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Testimony

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Committee on Commerce, Science and
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COMMERCIAL AVIATION

Programs and Options for the Federal Approach to Providing and Improving Air Service to Small Communities

Statement of Gerald L. Dillingham, Director
Physical Infrastructure Issues



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Highlights

Highlights of [GAO-06-398T](#), a report to the Subcommittee on Aviation, Committee on Commerce, Science and Transportation, U.S. Senate

Why GAO Did This Study

Over the last decade, significant changes have occurred in the airline industry. Network carriers are facing challenging financial conditions and low-cost carriers are attracting passengers away from some small community airports. These changes, and others, have challenged the ability of small communities to attract adequate commercial air service.

In response to these challenges, Congress has established two key funding programs—the Essential Air Service (EAS) and the Small Community Air Service Development Program (SCASDP)—to help small communities retain or attract air service. However, the sustainability of such funding could be affected by the federal government’s fiscal imbalance. In addition, GAO reports have raised questions about how these programs support commercial air service to small communities.

Given this environment, this testimony discusses (1) the development and impact of EAS, (2) the status of SCASDP and (3) options for reforming EAS and evaluating SCASDP. The testimony is based on previous GAO research and interviews related to these programs, along with program updates.

www.gao.gov/cgi-bin/getrpt?GAO-06-398T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gerald Dillingham at (202) 512-2834 or dillinghamg@gao.gov.

COMMERCIAL AVIATION

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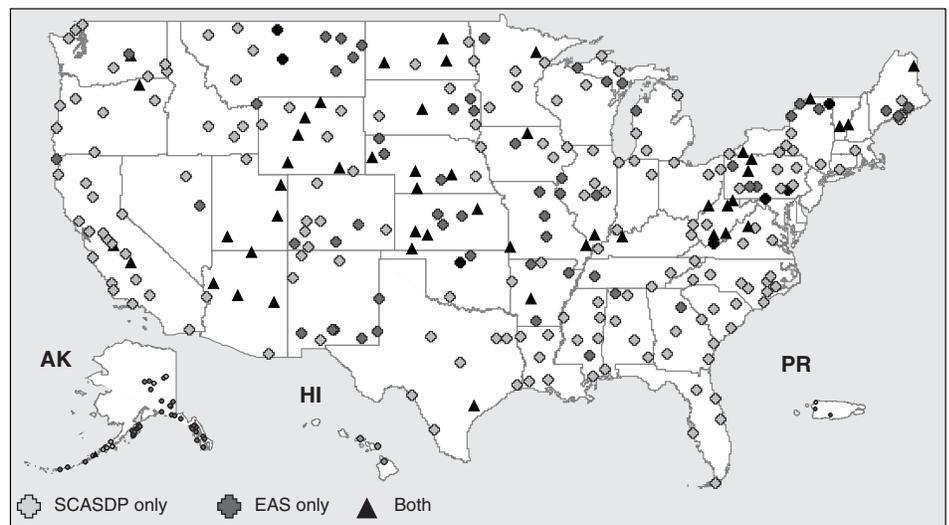
What GAO Found

The EAS program guarantees that communities that were served by air carriers before deregulation continue to receive a certain level of scheduled air service, under certain conditions. A growing number of communities are receiving subsidies under this program and funding for the EAS program has risen more than four-fold over the past 10 years. The federal subsidies have resulted in continued air service to the EAS communities, but if the subsidies were removed, air service might end at many of these communities.

SCASDP grantees have used their grants to pursue a variety of goals and have used a variety of strategies, including marketing and revenue guarantees, to improve air service. The program has had mixed results: 11 of the 23 projects completed as of September 30, 2005, showed self-sustaining improvements to air service; while the remaining 12 grantees either discontinued the improvement or the improvement was not self-sustaining. Finally, the number of applications for SCASDP grants has declined—from 179 in 2002 to 75 in 2006.

There are options for reforming EAS such as consolidating service into regional airports, which might make it more cost-effective, but also could reduce service to some communities. In 2003, Congress established several programs as alternatives for EAS, but these programs have not progressed. The Department of Transportation has agreed to evaluate completed SCASDP projects, an effort that will be useful when Congress considers the reauthorization of this program in 2008; this could also identify “lessons learned” from successful projects.

EAS Communities as of May 2006; SCASDP Communities, 2002-2006



Source: GAO.

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to testify today on issues related to the federal approach to providing air service to small and underserved communities. Over the last decade, significant changes have occurred in the airline industry that have affected service to small communities. Service to small communities decreased as a result of the weak financial condition of the airline industry that was exacerbated by the events of September 11, 2001. Some network carriers are still facing challenging financial conditions which can negatively affect small community air service.¹ For example, small communities may become cost-cutting targets because they are often the carrier's least profitable operation. This, as well as other changes, have challenged small communities to obtain adequate commercial air service at reasonable prices.²

Two key federal programs help support air service to small communities—the Essential Air Service (EAS) program and the Small Community Air Service Development Program (SCASDP).³ EAS, established after airline deregulation in 1978, is designed to ensure that small communities that received scheduled passenger air service before deregulation continue to have access to the nation's air transportation system. In fiscal year 2006, Congress appropriated about \$109 million to the Department of Transportation (DOT) for EAS. For fiscal year 2007, the administration requested that \$50 million be allocated for the program and paid for by overflight fees,⁴ while both the House and Senate Appropriations Committees are proposing \$117 million for the program. Congress established SCASDP in 2000 and has appropriated \$20 million annually

¹The U.S. network carriers are Alaska Airlines, American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways.

²The nation's commercial airports are categorized into four main groups based on annual passenger enplanements—large hubs, medium hubs, small hubs, and nonhubs. The 30 large hubs and 37 medium-hub airports together enplaned about 89 percent of the almost 703 million U.S. passengers in 2004. In contrast, the 69 small hubs enplaned about 8 percent, and the 374 nonhub airports enplaned about 3 percent of U.S. passengers.

³Small community airports also receive other financial support from the federal government. For example, under the Airport Improvement Program small airports receive certain funds for addressing capital improvement needs—such as for runway or taxiway improvements.

⁴Overflight fees are user fees for air traffic control services provided by the Federal Aviation Administration (FAA) to aircraft that fly over, but do not land in the United States, as authorized by the Federal Aviation Reauthorization Act of 1996 (P.L. 104-264).

from 2002 through 2005 for DOT to award up to 40 grants each year to communities that have demonstrated air-service deficiencies or higher-than-average fares. However, in fiscal year 2005, DOT transferred \$5 million of these funds from SCASDP to EAS.⁵ For fiscal year 2006, Congress authorized \$10 million. For fiscal year 2007, the administration proposed no funding for SCASDP while the House and Senate Appropriations Committees are proposing \$20 million and \$10 million, respectively. In addition, we have reported that it was too early to assess the effectiveness of SCASDP and have raised questions about the current structure of EAS.

While the airline industry has been facing fiscal challenges, the federal government's financial condition and long-term fiscal outlook also deteriorated. We have reported on the nation's long-term fiscal imbalances and the need for a fundamental and periodic reexamination of the base of government, ultimately covering discretionary and mandatory programs as well as the revenue side of the budget.⁶ In light of these challenges, we have identified some options for reforming EAS and recommended that DOT evaluate SCASDP.

My testimony today will discuss (1) the development and impact of EAS, (2) the status of SCASDP, and (3) options for reforming EAS and evaluating SCASDP. My statement is based primarily on the body of research that we have conducted related to these programs, program updates, and recent interviews with (and data from) key stakeholders. We obtained information on the status of projects from the Office of the Secretary (OST). Based on assessments conducted during previous reviews, we concluded that the data are reliable for the purposes of this report. Appendix V contains a list of our related testimonies and reports. We conducted our work on EAS from March through December 2002 and our work on SCASDP from September 2004 through October 2005 in accordance with generally accepted government auditing standards.

⁵The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005, Pub. L. No. 109-13, recognized that the funds appropriated for EAS may not be sufficient to meet the service needs of communities encompassed by that program. The Emergency Supplemental Appropriations Act provided that the Secretary of Transportation could transfer "such sums as may be necessary to carry out the essential air service program from any available amounts appropriated to or directly administered by the Office of the Secretary."

⁶GAO, *21st Century Challenges: Reexamining the Base of Federal Government*. [GAO-05-325SP](#). (Washington, DC: 2005). February 2005.

