees, marketing funding, and start-up cost offsets to reduce the risk to carriers to start air service. Under the FAA's Revenue Use Policy, airport managers, who often have specific expertise to inform these community efforts, are prohibited from consulting with or helping to coordinate these efforts. The Working Group concludes allowing the airport staff to assist directly in community air service efforts could improve the effectiveness of these efforts.

Incentivize Aircraft Manufacturers to Produce Aircraft to Serve Smaller Communities

The Working Group concludes that Congress should take action to incentivize aircraft manufacturers to produce aircraft that are right-sized to serve small communities. Because of the severity of the pilot shortage, producing aircraft that serve small communities is viewed by manufacturers as a risky investment.

Recommendation #1: Congress should pass legislation to create federal tax incentives (or R&D funding) to spur aircraft manufacturers to produce 9 to 50 seat airliners designed for the needs of connecting small-community America to the national air transportation system.

Airlines balance three key inputs: travel demand, pilots and aircraft. There are few if any aircraft currently in production that would be optimal for small community air service in America. The Beech 1900, once the backbone of the EAS program, went out of production in 2001. In the 30-seat class, the Dash 8-100, EMB-120 and Saab 340 all went out of production between 2001 and 2003. As a result, each day the 19-30 seat fleet ages, it becomes increasingly more expensive to maintain, while approaching service life limits. There are no airframe programs on the horizon to fill the 19-30-seat aircraft gap. To maintain air transportation service to small communities the fleet of regional aircraft needs to be recapitalized. New regional airliners of between 9 and 50 seats will be needed to match smaller markets' demand, while maintaining frequency. Progress on resolving the

nationwide pilot shortage, per the recommendations above, will also improve manufacturers' view of the 9-50 seat market.

Provide Airports with Regulatory Flexibility to Better Manage Infrastructure Investments

Recommendation #1: Direct the Secretary of Transportation to prohibit the FAA and other federally authorized entities from placing unfunded safety or security mandates upon public use airports. Any new regulations and requirements must be accompanied by funding or a waiver process.

Through the modern era, federal, state, and local governments have continually increased regulatory requirements at U.S. airports. Meeting them has raised costs. This is a growing concern for small hub and non-hub airports that have limited staff and financial resources with which to fulfill their compliance responsibilities. For many small hub and non-hub airports, lower passenger enplanements limit their ability to raise revenue or cut costs significantly to make up for the costs of increased requirements. With budgets already stretched by operating costs and capital expenditures, many small hub and non-hub airports are struggling to absorb compliance costs associated with the cumulative requirements. While government agencies provide some funding for new regulatory initiatives, many costs attributed to ongoing compliance remain unfunded.

From 2000 through the end of 2010 a total of 291 regulatory and compliance actions related to FAA/DOT, environmental, security, and occupational safety and health requirements were issued. Put another way, the federal agencies adopted new requirements at a rate equivalent to one requirement every 2 weeks during the study period. Many new requirements, while well intentioned, add ongoing costs to airports by specifying periodic updates, inspections, and monitoring.

Figure 12: Summary of Compliance Costs for Small Airports

Table ES-4. Summary of compliance costs for the small airport industry.

Compliance Category	Total Cost (\$ Millions) ¹
FAA/DOT	\$1,459.5
Security	\$610.8
Environmental	\$90.2
Occupational Safety and Health	\$11.7
Total Compliance Costs	\$2,172.2

¹ Includes initial and recurring costs where applicable

Source: ACRP Report 90.

Recommendation #2: Allow U.S. Airports the ability to simplify National Environmental Policy Act (NEPA) requirements with respect to a project as long as the relevant airport meets the environmental requirements of the state government. This would apply only to projects that would generate non-aeronautical revenue for the airport.

In many cases the FAA can make the categorical exclusion (CATEX) determination without the airport's participation resulting in tens of thousands of dollars saved, funds which instead can be used for the structural components of the projects requiring study. Presently, for small communities and their airports a significant amount of airport funds accompanied by AIP grants go towards hiring a consultant to complete research and application requirements. These funds could be better utilized at small airports in brick and mortar rather than the costs and overhead of consultant work to satisfy NEPA requirements.

Proposed projects qualifying for an Environmental Impact Statement (EIS) are generally limited at small airports primarily based on the level of operations and need for new or updated facilities. The higher percentage of airports participating in Environmental Assessments (EAs) rather than participating in CATEXs is not consistent with the overwhelmingly high percentage of FAA actions affecting airports qualifying for a CATEX. The most likely explanation is that in many cases, the FAA can make the CATEX determination without the airport's participation, thus freeing up AIP funds for the actual project.

