

**American Association of Airport Executives  
10<sup>th</sup> Annual National Air Service Conference**

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JANUARY 24, 2005**

I am very happy to be here and to speak to you at another conference about the Small Community Air Service Development Program. The program has grown tremendously since the first grants were awarded in 2002. We are now working with many communities under 113 grant awards.

This is a very creative and dynamic program. It provides communities a great opportunity to develop their own solutions to their particular community's air service issues and to seek federal support to help pay for the project implementation. We are now about to embark on the fourth annual award process. As I will discuss later, on January 19, DOT issued its request for proposals for 2005, calling for applications by April 22.

First, for those of you here that may not be familiar with the program itself, let me briefly explain what the statute provides.

**Limitations:** Under the statute the Department may make a maximum of 40 grant awards each year, although no more than four grants can be made to any one state.

**Eligibility:** To be eligible to apply for a grant, the airport that serves the community had to have been classified as no larger than a small hub based on CY 1997 FAA enplanement data and experienced high fares and/or insufficient air service.

**Priority Considerations:** In selecting communities for participation, the law directs the Department to give priority consideration to those communities:

1. that have air fares higher than average for all communities.
2. that provide a portion of the cost of the project from other than airport revenues.
3. that have or will establish a public-private partnership to facilitate air carrier service to the public.
4. where the assistance will provide material benefits to a broad segment of the public that has limited access to the national air transportation system. and
5. that will use the assistance in a timely manner.

This last consideration is very important since it essentially makes clear that communities need to have a firm plan *before* they apply for a grant in order to demonstrate that they will use the funds timely.

In addition, the statute precludes communities that have previously been awarded grants from seeking multiple grant awards for the same project. For example, if the grant project involved a revenue guarantee for new carrier service, but that service was not fully self-sufficient at the end of the grant period, the community could not seek another grant in order to continue the revenue guarantee. Communities, therefore, need to have plans for further support of the grant project in the event that it is not fully self-sustaining when the grant is over.

**Use of Grant Funds:** The law is very flexible on the use of the grant funds in order to provide communities with the maximum amount of latitude to develop solutions to their air service and airfare issues. Some examples include marketing and other promotional initiatives, hiring personnel directly related to air

service development issues, financial incentives for airlines, studies, etc.

This is one of the best features of the law because it does not dictate the type of solution that the community should use to address its own issues. Instead it allows the community to take a leadership role in addressing its individual problems.

As I noted, we now have over 100 active grant awards. For the most part, these grants are still in process. I know that everyone in the small community area and on the Hill is interested in what has worked and what has not. It is still too soon to draw any firm conclusions because we have not yet had much experience with the “post” grant period. That said, it is fair to say that the implementation rate has been high and I can share some observations.

- At most airports with grants, enplanements have increased. This in part may be a result of the grant and in part from the normal recovery of traffic post 9/11.
- Enhanced marketing has been an effective tool in increasing traffic based on the anecdotal information in the progress and final reports and most communities support community-based marketing initiatives.
- Money talks. Financial incentives in the initial stages of service have been effective in attracting airlines, but airlines want that linked to longer-term potential. Entering and exiting markets does not help a carrier’s reputation and good will, so it is not just the money.

- There is still a need to look for creative solutions. Carriers do not just go for the money. We urge you to explore creative ways to address air service issues.

Several communities that have used financial incentives to secure air service and, to date, it has worked well include: Akron/Canton, OH; Asheville, NC; Charleston, WV; Daytona Beach, FL; Hailey, ID; Binghamton, NY; Rhinelander, WI; Bakersfield, CA; Gainesville, FL, Lewiston, ID which will celebrate its first inaugural flight on January 31; Redmond, OR; and Tupelo, MS.

Communities that have used aggressive marketing to secure improved air service include Lynchburg, VA; Meridian, MS; and Lake Charles, LA.

Abilene, TX is my favorite example of a community that used dedicated personnel toward air service/business development to improve its air service.