In summary:

- In recent years, a growing number of communities have received subsidies under EAS—expanding from 95 communities in fiscal year 1997 to 152 in fiscal year 2006. Similarly, funding for EAS has risen more than four-fold over this 10-year period—from \$25.9 million in fiscal year 1997 to \$109.4 million in fiscal year 2006. In addition, EAS funds were used to subsidize about 1 million passenger enplanements in 2004—about 0.15 percent of the nation’s 706 million annual passenger enplanements.⁷ It is possible that air service might end at many of these communities, if these subsidies were removed.
- Our recent review of SCASDP found that the number of grant applications was declining, grantees were pursuing a variety of goals and strategies for supporting air service, and completed grants had mixed results. Specifically, we found that the number of applications for SCASDP has declined—from 179 in 2002 to 75 in 2006. We also found that the goals grantees are pursuing include trying to add flights and destinations, or trying to obtain lower fares. The different strategies grantees are employing to improve air service in their communities include offering subsidies or revenue guarantees to airlines, marketing, hiring personnel, and conducting studies. Finally, although we could not assess the effectiveness of the program, since few projects—23 of 157—had been completed at the time of our review, we found the results of the completed projects were mixed. Of the 23 projects, 11 had implemented a self-sustaining improvement to air service, while the remaining 12 had not.
- To ensure the effective use of scarce resources, these programs need to be examined and options for program improvement need to be addressed. We have previously reported on some options for changing EAS to potentially make it more cost-effective. These options include (1) targeting subsidized service to more remote communities, (2) better matching capacity with community use, (3) consolidating service to multiple communities into regional airports, and (4) changing the form of the federal assistance from carrier subsidies to local grants. These changes require legislative action. Although these options might make EAS more cost-effective, they could also reduce service to some areas. In 2003, the Vision 100-Century of Aviation Reauthorization Act, (Vision-100) provided for several alternative programs for EAS communities. However, these programs have not progressed due, in part, to a lack of response from EAS communities.

⁷The analysis is based on 2004 national enplanement data—the most recent data available.

Regarding SCASDP, as we recommended, DOT plans to conduct a comprehensive evaluation of completed projects after fiscal year 2006. The results of such an evaluation will be useful when Congress considers the reauthorization of this program in 2008 and could result in identifying “lessons learned” from successful projects. These lessons could be shared with other small communities that are trying to improve air service, and, if needed, to reform and refocus the program.

Background

Before I discuss these issues in detail, let me sketch the background of air service to small communities and these programs. Air service to many small communities has declined in recent years, particularly after the September 11, 2001 attacks. As of 2005, scheduled departures at small-, medium-, and large-hub airports had largely returned to 2000 levels. However, departures from nonhub airports continued to decline—the number of departures declined 17 percent at nonhub airports between July 2000 and July 2005. Small-hub airports actually had more scheduled departures in July 2005 than in July 2000, a fact that clearly distinguishes them from nonhub airports.

Several factors may help explain why some small communities, especially nonhubs, face relatively limited air service. First, small communities can become cost-cutting targets of air carriers because they are often a carrier’s least profitable operation. Consequently, many network carriers have cut service to small communities and regional carriers now operate at many small communities where the network carriers have withdrawn.⁸ Second, the “Commuter Rule” that FAA enacted in 1995 brought small commuter aircraft under the same safety standards as larger aircraft—a change that made it more difficult to economically operate smaller aircraft, such as 19-seat turboprops.⁹ For example, the Commuter Rule required commuter air carriers who flew aircraft equipped with 10 or more seats to improve ground deicing programs and carry additional passenger safety equipment. Additionally, the 2001 Aviation and Transportation

⁸ A network carrier operates a significant portion of its flights using at least one hub where connections are made for flights on a spoke system. Regional carriers provide service from small communities primarily using regional jets to connect the network carriers’ hub-and-spoke system.

⁹ Code of Federal Regulations Title 14 Part 121 (14 CFR Part 121) provides details on aircraft certification requirements for aircraft that operate scheduled service with 10 or more seats. The Commuter Rule was instituted with 60 Fed. Reg. 65832, December 20, 1995.

Security Act instituted the same security requirements for screening passengers at smaller airports as it did for larger airports, sometimes making travel from small airports less convenient than it had been.¹⁰ Third, regional carriers had reduced the use of turboprops in favor of regional jets, which had a negative effect on small communities that have not generated the passenger levels needed to support regional jet service. Finally, many small communities experience passenger “leakage”—that is, passengers choosing to drive longer distances to larger airports instead of using closer small airports. Low-cost carriers have generally avoided flying to small communities but have offered low fares that encourage passengers to drive longer distances to take advantage of them.¹¹

Mr. Chairman, as you know, Congress established EAS as part of the Airline Deregulation Act of 1978 to help areas that face limited service. The act guaranteed that communities served by air carriers before deregulation would continue to receive a certain level of scheduled air service.¹² In general, the act guaranteed continued service by authorizing DOT to require carriers to continue providing service at these communities. If an air carrier could not continue that service without incurring a loss, DOT could then use EAS funds to award that carrier a subsidy.¹³ Under the Airline Deregulation Act, EAS was scheduled to sunset, or end, after 10 years. In 1987, Congress extended the program for another 10 years, and in 1998, it eliminated the sunset provision, thereby permanently authorizing EAS.

Funding for EAS comes from a combination of permanent and annual appropriations. The Federal Aviation Reauthorization Act of 1996 (P.L. 104-264) permanently appropriated the first \$50 million of such funding—for EAS and safety projects at rural airports—from the collection of overflight fees. Congress can appropriate additional funds from the general fund on an annual basis.

¹⁰Aviation and Transportation Security Act, Section 110 of P.L. 107-71, 115 Stat. 597 (2001).

¹¹Low-cost carriers follow a business model that may include point-to-point service between high-density city pairs, a standardized fleet with high aircraft utilization, low fares, and minimal onboard service.

¹²Special provisions guaranteed service to Alaskan communities.

¹³Subsidies are used to cover the difference between a carrier’s projected revenues and expenses and to provide a minimum amount of profit.

To be eligible for this subsidized service, communities must meet three general requirements. They (1) must have received scheduled commercial passenger service as of October 1978, (2) may be no closer than 70 highway miles to a medium- or large-hub airport, and (3) must require a subsidy of less than \$200 per person (unless the community is more than 210 highway miles from the nearest medium- or large-hub airport, in which case no average per-passenger dollar limit applies).¹⁴ Federal law also defines the service that subsidized communities are to receive under EAS.¹⁵ For example, carriers providing EAS flights are required to use aircraft with at least 15 seats unless the community seeks a waiver. In addition, flights are to occur at “reasonable times” and at prices that are “not excessive.” EAS operations to communities in Alaska are subject to different requirements (e.g., carriers may use smaller aircraft).

Air carriers apply directly to DOT for EAS subsidies. Air carriers set the subsidy application process in motion when they file a 90-day notice of intent to suspend or terminate service. If no air carrier is willing to or able to profitably provide replacement air service without a subsidy, DOT solicits proposals from carriers who are willing to provide service with a subsidy. DOT requires that air carriers submit historical and projected financial data, such as projected operating expenses and revenues, sufficient to support a subsidy calculation. DOT then reviews these data in light of the aviation industry’s pricing structure, the size of aircraft required, the amount of service required, and the number of projected passengers who would use this service in the community.¹⁶ Finally, DOT selects a carrier and sets a subsidy amount to cover the difference between the carrier’s projected cost of operation and its expected

¹⁴The average subsidy per passenger does not equate to a specific portion of a passenger’s ticket price paid for by EAS funds. Ticket pricing involves a complex variety of factors relating to the demand for travel between two points, the supply of available seats along that route, competition in the market, and how air carriers choose to manage and price their available seating capacity.

¹⁵49 USC 41732.

¹⁶DOT officials said that they check the reasonableness of the cost and revenue information received from the air carriers against other data reported to DOT and in documents filed with the Securities and Exchange Commission.

passenger revenues, while providing the carrier with a profit element equal to 5 percent of total operating expenses, according to statute.¹⁷

Turning now to SCASDP, Congress authorized SCASDP as a pilot program in the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21),¹⁸ to help small communities enhance their air service. AIR-21 authorized the program for fiscal years 2002 and 2003, and subsequent legislation¹⁹ reauthorized the program through fiscal year 2008 and eliminated the “pilot” status of the program.

The Office of Aviation Analysis in DOT’s Office of the Secretary is responsible for administering the program. The law establishing SCASDP allows DOT considerable flexibility in implementing the program and selecting projects to be funded. The law defines basic eligibility criteria and statutory priority factors, but meeting a given number of priority factors does not automatically mean DOT will select a project. DOT also considers many other relevant factors in making decisions on projects, and the final selection of projects is at the discretion of the Secretary of Transportation.²⁰ (See app. I for a list of the factors used in DOT selections.)

SCASDP grants may be made to single communities or a consortium of communities, although no more than four grants each year may be in the same state. Consortiums are considered one project for the purpose of this program. Inclusion of small hubs for eligibility means that some relatively large airports qualify for this program. For example, Buffalo Niagara International Airport in Buffalo, New York, and Norfolk International

¹⁷At any time throughout the year, an air carrier providing unsubsidized service to an EAS-eligible community can file a notice to suspend service if the carrier determines that it can no longer provide profitable service, thus triggering a carrier selection case. In addition, after DOT selects an air carrier to provide subsidized service, that agreement is subject to renewal, generally every 2 years, at which time other air carriers are permitted to submit proposals to serve that community with or without a subsidy.

¹⁸P.L. 106-181.

¹⁹Vision-100, P.L. 108-176

²⁰DOT must give priority consideration to communities that (1) have air fares higher than average for all communities, (2) provide a portion of the cost of the project from local sources other than airport revenues, (3) have—or plan to establish—a public-private partnership to facilitate air carrier service to the public, (4) will provide material benefits to a broad segment of the public that has limited access to the national air transportation system, and (5) will use the assistance in a timely manner.