Improve the Airport Improvement Program (AIP) by Improving Flexibility for Smaller Communities

Recommendation #1: For AIP funding, allow a pro-rata funding model that support markets on a per passenger ratio for airports with commercial air service or to be structured for small and non-primary airports based upon a weighted quarterly average of passengers' use of the terminal building.

Many small airports have strong seasonality in their passenger enplanement numbers which makes it difficult for entitlement funding categorization. Therefore, small communities with unusual seasonality should be allowed to have their enplanement data considered based on their strongest quarter, not necessarily an annual average.

Recommendation #2: Allow airport operational funding under a new, grant based, program separate from Capital expenditures or air service development.

Non-primary, commercial service airports have increased financial operating burdens due to compliance with FAR Part 139. Adhering to the regulations pertaining to snow removal, firefighting, law enforcement, wildlife hazards, safety management systems and security items have placed a strain on small airport operating budgets. A new, separate grant program should be established for these airports to draw upon, to not be dependent on their jurisdiction or sponsor.

Recommendation #3: Change the AIP funding scale to a linear scale from 2,500 enplanements to 10,000, to eliminate the funding cliff at 10,000 enplanements, which as currently constructed increases AIP entitlement from \$150,000 per year to \$1,000,000 based on just a 10,000th passenger enplanement in a calendar year.

This recommendation eliminates a significant and seemingly arbitrary funding cliff for smaller airports. Airports that enplane 9,999 passengers in a year have nearly identical costs as one that enplanes 10,000, yet the AIP funding increases by 6.66 times at 10,000 enplanements. This funding cliff creates unduly powerful and potentially unhealthy incentives for communities to hit 10,000 passengers.

Recommendation #4: Non-hub and non-primary airport AIP local match should be reduced from 10% to 5%.

Due to the overall limited budgets at small airports, the Working Group recommends that all AIP-eligible projects be funded at the 95% level by the FAA.

Recommendation #5: The Secretary of Transportation should direct the FAA to be more flexible allowing the FAA to utilize a review or waiver process for safety or operational issues or equipment specific to airports operations that may not be AIP eligible.

Many small airports have faced significant hurdles in procuring equipment for their airport operations. Congress should allow local flexibility when purchasing decisions are made for purchases of equipment, such as but not limited to AWOS, on non-primary commercial service airports.

Consider the Impact of Larger Aviation Funding Initiatives on Smaller Communities

Recommendation #1: Recommend the Secretary consider the impact on small airports of an uncapped PFC Fee on connecting passengers, particularly those who are making more than one domestic connection (e.g. more than two connections) from small communities. If Congress increases the PFC cap, the Working Group recommends maintaining a cap for transferring passengers from small hub, non-hub, or non-primary airports traveling through large and medium hub airports.

The Working Group recommends a consideration of a cap on Passenger Facility Charges (PFCs) at connecting airports for transfer passengers from a small hub or non-primary airport. Local, origin and destination (O&D), PFCs are reasonable, approved, and used locally by airports to build and upgrade runways, terminals and other facilities. Furthermore, PFCs provide a path for many airports to reduce their needs for Airport Improvement Program funds by participating in the locally funded PFC program. However, total customer charges at non-hub and small hub airports could be negatively impacted by an unlimited PFC at transferring airports where the associated charges are not controlled by the local airport. The total customer charges (parking, ticket prices, baggage fees, PFCs etc.) at non-hub and small hub airports are a significant factor when customers make their decisions to fly from the local airport or drive.

Examples of Public Private Partnerships Successful in Attracting and Retaining Air Service in Small Communities

Section 2303 directed the Working Group to identify innovative State or local efforts that have established public-private partnerships that are successful in attracting and retaining air transportation service in small communities. Fortunately, there are a plethora of existing resources that document successful examples of public private partnerships and best practices in air service development in small communities. The Working Group references the following reports produced as part of the Airport Cooperative Research Program (ACRP):

- ACRP Report 142: Effects of Airline Industry Changes on Small and Non-Hub Airports
- ACRP Synthesis 68: Strategies for Maintaining Air Service
- ACRP Report 18: Passenger Air Service Development Techniques

The Working Group used these reports and examples from members to list successful public private partnerships. This list is illustrative, not exhaustive.