Several 2004 grant recipients have also secured or will soon receive new air services, including Charlottesville, VA; Del Rio, TX; Evansville/South Bend, IN; Latrobe, PA; Lincoln, NE; Sarasota, FL; and Sioux Falls, SD.

I will be happy to discuss some of the experiences in more detail as time allows or in side bars, but I do want to discuss the new RFP and certain aspects of it that I believe applicants should consider carefully.

First, this year we have provided additional time for preparing applications—90 days. When Deputy Assistant Secretary Reynolds and I traveled to various cities across the country last year, communities made clear the need for additional time to prepare their applications. We have tried to respond to that this year.

Second, the amount of funding available is essentially the same as in previous years. The base appropriation is \$20 million subject to a slight across the board rescission. Some additional funds are available from completed grants that did not use all of the grant funding. Right now, approximately \$20.2 million is available for the awards this year. Additional funds may be available by the time we make the awards.

Third, it is important to say that applicant communities need to address each of the items identified in the Application and Submission section of the RFP. Based on the applications last year, I want to address some of these items that need to be emphasized.

**Projects.** The statute provides that communities get priority consideration if they demonstrate that they will use the funds in a timely manner. Thus, communities need to present a firm plan to use the federal funds that they are seeking and provide a timetable for how they will implement their project. Sometimes, the best laid plans fall apart. In developing proposals, communities should provide alternative projects if their initial plan does not materialize or is affected by unforeseen factors. Our awards are based on the proposals that you provide. In fairness to the other applicants, we cannot make an award based on one project and then permit the community to change the project fundamentally after the award is made. Therefore, to ensure greater flexibility in implementing the award, communities should provide alternatives. This serves two major purposes. It permits the Department to view the total proposal, including the alternatives at the time of the selection process and, if the community is selected for a grant, it enables DOT to permit modifications to the grant project rather than terminating the grant award.

**Public/Private partnerships.** The statute gives priority to those communities that have or will establish public/private partnerships to deal with air service issues. Frequently, communities identify a public/private partnership, but provide not information as to how the partnership will participate in the proposed project. The RFP requires that communities provide specific information on the roles of the members of the partnership in the proposed project. If this information is not provided, the community will not be deemed as having met this priority consideration, even if it otherwise identifies a public/private partnership. In short, just identifying a partnership is not sufficient.

**Exit Strategy.** The statute does not permit communities to seek additional funding for the same project. The RFP explicitly requires applicants to provide information as to how and if they will continue to support the project if it is not self-sustaining when the grant funding has ended. This is an important consideration in evaluating the community's commitment to the project.

**Funding.** Communities must be clear on the amount of federal funding requested and the local contributions to the project. You must clearly indicate the funds provided on a cash basis and those provided on an in-kind basis. You must also clearly indicate how much is from airport revenues, non-airport revenues, and the state, if applicable. The statute provides priority to those communities contributing to the project from other than airport revenues. That does not mean that airport revenues cannot be part of the mix. In fact, we encourage communities to secure contributions from a wide range of sources. This also helps to spur greater community involvement. It is also important that the summary information provided and that provided in the application itself are consistent. There have been instances where the summary sheet and the application itself conflict. In those instances, we base our evaluation on the lower amounts set forth.

It is also important with local contributions that you have a back-up plan if those contributions fall through. There have been instances where the community wants the federal contribution to remain constant while the local contribution is reduced. It is important for communities to realize that they will be held to their local contribution proposed. Therefore, they should ensure that they have considered alternative funding sources.

**Public benefits of the service.** The statute gives a priority to those communities where the project will benefit a broad segment of the public with limited access to air transportation. This consideration will not apply in all cases. Where it does, communities should be very clear about what businesses, schools, and other enterprises would benefit from the project, their size, and the limitations on their access to air transportation. Demographic data on the community in this regard would be very beneficial.