Airport in Norfolk, Virginia, are eligible for the program; these airports enplaned over 2.4 million and over 1.9 million passengers in 2005, respectively. In contrast, small nonhub airports, such as those in Moab, Utah (with about 2,600 enplanements) or Owensboro, Kentucky (with about 3,600 enplanements) are also eligible. SCASDP grants are also available in the 50 states, the District of Columbia, Puerto Rico, and U.S. territories and possessions. As shown in appendix II, DOT's awards have been geographically spread out—covering all states except Delaware, Hawaii, Maryland, New Jersey, and Rhode Island. To date, no communities in Delaware or Rhode Island have applied for a grant. Appendix III includes information on all SCASDP grants awarded as of August 31, 2006.

Number of Airports and Amount of EAS Subsidies Has Been Growing

Mr. Chairman, demand for EAS subsidies has been growing over the past 10 years, as has the amount of funds appropriated for the program. As shown in table 1, for fiscal year 2006, EAS is providing subsidies to air carriers to serve 154 communities—an increase of 57 communities over the 1997 low point.²¹ The funding for EAS has also grown from \$25.9 million in 1997 to \$109.4 million in 2006. This amounts to an average of about \$720,000 per EAS community in fiscal year 2006. Appendix II includes a map showing the locations of current EAS communities and appendix IV lists EAS communities and their current subsidy amounts.

Table 1: EAS Program Appropriations and Communities Served, Fiscal Years 1992-2006

Fiscal year	Number of communities	Total EAS appropriations (in millions)
1992	130	\$38.6
1993	126	38.6
1994	112	33.4
1995	107	33.4
1996	97	22.6
1997	95	25.9
1998	101	50.0
1999	100	50.0
2000	106	50.0
2001	115	50.0

²¹The highest number of communities served during the program's history was 405 in 1980.

Fiscal year	Number of communities	Total EAS appropriations (in millions)
2002	123	113.0
2003	126	101.8
2004	140	101.7
2005	146	101.6
2006	154	109.4

Source: DOT.

In addition, in recent years, the number of communities and states receiving EAS funding has increased. Since 1998, when a \$50 million funding level was established, eight additional states now have EAS communities. These states include Alabama, Georgia, Kentucky, Maryland, Mississippi, Oregon, Tennessee and Virginia. Excluding Alaska, where different program rules apply, four states now have had significant increases in the total number of communities served by EAS, compared to 1998. The number of EAS communities in Pennsylvania increased by five, West Virginia and Wyoming increased by four, and New York increased by three. These states are now among the largest participants in the program, in terms of the number of communities served.

In 2004, slightly more than 1 million passengers enplaned at airports that received EAS-subsidized service—about 0.15 percent of the more than 706 million passenger enplanements in the United States that year.²² As of May 1, 2006, 13 regional air carriers served the subsidized communities in the continental United States, and 15 served those in Alaska, Hawaii, and Puerto Rico. The carriers serving the communities in the continental United States typically used turboprop aircraft seating 19 passengers, whereas in Alaska, Hawaii, and Puerto Rico, the most commonly used aircraft seated 4 to 9 passengers.

If EAS subsidies were removed, air service may end at many small communities. EAS subsidies have helped communities that were served by air carriers before deregulation continue to receive scheduled air service. Since air carriers have to show financial data to support a subsidy calculation, it is likely that if the subsidy is no longer available commercial air service would also end. Furthermore, according to a DOT official, once a community receives subsidized air service it is rare for an air carrier to offer to provide unsubsidized air service. Finally, in previous work, we

²²DOT did not have ridership data available for all EAS communities.

reported that subsidies paid directly to air carriers have not provided an effective transportation solution for passengers in many small communities.²³

The Small Community Grant Program Has Had Mixed Results

Mr. Chairman, our previous work was not able to evaluate the overall effectiveness of SCASDP; however, we found that SCASDP grantees pursued several goals and strategies to improve air service, and that the projects have obtained mixed results. In addition, the number of applications for SCASDP has declined each year.

As shown in figure 1, in 2002 (the first year SCASDP was funded) DOT received 179 applications for grants; and by 2006 the number of applications had declined to 75. DOT officials said that this decline was, in part, a consequence of several factors, including: (1) many eligible airport communities had received a grant and were still implementing projects at the time; (2) the airport community as a whole was coming to understand the importance DOT places on a fulfilling the local contribution commitment part of the grant proposal; and (3) legislative changes in 2003 that prohibited communities or consortiums from receiving more than one grant for the same project, and that established the timely use of funds as a priority factor in awarding grants.²⁴ There have been 182 grant awards made in the 5 years of the program. Of these, 56 grants are now completed—34 from 2002, 15 from 2003, and seven from 2004.²⁵ Finally, as of August 31, 2006, DOT had terminated seven grants it initially awarded.²⁶

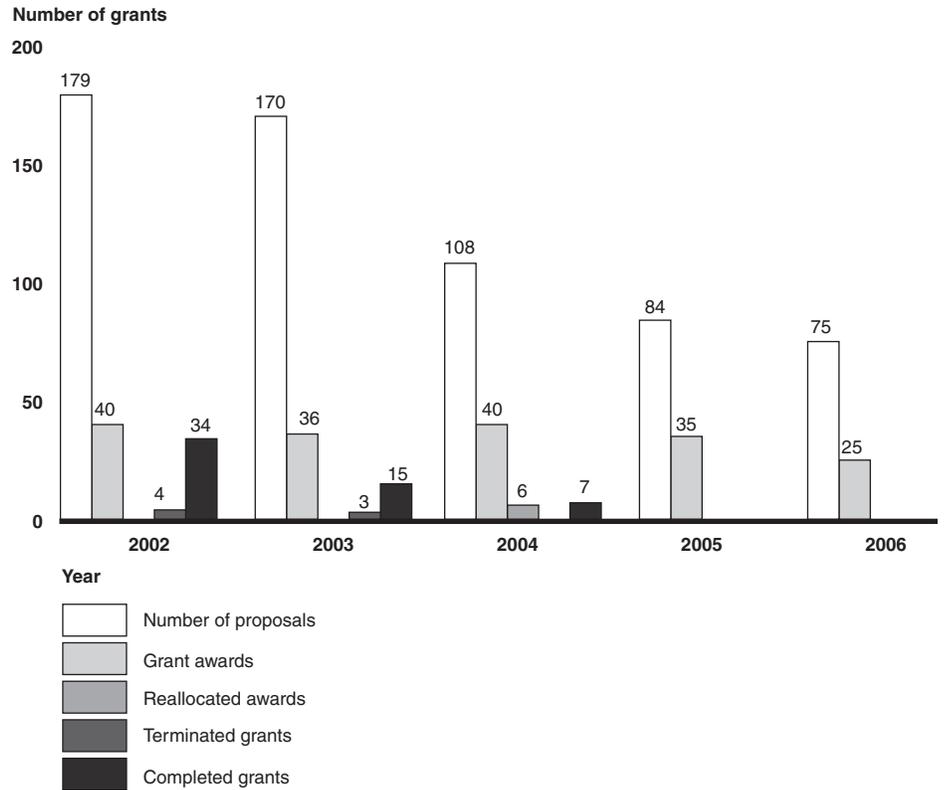
²³GAO, *Commercial Aviation: Factors Affecting Efforts to Improve Air Service at Small Community Airports*, GAO-03-330 (Washington, D.C.: 2003). January 17, 2003.

²⁴The authorizing legislation provides one limitation on the timing of expenditures. If funds are used to subsidize air service, the subsidy cannot last more than 3 years. However, the time needed to obtain the service is not included in the subsidy time limit. The legislation does not limit the timing of expenditures for other purposes. In fiscal year 2005, DOT issued an order specifying that in general, grant funds should be expended within 3 years.

²⁵We considered a grant to be complete when the activities associated with the grant were finished and FAA had made final reimbursements of allowable costs.

²⁶According to DOT officials, the agency only initiated the termination for the grant awarded to Casper/Gillette, Wyoming. The communities awarded the other six grants requested the termination of the grants.

Figure 1: SCASDP Grant Proposals, Awards, Terminations, and Completions, 2002 – 2006



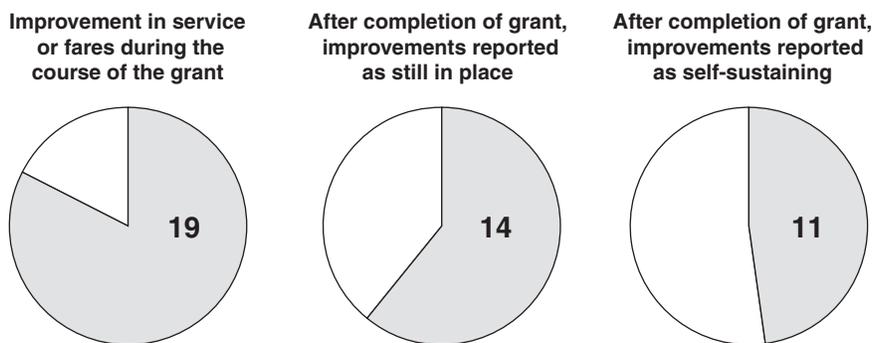
Source: GAO analysis of DOT data.