Hector International Airport, Fargo, ND

Hector International Airport (FAR) is a small-hub airport in Fargo, ND that has been successful in growing its air service over the past decade. FAR's air service development strategy has focused on collaboration and coordination, among the airport, the economic development corporation (EDC), the Convention and Visitors Bureau (CVB) and the Chamber of Commerce. The EDC, CVB, Chamber, and airport share board members, which helps to foster effective communication regarding ASD efforts. The EDC and CVB have also contributed funds as match for SCASDP grants for successful air service development efforts. The airport manager and the airport's consultant routinely travel to local Chamber and service organization meetings to educate and update the community on air service efforts.

Charles Schultz Airport, Sonoma, CA

Charles Schultz Airport (STS) is a non-hub airport in Santa Rosa, CA that has been a success story in community involvement and air service development. In 2002, the Sonoma County Board of Supervisors created the Airline Attraction Committee (AAC) to lure service to STS, which at the time did not have scheduled commercial service. The AAC is comprised of representatives from the Board of Supervisors, local businesses, the Sonoma County Tourism Bureau, and the Santa Rosa Chamber of Commerce. In late 2004, the AAC leveraged \$500,000 in travel bank commitments from local businesses to secure a \$635,000 SCASDP grant that led Alaska Airlines to announce in 2006 its subsidiary Horizon Air would begin service to Los Angeles (LAX) and Seattle (SEA). In 2017, STS announced additional service on United Airlines to San Francisco (SFO) and American Airlines to Phoenix (PHX).

Bozeman Yellowstone International Airport, Bozeman, MT

Air Service Development at Bozeman Yellowstone Int'l Airport (BZN) includes partnerships between Big Sky Area Ski Resorts, the Yellowstone Club and the Bozeman Chamber of Commerce utilizing a detailed plan of attracting service to new destinations and additional airlines. The focus of the group is to mitigate risk (through short term revenue guarantees), waived landing fees and/or comprehensive marketing programs that include advertising investments by state, regional and local tourism entities to encourage new service initially on a seasonal basis and then organically grow the service to year round (when possible). Over the past decade, BZN has increased passenger enplanements from 317,000 to over 554,000, non-stop destinations from seven to fifteen and year-round destinations from four to eight. Only two of the new destinations have required minimum revenue guarantees (in conjunction with SCADSP grants) to obtain service (Newark, Dallas/Ft. Worth) and only one of those to date has actually had to expend any funds (Newark). Newark has been self-sustaining for several years and also generated interest by United in serving Houston (successful and without guarantees) and by Delta to serve New York LaGuardia (also successful and without guarantees).

Wyoming Air Service Enhancement Program

In 2003, the Wyoming State Legislature found that "an adequate and comprehensive system of air service in Wyoming is vital for economic development within Wyoming", and passed Senate File 120 appropriating money to the Wyoming Air Service Enhancement Program (ASEP). Today, the ASEP is one of the few state enabled programs focused on enhancing commercial air service. Since the ASEP's inception, all of Wyoming's communities with commercial airports have participated in the program with over \$29 million being granted in Minimum Revenue Guarantees (MRG) and marketing support to date. The ASEP provides a competitive advantage to Wyoming's commercial airports; in the past three (3) years, amid the issues facing small communities in attracting and sustaining air service, the ASEP has been able to help Wyoming airports mitigate some of these threats through funding assistance. Additionally, the ASEP has assisted several other Wyoming airports to grow and expand their air service.

EAS at Pittsburgh International Airport

Pittsburgh's regional air service portfolio has grown dramatically in the last several years. Pittsburgh, Pennsylvania's second largest city, is now connected to smaller communities in Pennsylvania, New York, West Virginia and Maryland with high frequency air service. These routes provide an efficient means of travel to and from Pittsburgh for business, especially for the many energy and natural gas companies that operate within the region and maintain regional offices in Pittsburgh. Additionally, residents of these communities can seamlessly connect through Pittsburgh to over 65 nonstop destinations on 16 carriers. Through a public-private partnership, Southern Airways Express has quickly expanded to ten markets, including the resumption of service to Harrisburg, Pennsylvania's state capitol, after nearly a decade without nonstop flights. Through the Department of Transportation's Essential Air Service (EAS) program, Southern is given a subsidy in order to profitably operate this service, with the exception of Harrisburg which is flown at-risk with no federal subsidy. Federal funds for the EAS program are generated in part from the collection of overflight fees of foreign aircraft through U.S. airspace. To maximize