Note: DOT granted 6 grants in 2004, from reallocated program funds.

Although at the time of our review it was too soon to determine the overall effectiveness of the program, our review of the 23 projects completed by September 30, 2005, found mixed results. The kinds of improvements in service that resulted from the grants included adding an additional air carrier, destination, or flights; or changing the type of aircraft serving the community. In terms of numbers, airport officials reported that 19 of the 23 grants resulted in service or fare improvements during the life of the grant. In addition, during the course of the grant, enplanements rose at 19 of the 23 airports. However, after the 23 SCASDP grants were completed, 11 grants resulted in improvements that were self-sustaining. Three additional improvements were still in place, although not self-sustaining; thus 14 improvements were in place after the grants were completed. (See fig. 2.)

Charleston, West Virginia provides an example of a successful project. With the aid of a SCASDP grant, Charleston was able to add a new carrier and new nonstop service to a major market, Houston. At the time of our review, and after the grant was completed, this service was continuing at the level the grant provided.

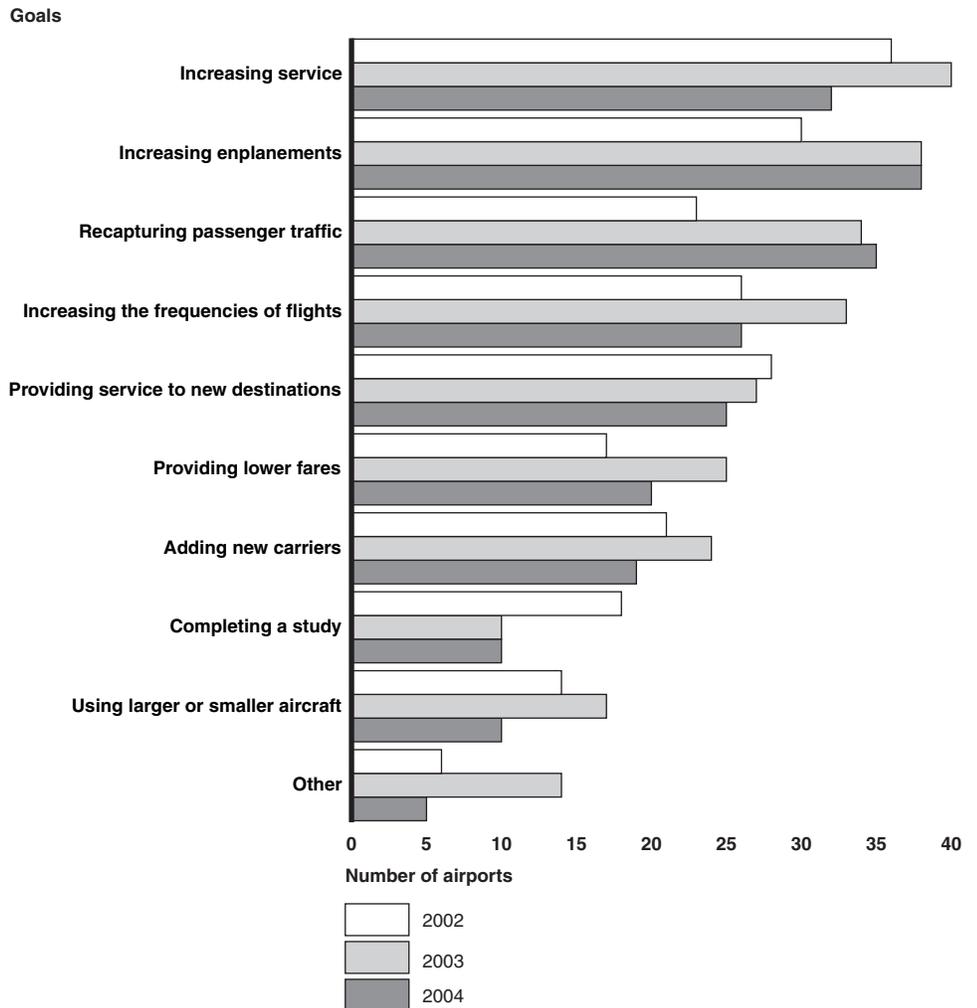
Figure 2: Air Service Improvement during the Course of 23 Grants and after Project Completion



Source: GAO.

Finally, for SCASDP grants awarded from 2002 through 2004, we surveyed airport officials to identify the types of project goals they had for their grants. We found that grantees had identified a variety of project goals to improve air service to their community. These goals included adding flights, airlines, and destinations; lowering fares; upgrading the aircraft serving the community; obtaining better data for planning and marketing air service; increasing enplanements; and curbing the loss of passengers to other airports. (See fig. 3 for the number and types of project goals identified by airport directors.)

Figure 3: Project Goals as Identified by Airport Directors for Grants Awarded 2002 - 2004



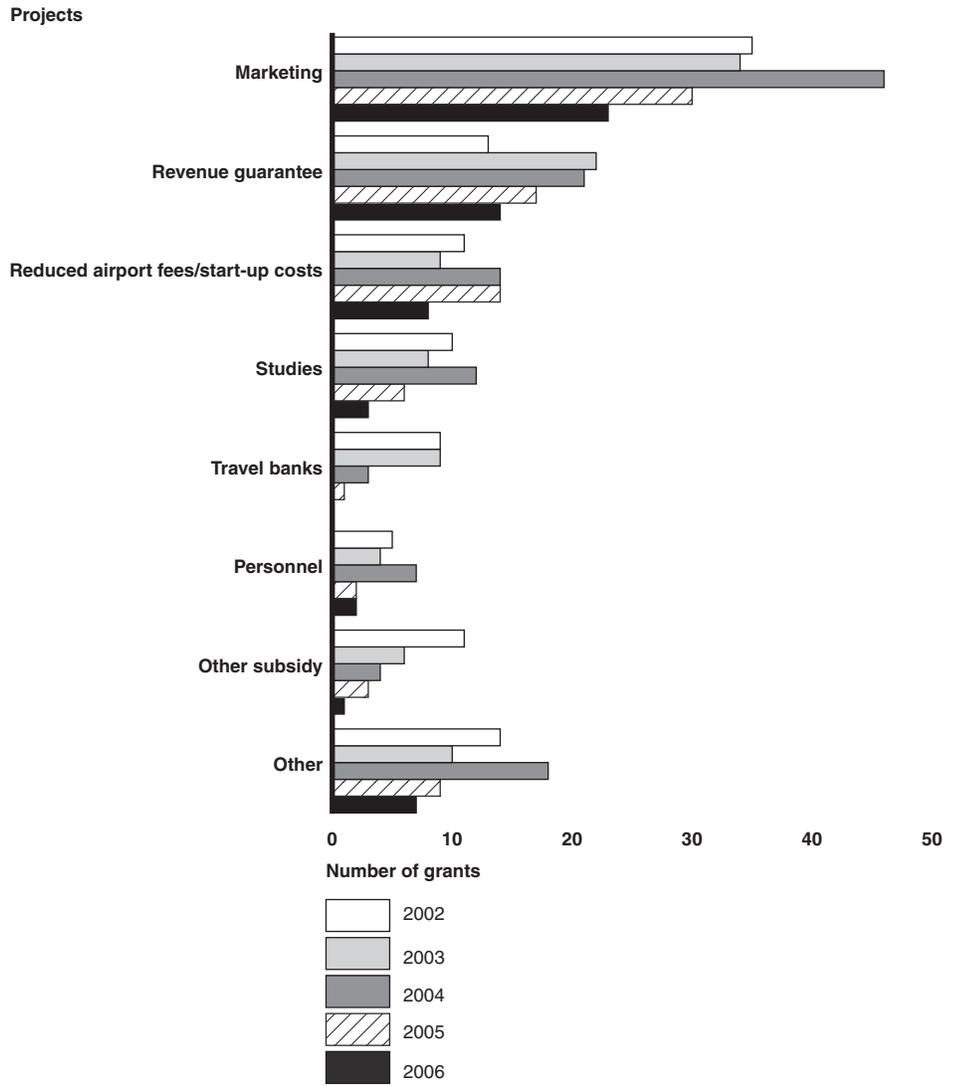
Source: GAO survey of grantee airport directors.

Note: The number of airport directors surveyed may exceed the number of grants in a year because grants are sometimes awarded to consortiums of airports. We surveyed all grantee airports.

To achieve these goals, grantees have used many strategies, including subsidies and revenue guarantees to the airlines, marketing, hiring personnel and consultants, and establishing travel banks in which a community guarantees to buy a certain number of tickets. (See fig. 4.) In addition, grantees have subsidized the start-up of an airline, taken over ground station operations for an airline, and subsidized a bus to transport passengers from their airport to a hub airport. Incorporating marketing as

part of the project was the most common strategy used by airports. Some airline officials said that marketing efforts are important for the success of the projects. Airline officials also told us that projects that provide direct benefits to an airline, such as revenue guarantees and financial subsidies, have the greatest chance of success. According to these officials, such projects allow the airline to test the real market for air service in a community without enduring the typical financial losses that occur when new air service is introduced. They further noted that, in the current aviation economic environment, carriers cannot afford to sustain losses while they build up passenger demand in a market. The outcomes of the grants may be affected by broader industry factors that are independent of the grant itself, such as a decision on the part of an airline to reduce the number of flights at a hub.

Figure 4: Strategies Included in Grant Projects



Source: GAO analysis of grantee proposals and grant agreements.

Note: Since grant agreements were not available at the time of this analysis, 2006 figures are based solely on proposals.

Options Exist for Reforming EAS and Evaluating SCASDP

Mr. Chairman, let me now turn to a discussion of options both for the reform of EAS and the evaluation of SCASDP. I raise these options, in part, because they link to our previous report on the challenges facing the federal government in the 21st century, which notes that the federal government's long-term fiscal imbalance presents enormous challenges to the nation's ability to respond to emerging forces reshaping American society, the United States' place in the world, and the future role of the federal government.²⁷ In our previous report, we call for a more fundamental and periodic reexamination of the base of government, ultimately covering discretionary and mandatory programs as well as the revenue side of the budget. In light of these challenges, Congress may wish to weigh options for reforming EAS and obtaining additional information about SCASDP's effectiveness—information that could be obtained if DOT follows our recommendation to evaluate the program's effectiveness once more grant projects have been completed.

Examine Options for Enhancing EAS

In previous work, we have identified options for enhancing the effectiveness of EAS and controlling cost increases. These options include targeting subsidized service on more remote communities than is currently the case, improving the matching of capacity with community use, consolidating service to multiple communities into regional airports, and changing the form of federal assistance from carrier subsidies to local grants; all of these options would require legislative changes. Several of these options formed the basis for reforms passed as part of Vision-100. For various reasons these pilot programs have not progressed, so it is premature to assess their impact. Let me now briefly discuss each option, stressing at the outset that each presents potential negative, as well as positive, effects. The positive effects might include lowered federal costs, increased passenger traffic at subsidized communities, and enhanced community choice of transportation options. Potential negative effects might include increased passenger inconvenience and an adverse effect on local economies that may lose scheduled airline service.

Targeting Subsidized Service to More Remote Communities

The first option would be to target subsidized service to more remote communities. This would mean increasing the highway distance criteria between EAS-eligible communities and the nearest qualifying airport, and expanding the definition of qualifying nearby airports to include small hubs. Currently, to be eligible for EAS-subsidized service, a community

²⁷ [GAO-05-325SP](#)

must be more than 70 highway miles from the nearest medium- or large-hub airport. We found that, if the distance criterion was increased to 125 highway miles and the qualifying airports were expanded to include small-hub airport with jet service, 55 EAS-subsidized communities would no longer qualify for subsidies—and travelers at those communities would need to drive to the nearby larger airport to access air service.²⁸

Limiting subsidized service to more remote communities could potentially save federal subsidies. For example, we found that about \$24 million annually could be saved if service were terminated at 30 EAS airports that were within 125 miles of medium- or large-hub airports. This estimate assumed that the total subsidies in effect in 2006 at the communities that might lose their eligibility would not be obligated to other communities and that those amounts would not change over time. On the other hand, the passengers who now use subsidized service at such terminated airports would be inconvenienced because of the increased driving required to access air service at the nearest hub airport. In addition, implementing this option could potentially negatively impact the economy of the affected communities. For instance, officials from some communities, such as Brookings, South Dakota, told us that they are able to attract and retain local businesses because of several factors relating to the quality of life there—with one important factor being its scheduled air service.

Better Matching Capacity with Community Use

Another option is to better match capacity with community use. Our past analysis of passenger enplanement data indicated that relatively few passengers fly in many EAS markets, and that, on average, most EAS flights operate with aircraft that are largely empty. To better match capacity with community use, air carriers could reduce unused capacity—either by using smaller aircraft or by reducing the number of flights. Carriers could use smaller aircraft. For example, we reported that from 1995 to 2002, total passenger traffic dropped at 9 of 24 EAS communities where carriers added flight frequencies.

Better matching capacity with community use could save federal subsidies. For instance, reducing the number of required daily subsidized departures could save federal subsidies by reducing carrier costs in some locations. Federal subsidies could also be lowered at communities where carriers used smaller—and hence less costly—aircraft. On the other hand,

²⁸This information was current as of January 2006.

Consolidating Subsidized Service Provided to Multiple Communities into Service at Regional Airports

there are a number of potential disadvantages. For example, passenger acceptance is uncertain. Representatives from some communities, like Beckley and Bluefield, West Virginia, told us that passengers who are already somewhat reluctant to fly on 19-seat turboprops would be even less willing to fly on smaller aircraft. Such negative passenger reaction may cause more people to drive to larger airports—or simply drive to their destinations. Additionally, the loss of some daily departures at certain communities would likely further inconvenience some passengers. Lastly, reduced capacity may have a negative impact on the economy of the affected community.²⁹

Another option is to consolidate subsidized service at multiple communities into service at regional airports. As of July 1, 2002, 21 EAS subsidized communities were located within 70 highway miles of at least one other subsidized community. We reported that if subsidized service to each of these communities were regionalized, 10 regional airports could serve those 21 communities.

Regionalizing service to some communities could generate federal savings. However, those savings may be marginal, because the total costs to serve a single regional airport may be only slightly less than the cost to serve two or three neighboring airports. For example, in 2002, DOT provided \$1.9 million in annual subsidies to Air Midwest, Inc., to serve Ogdensburg and Massena, New York, with stops at another EAS-subsidized community (Watertown, New York) before arriving at its final destination of Pittsburgh, Pennsylvania. According to an official with Air Midwest, the marginal cost of operating the flight segments to Massena and Ogdensburg are small in relation to the cost of operating the flight from Pittsburgh to Watertown. Another potential positive effect is that passenger levels at the proposed regional airports could grow because the airline(s) would be drawing from a larger geographic area, which could prompt the airline(s) to provide better service (i.e., larger aircraft or more frequent departures).

There are also a number of disadvantages to implementing this option. First, local passengers would be inconvenienced, since they would likely have to drive longer distances to obtain local air service. Moreover, the

²⁹As we reported in our 2002 report, although scheduled commercial air service is positively correlated with local economic activity, we were unable to locate reliable studies that describe the extent to which scheduled commercial air service is directly responsible for economic development in small communities in the United States (i.e., whether air service precedes, follows, or develops simultaneously with local economic activity).

passenger response to regionalizing local air service is unknown. Passengers faced with driving longer distances may decide that driving to an altogether different airport is worthwhile, if it offers better service and air fares. Additionally, as with other options, the potential impact on the economy of the affected communities is unknown. Regionalizing air service has sometimes proven controversial at the local level, in part because regionalizing air service would require some communities to give up their own local service for the hypothetical benefits of a less convenient regional facility. Even in situations where one airport is larger and better equipped than others (e.g., where one airport has longer runways, a superior terminal facility, and better safety equipment on site), it is likely to be difficult for the other communities to recognize and accept surrendering their local control and benefits.

Changing Carrier Subsidies to Local Grants

Another option is to change carrier subsidies into local grants. We have noted that local grants could enable communities to match their transportation needs with individually tailored transportation options to connect them to the national air service system. As we previously discussed, DOT provides grants to help small communities to enhance their air service via SCASDP.

Our work on SCASDP identified some positive aspects of the program that could be beneficial for EAS communities. First, in order for communities to receive a Small Community grant, they had to develop a proposal that was directed at improving air service locally. In our discussion with some of these communities, it was noted that this required them to take a closer look at their air service and better understand the market they serve—a benefit that they did not foresee. In addition, in one case developing the proposal caused the airport to build a stronger relationship with the community. SCASDP also allows for flexibility in the strategy a local community can choose to improve air service, recognizing that local facts and circumstances affect the chance of a successful outcome. In contrast, EAS has one approach—a subsidy to an air carrier.

However, there are also differences between the two programs that make the grant approach problematic for some EAS communities; these differences should be considered. First, because the grants are provided on a one-time basis, their purpose is to create self-sustaining air service improvements. The grant approach is therefore best applicable where a viable air service market can be developed. This could be difficult for EAS communities to achieve because, currently, the service they receive is not profitable unless there is a subsidy. While some EAS communities might be able to transition to self-sustaining air service through use of one of the

grants, for some communities this would not be the case. In addition, the grant program normally includes a local cash match, which may be difficult for some EAS communities to provide. This could systematically eliminate the poorest communities, unless other sources of funds—such as state support or local industry support—could be found.