awareness and use of this service, the Commonwealth of Pennsylvania and the Allegheny County Airport Authority, operator of Pittsburgh International Airport, have provided funds that supplement marketing efforts by Southern Airways Express primarily in the smaller communities. Additionally, the Pittsburgh International Airport, Southern Airways, and the regional markets serving Pittsburgh hold quarterly meetings to exchange marketing ideas, discuss ways to improve the service, and to ensure a collective strategy to maximize enplanements. The partnership program is growing, with over 30,000 passengers carried on Southern Airways through Pittsburgh in 2016.

Appendix A: Summary of Outreach Efforts

Section 2303 of P.L. 114-190 directed the working group to consult with the following groups:

- Interested governors
- Representatives of State and local agencies, and other officials and groups, representing rural States and other rural areas;
- Other representatives of relevant State and local agencies; and
- Members of the public with experience in aviation safety, pilot training, economic development, and related issues.

Additionally, the statute directs the Working Group to include a summary of the views expressed by the participants in the outreach effort in the final report to the Secretary of Transportation.

The working group used the language of the statute to formulate an online survey in order to reach a larger audience and engage a broader conversation about air service and small communities. Qualtrics™ online survey software was utilized under the site license of the University of North Dakota (UND). Montana Transportation Director, Michael Tooley forwarded the survey to the National Association of State Aviation Officials (NASAO) as a means of increased outreach with their membership.

One hundred and two (102) unique responses were received in a two-week period. These open-ended (qualitative) responses were then divided into themes or categories used for discussion by the working group members at their meetings. The breakdown of respondents was primarily airport operators (55%), government agencies (19%), airlines (17%), consumers (5%) and consultants (5%). The responses reported below characterize the raw feedback received from the survey respondents, and does not always reflect the consensus and recommendations of the Working Group.

Question 1 asked the respondents to identify 2-3 current obstacles to **attracting** and **maintaining** air transportation to small communities. The two main categories are categorized as: a) issues with air carriers, and b) financial obstacles for the airport.

a) Issues with air carrier service in small communities:

- Availability of qualified pilots for hire by the regional airlines;
- Imposition of the 2013 First Officer Qualification (FOQ) rules for FAR Part 135 and FAR Part 121 air carrier operations;
- Reasonable and reliable air carrier service for small communities;
- Right-sized aircraft (19-40 seats); the regional jet is not appropriately sized for all markets;
- General lack of qualified employees for TSA and airline staffing at the small communities;
- General lack of interline agreements for baggage transfer and through ticketing for small air carriers;

- Airline consolidation has led to closure of multiple small hubs that were critical to small communities; examples being Memphis, Cleveland, and Cincinnati.
- b) Financial barriers for airports serving small communities (EAS and non EAS) with air service:
 - The overall availability of appropriate air navigation (approaches) and weather equipment (ASOS/AWOS);
 - Runway lengths required for regional jet service;
 - Cost of maintaining FAR Part 139 airport compliance certificate (Aircraft Rescue Fire Fighting equipment, Snow Removal Equipment and staffing, Law Enforcement Officer requirements);
 - The Entitlement funding gaps that exist within Airport Improvement Program (AIP) funds tied to the National Plan of Integrated Airports System airport categorizations.
 - o General Aviation (no air service) = \$150,000
 - o Commercial Service Airports (2500- 9999 passengers) = \$150,000
 - o Primary Non Hub Airports (10,000+ passengers) = \$1,000,000+
 - The Essential Air Service (EAS) program is not tied to inflation—Consumer Price Index.

Question 2 asked the 102 respondents to share 2-3 recommendations for **maintaining and improving** air transportation to small communities. The general theme that emerged in these answers centered on regulatory issues, and can be subdivided between air carrier and airport regulations.