Vision-100 Small Community Programs Have Not Progressed

In Vision-100, Congress authorized several programs relevant to small communities. These programs have not progressed for various reasons. The Alternate Essential Air Service Pilot Program allows the Secretary of Transportation to provide assistance directly to a community, rather than paying compensation to an air carrier. Under the pilot program, communities could provide assistance to air carriers using smaller aircraft, fund on-demand air taxi service, provide transportation services to and from several EAS communities to a single regional airport or other transportation center, and purchase aircraft. Vision-100 also authorized the Community Flexibility Pilot Program, which requires the Secretary of Transportation to establish a program for up to 10 communities that agree to forgo their EAS subsidy for 10 years in exchange for a grant twice the amount of the EAS subsidy. The funds may be used to improve airport facilities. (The grants can be used for things other than general aviation.) DOT has solicited proposals for projects in both of these programs. However, according to a DOT official, no communities expressed any interest in participating in these programs. Finally, the EAS Local Participation Program allows the Secretary of Transportation to select no more than 10 designated EAS communities within 100 miles, by road, of a small hub (and within the contiguous states) to assume 10 percent of their EAS subsidy costs for a 4-year period. However, Congress has prohibited DOT from obligating or expending any funds to implement this program since Vision-100 was enacted.

Evaluate the Effectiveness of SCASDP before Reauthorization

We recently recommended that DOT examine the effectiveness of this program when more projects are complete.³⁰ Such an evaluation would provide DOT and Congress with information about whether additional or improved air service was not only obtained, but whether it continues after the grant support has ended. This may be particularly important since our work on the limited number of completed projects found that, 11 of 23

³⁰GAO, *Initial Small Community Air Service Development Projects Have Achieved Mixed Results*, GAO-06-21 (Washington, D.C.: Nov. 2005).

grantees reported that the improvements were self-sustaining after the grant was complete. In addition, our prior work on the air service to small communities found that once financial incentives are removed, additional air service may be difficult to maintain. Since our report, an additional 33 grants have been completed and DOT's plans to examine the results from these completed grants should provide a clearer and more complete picture of the value of this program. Any improved service achieved from this program could then be weighed against the cost to achieve those gains. This information will be important as Congress considers the reauthorization of this program in 2008.

In addition to the benefit of providing Congress with information upon which to evaluate the merits of SCASDP, the evaluation would likely have additional benefits. In conducting this evaluation, DOT could potentially find that certain strategies the communities used were more effective than others. For example, during our work, we found some opposing views on the usefulness of travel banks³¹ and some marketing strategies as incentives for attracting improved service. As DOT officials identify strategies that have been effective in starting self-sustaining improvements in air service, they could share this information with other small community airports and, perhaps, consider such factors in its grant award process. In addition, DOT might find some best practices and could develop some lessons learned from which all small community airports could benefit. For example, one airport used the approach of assuming airline ground operations such as baggage handling and staffing ticket counters. This approach served to maintain airline service of one airline and to attract additional service from another airline. Sharing information on approaches like this that worked (and approaches that did not) may help other small communities improve their air service, perhaps even without federal assistance.

In conclusion, Mr. Chairman, Congress is faced with many difficult choices as it tries to help improve air service to small communities, especially given the fiscal challenges the nation faces. Regarding EAS, I think it is important to recognize that for many of the communities, air service is not—and might never be—commercially viable and there are limited

³¹Businesses or individuals deposit or promise future travel funds to a carrier providing new or expanded service. Contributing businesses and individuals can then draw down from this account.

alternative transportation means for nearby residents to connect to the national air system. In these cases, continued subsidies will be needed to maintain that capability. In some other cases, current EAS communities are within reasonable driving distances to alternative airports that can provide that connection to the air system. It will be Congress' weighing of priorities that will ultimately decide whether this service will continue or whether other, less costly options will be pursued. In looking at SCASDP, I would emphasize that we have seen some instances in which the grant funds provided additional service, and some in which the funds did not work. When enough experience has been gained with this program, the Congress will be in a position to determine if the air service gains that are made are worth the overall cost of the program. I would be pleased to answer any questions that you or other Members of the Subcommittee may have at this time.

Contact Information

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Appendix I: Additional Department of Transportation Selection Factors for SCASDP Grants

Service-related Factors

1. How many carriers are serving the community?
 2. How many destinations are served?
 3. What is the frequency of flights?
 4. What size aircraft service the community?
 5. Has the level of service been increasing or decreasing over the past 3 years?
 6. Have enplanements been increasing or decreasing over the past 3 years?
 7. Is the Metropolitan Statistical Area population increasing or decreasing?
 8. Is the per-capita income increasing or decreasing?
 9. Are the number of businesses in the area increasing or decreasing?
 10. What is the proximity to larger air service centers?
 11. What is the quality of road access to other air service centers?
 12. Does the community lack service in identified top origin and destination markets?
 13. Is the proposal designed to provide:
 - First air service,
 - Second carrier service,
 - New destinations,
 - Larger aircraft, or
 - More frequent flights?
 14. If this is an air service project, has the community selected a carrier that is willing and committed to serve?
 15. If this is an air service project, does the community have a targeted carrier that would serve?
-

Source: GAO table based on DOT information.

Project-related Factors

1. Do demographic indicators and the business environment support the project?
 2. Does the community have a demonstrated track record of implementing air service development projects?
 3. Does the project address the stated problem?
 4. Does the community have a firm plan for promoting the service?
 5. Does the community have a definitive plan for monitoring, modifying, and terminating the project, if necessary?
-

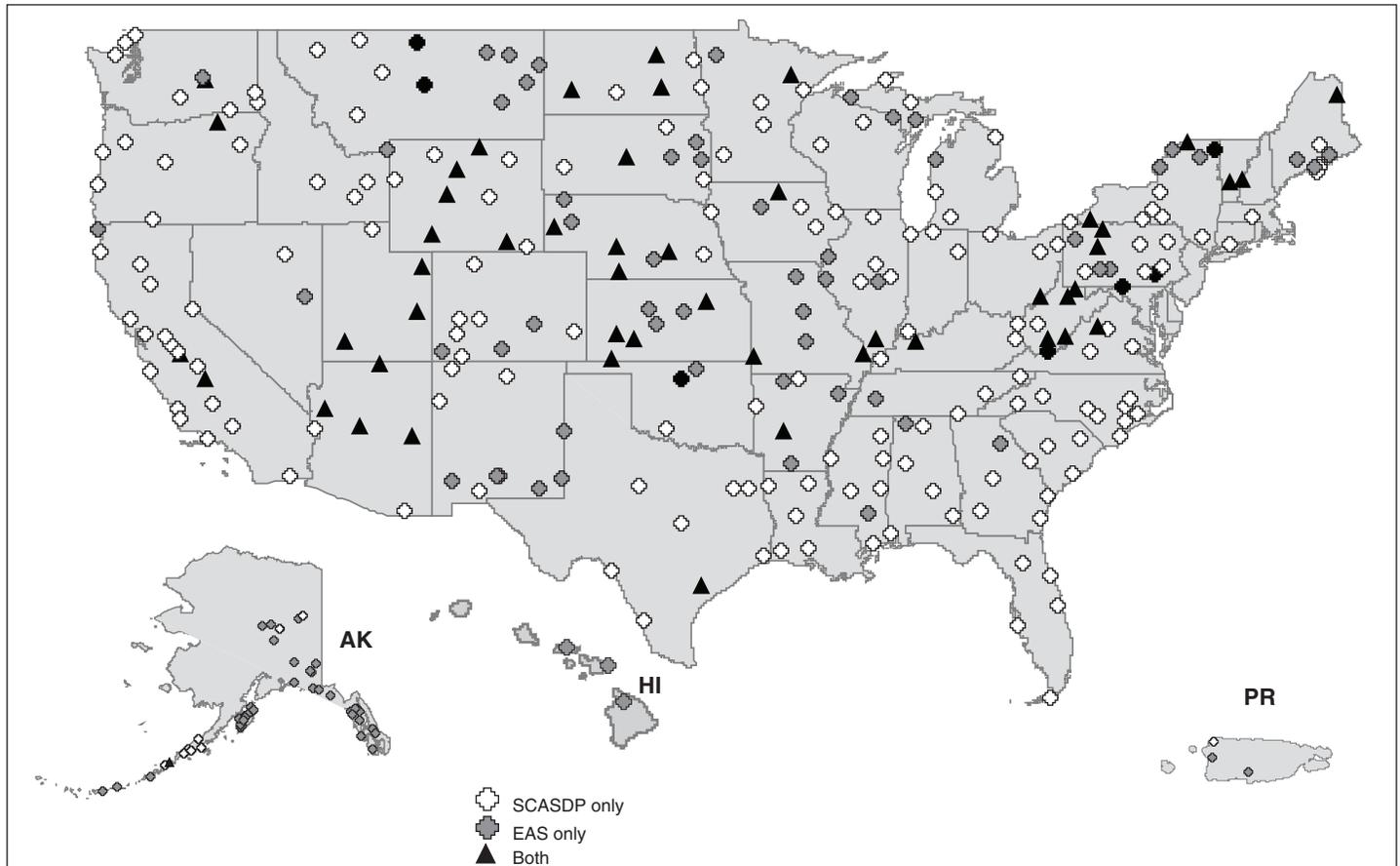
Project-related Factors

6.	Does the community have a plan for continued support of the project if self-sufficiency or completion is not attained after the grant expires?
7.	If it is mainly a marketing proposal, does the community have a firm implementation plan in place?
8.	Is the applicant a participating consortium?
9.	Is the project innovative?
10.	Does the project have unique geographical traits or other considerations?
11.	Is the amount of funding requested reasonable compared with the total amount of funding available?
12.	Is the local contribution reasonable compared with the amount requested?
13.	Can the project be completed during the funding period requested?
14.	Is the applicant a small hub now?
15.	Is the applicant a large nonhub now?
16.	Is the applicant a small nonhub now?
17.	Is the applicant currently subsidized through Essential Air Service?
18.	Is the project for marketing only?
19.	Is the project a study only?
20.	Does the project involve intermodal services?
21.	Is the project primarily a carrier incentive?
22.	Is the project primarily air fare focused?
23.	Does the project involve a low-fare service provider?
24.	Does the proposal shift costs from the local or state level to the federal level?
25.	Does the proposal show that proximity to other service would detract from it?
26.	Is the applicant geographically close to a past grant recipient?

Source: GAO table based on DOT information.

Appendix II: Essential Air Service Airports and Small Community Air Service Development Program Grantees

Figure 5: Airports Receiving Essential Air Service (EAS) as of May 2006 and All Small Community Air Service Development Program (SCASDP) Grantees, through August 10, 2006



Source: GAO.

Note: Alaska, Hawaii and Puerto Rico are not to scale.

Appendix III: Status of SCASDP Grants Awarded, 2002 - 2006

2002 Grant Year

	Location	Grant amount	Status as of August 31, 2006
1.	Abilene, TX	\$85,010	Completed
2.	Akron/Canton, OH	950,000	Completed
3.	Aleutians East Borough, AK	240,000	Completed
4.	Asheville, NC	500,000	Completed
5.	Augusta, GA	759,004	Terminated
6.	Baker City, OR	300,000	Terminated
7.	Beaumont/Port Arthur, TX	500,000	Completed
8.	Bellingham, WA	301,500	Ongoing
9.	Binghamton, NY	500,000	Completed
10.	Bismarck, ND	1,557,500	Ongoing
11.	Brainerd, St Cloud, MN	1,000,000	Completed
12.	Bristol/Kingsport/Johnson City, TN	615,000	Completed
13.	Cape Girardeau, MO	500,000	Completed
14.	Casper, Gillette, WY	500,000	Terminated
15.	Charleston, WV	500,000	Completed
16.	Chico, CA	44,000	Completed
17.	Daytona Beach, FL	743,333	Completed
18.	Fort Smith, AR	108,520	Completed
19.	Fort Wayne, IN	398,000	Completed
20.	Hailey, ID	600,000	Completed
21.	Lake Charles, LA	500,000	Completed
22.	Lake Havasu City, AZ	403,478	Completed
23.	Lamar, CO	250,000	Completed
24.	Lynchburg, VA	500,000	Completed
25.	Manhattan, KS	388,350	Completed
26.	Marion, IL	212,694	Completed
27.	Mason City, IA	600,000	Terminated
28.	Meridian, MS	500,000	Completed
29.	Moab, UT	250,000	Completed
30.	Mobile, AL	456,137	Completed
31.	Paducah, KY	304,000	Completed
32.	Presque Isle, ME	500,000	Completed
33.	Rapid City, SD	1,400,000	Completed

2002 Grant Year

	Location	Grant amount	Status as of August 31, 2006
34.	Reading, PA	470,000	Completed
35.	Rhineland, WI	500,000	Completed
36.	Santa Maria, CA	217,530	Completed
37.	Scottsbluff, NE	950,000	Completed
38.	Somerset, KY	95,000	Completed
39.	Taos/Ruidoso, NM	500,000	Completed
40.	Telluride, CO	300,000	Completed
	Total	\$19,999,056	

Source: GAO analysis of DOT data.

2003 Grant Year

	Location	Grant amount	Status as of August 31, 2006
1.	Aguadilla, PR	\$626,700	Ongoing
2.	Aleutians East Borough, AK	70,000	Ongoing
3.	AZ Consortium, AZ	1,500,000	Ongoing
4.	Bakersfield, CA	982,513	Ongoing
5.	Bangor, ME	310,000	Ongoing
6.	Charleston, SC	1,000,000	Terminated
7.	Cut Bank, MT	90,000	Completed
8.	Dickinson, ND	750,000	Completed
9.	Dothan, AL	200,000	Completed
10.	Dubuque, IA	610,000	Ongoing
11.	Duluth, MN	1,000,000	Ongoing
12.	Elmira, NY	200,000	Ongoing
13.	Erie, PA	500,000	Completed
14.	Fresno, CA	1,000,000	Ongoing
15.	Friday Harbor, WA	350,000	Completed
16.	Gainesville, FL	660,000	Completed
17.	Grand Island, NE	380,000	Ongoing
18.	Greenville, MS	400,000	Terminated
19.	Gunnison, CO	200,000	Completed
20.	Joplin, MO	500,000	Ongoing
21.	Knoxville, TN	500,000	Terminated

2003 Grant Year			
	Location	Grant amount	Status as of August 31, 2006
22.	Laredo, TX	400,000	Ongoing
23.	Lewiston-Nez Perce, ID	675,000	Ongoing
24.	Mountain Home (Baxter), AR	574,875	Ongoing
25.	Muskegon, MI	500,000	Completed
26.	NC Consortium, NC	1,200,000	Ongoing
27.	Owensboro, KY	500,000	Ongoing
28.	Parkersburg-Marietta, WV/OH	500,000	Ongoing
29.	Pierre, SD	150,000	Completed
30.	Redmond, OR	515,000	Completed
31.	Savannah, GA	523,495	Completed
32.	Shreveport, LA	500,000	Completed
33.	Staunton, VA	100,000	Ongoing
34.	Taos Consortium, NM	1,400,000	Completed
35.	Tupelo, MS	475,000	Completed
36.	Victoria, TX	20,000	Completed
	Total	\$19,862,583	

Source: GAO analysis of DOT data.

2004 Grant Year			
	Location	Grant amount	Status as of August 31, 2006
1.	Albany, GA	\$500,000	Ongoing
2.	Alpena, MI	583,046	Ongoing
3.	Beckley/Lewisburg, WV	300,000	Ongoing
4.	Bloomington, IL	850,000	Ongoing
5.	Butte, MT	360,000	Ongoing
6.	Champaign-Urbana, IL	200,000	Completed
7.	Charlottesville, VA	270,000	Ongoing
8.	Chattanooga, TN	750,000	Ongoing
9.	Clarksburg/Morgantown (reallocation), WV	372,286	Ongoing
10. 0	Columbus, MS	260,000	Ongoing
11.	Del Rio, TX	318,750	Ongoing

2004 Grant Year			
	Location	Grant amount	Status as of August 31, 2006
12.	Dubois, PA	400,000	Ongoing
13.	Eau Claire, WI	500,000	Ongoing
14.	Elko, NV	222,000	Completed
15.	Evansville/South Bend, IN	1,000,000	Ongoing
16.	Farmington, NM	650,000	Ongoing
17.	Hot Springs (reallocation), AR	195,000	Completed
18.	Huntsville, AL	479,950	Completed
19.	Kalamazoo, MI	500,000	Ongoing
20.	Lafayette, LA	240,000	Ongoing
21.	Latrobe, PA	600,000	Ongoing
22.	Lebanon, NH	500,000	Ongoing
23.	Lincoln, NE	1,200,000	Ongoing
24.	Logan City, UT	530,000	Ongoing
25.	Marquette, MI	700,000	Ongoing
26.	McCook/North Platte, NE	275,000	Ongoing
27.	New Haven, CT	250,000	Ongoing
28.	Pocatello, ID	75,000	Completed
29.	Redding/Arcata, CA	500,000	Ongoing
30.	Richmond, VA	950,000	Ongoing
31.	Rutland (reallocation), VT	240,000	Ongoing
32.	Salem, OR	500,000	Ongoing
33.	Santa Rosa, CA	635,000	Ongoing
34.	Sarasota, FL	1,500,000	Ongoing
35.	Sioux City, IA	609,800	Ongoing
36.	Sioux Falls, SD	350,000	Ongoing
37.	Steamboat Springs, CO	500,000	Ongoing
38.	Sumter, SC	50,000	Completed
39.	Syracuse (reallocation), NY	480,000	Ongoing
40.	Tyler, TX	90,000	Ongoing
41.	Visalia (reallocation), CA	200,000	Ongoing
42.	Walla Walla, WA	250,000	Ongoing
43.	Waterloo, IA	550,000	Ongoing
44.	Wilkes-Barre/Scranton, PA	625,000	Completed
45.	Worcester (reallocation), MA	442,615	Ongoing
46.	Youngstown, OH	250,000	Ongoing

2004 Grant Year		
Location	Grant amount	Status as of August 31, 2006
Total	\$21,803,447	

Source: GAO analysis of DOT data.

Note: Program funds from 2002 and 2003 were reallocated to six cities in 2004.