- a) Air Carrier Regulations:
 - Revise or create alternative pathways to the current Air Transport Pilot/Restricted-ATP requirements;
 - Encourage or incentivize aircraft manufacturers to produce 19-49 seat aircraft to allow airlines to right size the aircraft for the market;
 - Encourage interline agreements for EAS carriers;
 - Fund a strong EAS program, which functions to some degree as a pipeline for pilots entering the airline career path.
- b) Airport Regulations:
 - Revise NPIAS categories and/or the AIP funding categories. Commercial service airports currently receive the same funding level as GA airports, yet have to certify under FAR Part 139 which can be a financial burden for many small airports;
 - Increase frequency of Essential Air Service minimum flights to 3 per day, an inflection point for passenger convenience
 - Review the Small Community Air Service Development Program (SCASDP) guidance and increase the funding

Appendix B: Section 2303 of P.L. 114-190

SEC. 2303 Working group on improving air service to small communities

(a) In general.—Not later than 120 days after the date of enactment of this Act, the Secretary of Transportation shall establish a working group—

- (1) to identify obstacles to attracting and maintaining air transportation service to and from small communities; and
- (2) to develop recommendations for maintaining and improving air transportation service to and from small communities.

(b) Outreach.—In carrying out subsection (a), the working group shall consult with—

- (1) interested Governors;
- (2) representatives of State and local agencies, and other officials and groups, representing rural States and other rural areas;
- (3) other representatives of relevant State and local agencies; and
- (4) members of the public with experience in aviation safety, pilot training, economic development, and related issues.

(c) Considerations.—In carrying out subsection (a), the working group shall—

- (1) consider whether funding for, and the terms of, current or potential new programs are sufficient to help ensure continuation of or improvement to air transportation service to small communities, including the essential air service program and the small community air service development program;
- (2) identify initiatives to help support pilot training and aviation safety to maintain air transportation service to small communities;
- (3) consider whether Federal funding for airports serving small communities, including airports that have lost air transportation services or had decreased enplanements in recent years, is adequate to ensure that small communities have access to quality, affordable air transportation service;
- (4) identify innovative State or local efforts that have established public-private partnerships that are successful in attracting and retaining air transportation service in small communities; and
- (5) consider such other issues as the Secretary considers appropriate.

(d) Composition.—

- (1) IN GENERAL.—The working group shall be facilitated through the Secretary or the Secretary's designee.
- (2) MEMBERSHIP.—Members of the working group shall be appointed by the Secretary and shall include representatives of—
 - (A) State and local government, including State and local aviation officials;
 - (B) State Governors;
 - (C) aviation safety experts;
 - (D) economic development officials; and
 - (E) the traveling public from small communities.

(e) Report and recommendations.—Not later than 1 year after the date of enactment of this Act, the Secretary shall submit to the appropriate committees of Congress a report, including—

- (1) a summary of the views expressed by the participants in the outreach under subsection (b);
- (2) a description of the working group's findings, including the identification of any areas of general consensus among the non-Federal participants in the outreach under subsection (b); and
- (3) any recommendations for legislative or regulatory action that would assist in maintaining and improving air transportation service to and from small communities.

Appendix C: Working Group on Improving Air Service to Small Communities Member List

Mr. **Andrew Bonney (Chairman)**, Senior Vice President of Planning, Cape Air

Mr. **Joshua Abramson (Vice Chairman)**, Airport Director, Easterwood Airport, College Station, Texas

Mr. **Timothy Bradshaw**, Roanoke-Blacksburg Regional Airport, Roanoke, Virginia

Mr. **Bryan Dietz**, Vice President, Air Service Development at Allegheny County Airport Authority

Mr. **Jack Dokken**, Program Manager, South Dakota Department of Transportation, Office of Aeronautics

Mr. **Toby Fauver**, Deputy Secretary for Multimodal Transportation, Pennsylvania Dept. of Transportation

Mr. **Barry Griffith**, Manager/Airport Director, Northwest Alabama Regional Airport, Muscle Shoals, Alabama

Ms. **Laurie Gill**, Mayor of Pierre, South Dakota

Dr. **Kim Kenville**, Professor, John D. Odegard School of Aerospace Sciences, University of North Dakota

Mr. **Doug Kimmel**, Airport Director, Veterans Airport of Southern Illinois, Marion, Illinois

Mr. **Brian Kinsey**, Assistant Director, Marketing and Business Development, St. Louis-Lambert International Airport, St. Louis, Missouri

Mr. **Stan Little**, Chairman and CEO, Southern Airways Express

Ms. **Faye Malarkey Black**, President, Regional Airline Association (RAA)

Mr. **Richard B. McQueen**, President & CEO, Akron/Canton Regional Airport, Ohio

Dr. **Russell W. Mills**, Research Fellow, Center for Regional Development, Associate Professor Political Science, Bowling Green State University

Mr. **Mike Mooney**, Air Service Consultant, Volaire Aviation Consulting

Mr. **Stephen Morrissey**, Vice President, Regulatory and Policy Affairs, United Airlines

Mr. **Patrick Murphy**, former Deputy Assistant Secretary of Aviation and International Affairs, U.S. Department of Transportation

Mr. **Paul Ryder**, Resource Coordinator, Air Line Pilots Association (ALPA)

Mr. **Brian Sowa**, Executive Director, Rural Air Service Alliance, Inc. (Note: appointed but did not participate)

Mr. **Brian Sprenger**, Airport Director, Bozeman Yellowstone International Airport, Montana

Mr. **William S. "Bill" Swelbar**, Executive Vice President, InterVISTAS Consulting and Executive Director Regional Air Service Alliance

Ms. **Sheri Taylor**, Air Service Development Program Manager at Wyoming Department of Transportation Aeronautics Division

Mr. **Mike Thompson**, COO, SkyWest Airlines

Mr. **Michael Tooley**, Director, Montana Department of Transportation

Subject Matter Experts (SME)

Mr. **Rob Burke**, Manager, Air Carrier Training Systems & Voluntary Safety Programs Branch, Federal Aviation Administration (FAA)

Ms. **Barbara Adams**, Analyst, Flight Standards Service - Air Carrier Training Systems and Voluntary Safety Programs Branch, Federal Aviation Administration (FAA)

Appendix D: Meetings of the Working Group

Date	Location	Topics Discussed
January 25, 2017	Washington D.C.	Select chairman and vice-chairman of the working group. Review statutory requirements and set mission of the group. Identify future meetings and topics to be discussed.
February 14, 2017	Las Vegas, NV	Identify initiatives to help support pilot training and aviation safety to maintain air transportation service to small communities.
March 7, 2017	Denver, CO	Consider whether funding for, and the terms of, current or potential new programs are sufficient to help ensure continuation of or improvement to air transportation service to small communities, including the essential air service program and the small community air service development program Consider whether Federal funding for airports serving small communities, including airports that have lost air transportation services or had decreased enplanements in recent years, is adequate to ensure that small communities have access to quality, affordable air transportation service. Identify innovative State or local efforts that have established public-private partnerships that are successful in attracting and retaining air transportation service in small communities.
March 28, 2017	Washington, DC	Review Draft Final Report, review and integrate input from outside stakeholders and confirm the draft report captured the intent of the Working Group.

Appendix E: Acronyms Used in this Report

ACRP – Airport Cooperative Research Program
AIP – Airport Improvement Program
ASD- Air Service Development
ASEP – Air Service Enhancement Program
ASOS – Automatic Surface Observing System
ATP – Airline Transport Pilot
AWOS – Automatic Weather Observing System
CRJ – Canadair Regional Jet
DOT – Department of Transportation
EAS – Essential Air Service
FAA – Federal Aviation Administration
FAR – Federal Aviation Regulation
FOQ – First Officer Qualifications
FTE – Full Time Equivalent
GA – General Aviation
GI – Government Issued
MRG – Minimum Revenue Guarantee
NASAO – National Association of State Aviation Officials
NEPA – National Environmental Policy Act
NPIAS – National Plan of Integrated Airport System (NH/SH/MH/LH – non hub, small hub, medium hub, large hub)
NTSB – National Transportation Safety Board
PFC – Passenger Facility Charge
r-ATP – Restricted Airline Transport Pilot
RJ – Regional Jet
SCASDP – Small Community Air Service Development Program
TSA – Transportation Security Administration
UND – University of North Dakota

Appendix F: Dissents of Working Group Members

Dissent of Patrick V. Murphy, Jr.

Supported by: Brian Sprenger

Our Report does not address the fundamental problem affecting the Essential Air Serves Program (EAS). The Report correctly describes EAS as the backbone of small community air service. Unfortunately, this crucial program has grown inefficient and subsidy funds are rising significantly.

I was deeply involved with the design of the EAS program while working at the Civil Aeronautics Board in 1978. EAS was a key part of the package leading to airline deregulation. I assembled the EAS staff and supervised the program for its first decade. The program was created to guarantee air service for only ten years to any community that might lose all its airline flights because of the restructuring caused by deregulation. The concept was based on the use of 14-19 seat turboprop aircraft that were then populating the emerging commuter airline industry.