2005 Grant Year			
	Location	Grant amount	Status as of August 31, 2006
1.	Aberdeen, SD	\$450,000	Ongoing
2.	Alexandria, LA	500,000	Ongoing
3.	Bradford, PA	220,000	Ongoing
4.	CA Consortium, CA	245,020	Ongoing
5.	Cedar City, UT	155,000	Ongoing
6.	Durango, CO	750,000	Ongoing
7.	Fargo, ND	675,000	Ongoing
8.	Florence, SC	500,000	Ongoing
9.	Great Falls, MT	220,000	Ongoing
10.	Greenville, NC	450,000	Ongoing
11.	Gulfport/Biloxi, MS	750,000	Ongoing
12.	Hancock/Houghton, MI	516,000	Ongoing
13.	Hibbing, MN	485,000	Ongoing
14.	Huntington, WV	500,000	Ongoing
15.	Idaho Falls, ID	500,000	Ongoing
16.	Ithaca, NY	500,000	Ongoing
17.	Jacksonville, NC	500,000	Ongoing
18.	Killeen, TX	280,000	Ongoing
19.	Knox County, ME	555,000	Ongoing
20.	Lawton/Ft. Sill, OK	570,000	Ongoing
21.	Macon, GA	507,691	Ongoing
22.	Marathon, FL	750,000	Ongoing
23.	Marshall, MN	480,000	Ongoing
24.	Massena, NY	400,000	Ongoing
25.	Modesto, CA	550,000	Ongoing
26.	Monterey, CA	500,000	Ongoing
27.	Montgomery, AL	600,000	Ongoing

2005 Grant Year			
	Location	Grant amount	Status as of August 31, 2006
28.	Oregon/Washington Consortium, OR/WA	180,570	Ongoing
29.	Rockford, IL	1,000,000	Ongoing
30.	Ruidoso, NM	600,000	Ongoing
31.	Somerset, KY	950,000	Ongoing
32.	Stewart (Newburgh), NY	250,000	Ongoing
33.	Vernal, UT	40,000	Ongoing
34.	Williamsport, PA	500,000	Ongoing
35.	Wyoming Consortium, WY	800,000	Ongoing
Total		\$17,429,281	

Source: GAO analysis of DOT data.

2006 Grant Year		Grant amount
	Location	
1.	Abilene, TX	\$465,100
2.	Big Sandy Region, KY	90,000
3.	Brunswick, GA	500,000
4.	Cedar Rapids, IA	200,000
5.	Chico, CA	472,500
6.	Fairbanks, AK	500,000
7.	Gallup, NM	600,000
8.	Garden City/Dodge City/Liberal, KS	150,000
9.	Gary, IN	600,000
10.	Grand Forks, ND	350,000
11.	Harrisburg, PA	400,000
12.	Jackson, MS	400,000
13.	Jamestown, NY	150,000
14.	Jamestown/Devil's Lake, ND	100,000
15.	Kalispell, MT	450,000
16.	Longview, TX	225,000
17.	Lynchburg, VA	250,000
18.	Melbourne, FL	800,000
19.	Monroe, LA	50,000

2006 Grant Year		
	Location	Grant amount
20.	Montrose, CO	450,000
21.	North Bend, OR	400,000
22.	Palmdale, CA	900,000
23.	Springfield, IL	390,000
24.	Toledo, OH	400,000
25.	Tuscaloosa, AL	400,000
	Total	\$9,692,600

Source: DOT data.

Appendix IV: Essential Air Service Communities and Subsidies as of May 1, 2006

Table 2: Essential Air Service (EAS) Communities in the Contiguous United States, Hawaii, and Puerto Rico

States and communities	May 1, 2006 annual subsidy amounts
ALABAMA	
Muscle Shoals	\$1,364,697
ARIZONA	
Kingman	1,001,989
Page	1,057,655
Prescott	1,001,989
Show Low	779,325
ARKANSAS	
El Dorado/Camden	923,456
Harrison	923,456
Hot Springs	1,385,183
Jonesboro	923,456
CALIFORNIA	
Crescent City	816,025
Merced	696,788
Visalia	450,000
COLORADO	
Alamosa	1,083,538
Cortez	853,587
Pueblo	780,997
GEORGIA	
Athens	392,108
HAWAII	
Hana	774,718
Kamuela	395,053
Kalaupapa	331,981
ILLINOIS	
Decatur	954,404
Marion/Herrin	1,251,069
Quincy	1,097,406
IOWA	
Burlington	1,077,847
Fort Dodge	1,080,386
Mason City	1,080,386

States and communities	May 1, 2006 annual subsidy amounts
KANSAS	
Dodge City	1,379,419
Garden City	1,733,997
Great Bend	621,945
Hays	1,540,392
Liberal	1,008,582
Manhattan/ Ft. Riley	487,004
Salina	487,004
KENTUCKY	
Owensboro	1,127,453
MAINE	
Augusta/Waterville	1,065,475
Bar Harbor	1,065,475
Presque Isle	1,116,423
Rockland	1,065,475
MARYLAND	
Hagerstown	649,929
MICHIGAN	
Escanaba	290,952
Ironwood/Ashland, WI	409,242
Iron Mountain/Kingsford	602,761
Manistee/Ludington	776,051
MINNESOTA	
Chisholm/Hibbing	1,279,329
Thief River Falls	777,709
MISSISSIPPI	
Laurel/Hattiesburg	1,100,253
MISSOURI	
Cape Girardeau	1,147,453
Columbia/Jefferson City	Order 2006-4-6 requested proposals for Columbia/Jefferson City
Fort Leonard Wood	683,201
Joplin	755,762
Kirksville	840,200
MONTANA	
Glasgow	922,103
Glendive	922,103

States and communities	May 1, 2006 annual subsidy amounts
Havre	922,103
Lewistown	922,103
Miles City	922,103
Sidney	1,306,313
West Yellowstone	247,122
Wolf Point	922,103
NEBRASKA	
Alliance	655,898
Chadron	655,898
Grand Island	1,198,396
Kearney	1,166,849
McCook	1,502,651
North Platte	870,504
Scottsbluff	494,887
NEVADA	
Ely	784,463
NEW HAMPSHIRE	
Lebanon	998,752
NEW MEXICO	
Alamogordo/Holloman	Order 2006-3-26 requested proposals on an emergency basis
Carlsbad	599,671
Clovis	859,057
Hobbs	519,614
Silver City/Hurley/Deming	859,057
NEW YORK	
Jamestown	1,217,414
Massena	585,945
Ogdensburg	585,945
Plattsburgh	753,964
Saranac Lake	753,964
Watertown	585,945
NORTH DAKOTA	
Devils Lake	1,329,858
Dickinson	1,697,248
Jamestown	1,351,677
OKLAHOMA	

States and communities	May 1, 2006 annual subsidy amounts
Enid	636,279
Ponca City	636,279
OREGON	
Pendleton	649,974
PENNSYLVANIA	
Altoona	893,774
Bradford	1,217,414
DuBois	643,818
Johnstown	464,777
Lancaster	1,611,707
Oil City/Franklin	683,636
PUERTO RICO	
Mayaguez	688,551
Ponce	622,056
SOUTH DAKOTA	
Brookings	1,039,364
Huron	1,039,364
Pierre	449,912
Watertown	1,211,589
TENNESSEE	
Jackson	1,179,026
TEXAS	
Victoria	510,185
UTAH	
Cedar City	1,068,608
Moab	783,608
Vernal	555,771
VERMONT	
Rutland	849,705
VIRGINIA	
Staunton	650,123
WASHINGTON	
Ephrata/Moses Lake	1,698,922
WEST VIRGINIA	
Beckley	977,858
Clarksburg/Fairmont	306,109

States and communities	May 1, 2006 annual subsidy amounts
Greenbrier/Lewisburg/White Sulphur Springs	540,579
Morgantown	306,109
Parkersburg	439,115
Princeton/Bluefield	977,858
WYOMING	
Laramie	397,400
Riverton	394,046
Rock Springs	390,488
Sheridan	336,701
Worland	797,844

Source: DOT

Table 3: Alaskan EAS Communities

Community	May 1, 2006 annual subsidy
Adak	\$1,617,923
Akutan	350,381
Alitak	106,054
Amook Bay	16,622
Atka	336,303
Cape Yakataga	30,920
Central	61,421
Chatham	6,433
Chisana	Order 2006-4-13 held in 40 -Mile Air and Requested Proposals
Circle	61,421
Cordova	1,763,179
Elfin Cove	108,297
Excursion Inlet	9,212
Funter Bay	6,433
Gulkana	199,839
Gustavus	732,217
Healy Lake	51,781
Hydaburg	54,733
Icy Bay	30,920
Karluk	38,880

Community	May 1, 2006 annual subsidy
Kitoi Bay	16,622
Manley	24,768
May Creek	69,759
McCarthy	69,759
Minto	24,768
Moser Bay	16,622
Nikolski	173,603
Olga Bay	16,622
Pelican	108,297
Petersburg	732,217
Port Alexander	48,746
Port Bailey	16,622
Port William	16,622
Seal Bay	16,622
Uganik	15,715
West Point	16,622
Wrangell	732,217
Yakutat	1,763,179
Zachar Bay	16,622

Source: DOT.

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