Those aircraft are no longer flying in large numbers. Consequently their efficient economies have been lost. Furthermore, the economic forces affecting the demand for air service at many small communities have changed dramatically. And, of course, the overall airline industry is very different today. Consequently, subsidy costs have risen sharply in recent years--far beyond anything envisioned. Subsidy has jumped from \$50 million per year in 2000 to over \$250 million today, with no appreciable increase or improvement in service. This fivefold increase has provided more ammunition for critics who label the program as a prime example of government waste and call for its termination. The President has joined those calling for an end to the program with his initial budget request.

The critics are correct. There are too many small communities receiving federal funds for flights when superior service is available only 45 to 90 minutes away. Too many EAS flights are far less than half full. At too many communities 90 percent of local passengers do not use the subsidized flights, but drive to nearby airports where superior service is provided, often by low fare airlines. Certain communities have made clear by their own travel choices that subsidy is no longer justified. Unless the 39 year old EAS program is revised, all communities in the program-- whether deserving or not--are at risk.

I recommend that Congress direct the GAO or DOT to prepare an analysis of every subsidized community to determine which should be deleted from the program, which should have service reduced and which should have service increased. Congress can then decide how to reshape the program. While this review is underway, DOT should be directed to enforce the very modest traffic and subsidy performance standards currently in the law for each community. DOT has not seen fit to enforce these standards, even though their implementation could save millions of dollars while impacting only a handful of communities.

Until these difficult kinds of steps are taken, the EAS program will remain a prime example of government waste, and all small community subsidy will be at risk. Furthermore, subsidy levels will certainly continue to escalate, since aircraft and crew costs are now rising rapidly. On the other hand, if reforms are made, there are more than sufficient funds in the program to maintain, and even improve, service to deserving communities.

Dissent of Brian Kinsey
Supported by Bryan Dietz and Richard McQueen

We respectfully disagree with the recommendation that if Congress increases the PFC cap, it should maintain a cap for transferring passengers from small airports travelling through large and medium hubs.

An increase in the statutory PFC cap to help fund much needed airport safety, security, and capacity infrastructure projects should not negatively impact air service at small (and larger²⁸) airports that rely on larger hub airports for connections to airline networks. First, just because the statutory PFC cap is increased or eliminated does not mean that airports, particularly large and medium hub airports that serve connecting passenger, will increase the PFCs they charge. Hub airports compete with each other for air service and passengers. If a hub airport were to raise its costs too high, it would lose connecting passengers to other hubs with which it competes for traffic. And for hub airports, losing a passenger is more than just losing the PFC income from that passenger; it also means losing valuable concession revenue and, ultimately, risking the reduction or loss of airline service.

Second, while PFCs are included in the ticket prices, it does not mean that higher PFCs result in higher ticket prices. Airlines compete with each other, and price their tickets pragmatically, based on what the market will bear and not on the costs of operating in a particular market. A higher or lower PFC at any particular airport does not mean a correspondingly higher or lower ticket price. This was most vividly demonstrated in 2011 when the Federal Aviation Administration budget authority expired and with it, also the authority for airlines to collect excise taxes on tickets. From July 22 until August 7 of that year, the airlines did not collect excise taxes. But, for the most part, ticket prices did not change. Instead, as it was widely reported at the time,²⁹ most airlines simply raised the “air fare” component of the ticket price by roughly the same amount that they would have remitted to the federal government had the excise taxes not expired, which reportedly amounted to \$37 on a typical \$400 domestic roundtrip ticket.³⁰ In other words, the market price of tickets did not change; the airlines continued charging what the market would bear and pocketed the tax savings. As airlines compete with each other, through different hubs, the prices they charge for tickets are a function of the other choices passengers have, not the level of PFCs or operating costs³¹ at different airports.

Lastly, increasing or eliminating the PFC cap would directly benefit passengers at smaller airports. Providing new funding resources would allow connecting hub airports that are currently space constrained to build new essential facilities, including new gates, which, in turn, should lead to more and more reliable air service to a wider variety of destinations. All of these factors suggest that higher PFCs would not necessarily impose an undue burden on air service to smaller airports. On the contrary, having a mechanism to fund much needed airport infrastructure projects should benefit the entire Nation and all passengers alike.

²⁸ Up to 27% of passengers from certain large hub airports must complete their journey by connecting at other large or medium hub airports.

²⁹ See e.g., Jane Engle, *Airline ticket tax holiday is windfall – for airlines*, L.A. Times, July 23, 2011; and Joe Sharkey, *A Bonanza for Airlines as Taxes End*, N.Y. Times, July 25, 2011.

³⁰ See *Airline tax holiday in effect. Act fast*, Travel Skills, July 23, 2011.

³¹ According to the U.S. Department of Transportation, airport costs account for only 4.76% of average airline operating costs.

Dissent of Paul Ryder

The working group censored this dissent to 1 page. ALPA does not believe that a pilot shortage is the top issue facing air service to small communities. There are many indicators that the end results were predetermined, before the group officially met. Although due to Congress from the DOT on July 15, 2017, the group pressed to finalize this report as soon as possible, meeting only four times. There was no discussion on the unique needs of Alaska, nor suggest improvements to ensure Alaska is not impacted. The group made little effort to adjust recommendations to achieve ALPA consensus, and pressed ALPA into a dissent position almost immediately. In their rush, the working group made no efforts to evaluate data, use scientific methodology for analysis, or engage in meaningful dialogue during meetings, in order to ensure adequate peer review of the content of fellow members. Also, there was an insufficient effort placed on obtaining feedback from governors. The group made errors in documenting airline consolidation, omitting mergers (Alaska/Virgin America) and ignoring the fact that many national carriers who serve small communities, have emerged (Allegiant, Frontier, Spirit, Silver). From my perspective the group appeared to have a preconceived notion of intent, a disingenuous perspective towards ALPA, and a final outcome already determined at onset.

In recommendation 1, the group calls for Congress to direct the FAA to evaluate a rollback of safety rules to address small community air service. Supporters for this reduction in safety includes a mayor, state DOT, and other public officials serving in elected or appointed positions. They did not prove a pilot shortage exists when pay, work-life balance, and career progression are competitive. The report does not include data sourced by FAA, that more than 9,000 ATP certificates were issued in 2016 and that the average rate of ATP issuance is in excess of 6,000 certificates, higher than even the most optimistic demand forecasts.

They grossly exaggerate time a pilot who graduates from a baccalaureate program at an accredited aviation university reaches the flight time necessary for an R-ATP and did not acknowledge historically higher flight hour requirements by the regional airlines. After four years of university, ALPA estimates that 750 hours of flight experience can be achieved in about 1 year. That is hardly a “drastically increased time.” From a safety risk perspective it is justified, according to an aviation rulemaking committee -including some of the current working group members- that reached consensus. The report mischaracterizes the 2016 pilot source study on training costs as a study that proves the newly hired post FOQ rule pilots are less suitable than low-hour pilots with less experience. These claims are based purely on training times, and testing costs at the airlines. They also failed to substantiate claims that the new FOQ rules cost student pilots more money than before the FOQ rule. The group did not even take the relatively easy step to document inflation as a factor.

The group refused to add a reference to the 2014 GAO report questioning the methodology UND uses in their pilot shortage claim. Also, their shortage forecast has been downwardly adjusted. They also fail to note that UND’s claim that 5,000 pilots per year needed over the next 10 years is well below the average number of ATP’s currently issued. No other shortage studies were provided, but there are others, including GAO. The group ignored our suggestions to promote piloting careers and address the need for pilot career progression.

In addition the group did not conduct a detailed analysis of all factors affecting airline decision making to change air service, rejecting ALPA suggestions to call for reforms that would enhance / improve the business models of airlines. The group rejected ALPA’s suggestion to reference a DOT Inspector General study in March 2017 that 1) Spotlights issues with the airline business model, fundamentally impacting small community air service, and 2) documents that “carriers stated that pilots with fewer flight hours contributed to reductions in the experience level and quality of new hire pilots.” They document speculative testimony by the CEO of SkyWest at a Congressional hearing on small communities, and ignore the CEO’s factual statement that day, that they have not cancelled flights due to pilot shortage.

When discussing the need for small regional aircraft the report ignores news from Boeing and JetBlue on April 5 that replacement turboprops are in development. They fail to state that 50-seat regional aircraft are out of favor due to economic reasons and that many are parked, but available for use by airlines. The group also fails to investigate the root cause of airline fleet changes, nor use any data to justify opinions presented. There was also a lack of discussion on decisions that airlines make when deciding to upgauge aircraft.

Summary: They squandered the perfect opportunity to address the real issues facing small communities.

ALPA perspectives were documented in a subsequent letter to DOT Secretary Chao. www.alpa.org/Chaoletter