**Air Service Development Zone.** The statute provides that DOT will select one of the grant recipients each year to be an air service development zone. The RFP directs applicant to make clear if they want to be considered for this selection. There are two places where you will need to address this issue. The first is on the summary sheet where you need to check if you are interested in the selection. The other is in the application itself in a separate section. Just stating that you want to be considered is not sufficient. You need to provide information as to why you should be considered, including information about the space available for development and access to other transportation modes (highway, rail). Economic issues that would make the community a good candidate for the selection should also be provided.

Now the big question—what is the air service development zone? It is an opportunity to work more closely with the Department on economic and transportation development

initiatives in your area. We will serve as a liaison around the federal government and work with you on your plan. There is no additional funding with this selection and no special benefit or preference is given to communities seeking this selection in receiving a grant.

With the exception of the discussion on the air service development zone, I have emphasized these aspects of the RFP because they all relate to the priority considerations in the statute. We will evaluate the applicant proposals against those priority considerations and how well the proposals meet those considerations.

In conjunction with these we will also consider the following: the size of the applicant community; its geographic location, including its proximity to larger air service centers and low-fare air service; the number of passengers expected to benefit; the community's demonstrated commitment and participation in the project; the amount of funding requested compared to the total available; the amount requested compared to the local contribution; the reasonableness of the plan; the uniqueness of the project and ability to solve the problem; and whether the community has already received a grant in a previous year.

I also want to briefly address a few other aspects of the RFP.

**Consortia:** We do not view several individual applications collected into one a consortium. An application representing a consortium would be one that facilitates efforts of communities toward a joint grant project.

**Number of applications from the same community:** We expect that communities will file only one. If you have the same project as part of a consortium and individually, we will consider

only the consortium application. If you file separately and as part of a consortium for complementary projects, will consider those. Multiple applications will not necessarily increase your chances of receiving a grant.

**EAS communities:** EAS communities can apply, but we will not authorize projects that are inconsistent with long-standing EAS policies. We also will consider the fact that EAS communities already receive federal support of their air services and that the EAS program now provides an alternative EAS program that incorporates many of the same features as the Small Community Program. It is also important that EAS communities understand that expanded services that they may receive under the Small Community Program do not translate into entitlements under the EAS program.

**Previous grant recipients:** Previous awardees can apply, but only for new projects. Also, previous recipients should keep in mind that we are generally oversubscribed and the fact that you already have benefited from the program will be taken into consideration. If you currently in the early stages of implementing a grant award, you are not in the best position to receive another so quickly.

**The question I know most of you probably want me to answer is “What can I do to increase my chances for getting a grant”**

I am afraid that I cannot give you a magic formula that ensures you will receive a grant. The funds are very limited and the law limits the Department to a maximum of 40 grants a year. You could do everything that I say and you still may not receive a grant.

I have tried to emphasize aspects of the RFP on which to concentrate, and I am happy to share with you the Department’s view of this program and what we believe is important.

This program represents a valuable opportunity for a community to partner with the federal government to address its air service issues. It is designed for long-term improvements to the community's air service situation, not short-term bumps to increase enplanements. And, it is designed to produce self-sustaining improvements in air service, not as a continuing support program. The amendments to the law precluding multiple awards for the same project further emphasized that intent.

If there is one thing that is probably a given—there is no certainty that the federal support for small community air service initiatives will be available. So, it is important that communities be galvanized to tackle these problems. Our hope is that the federal support of this program will provide communities greater flexibility to explore solutions that will enable them to continue and expand those improvements whether or not federal funding is available in the future.

This program empowers communities to take a leadership role in addressing their air service issues as the creator of the project and a stakeholder in terms of design and financial commitment.

In terms of guidance, as you proceed with applications, I offer this.

First, if I say anything, let me say community involvement, community involvement, community involvement. Airport Directors have a very hard job. Believe me, we do appreciate that. You cannot do it all. We believe that it takes all components of the community to be involved and involved for the long haul for continuously successful air service. The law makes this clear with its emphasis on public—private partnerships and local, non-airport contributions to grant projects.

Second, be realistic about the project you choose to pursue and definitely look at the numbers of passengers needed and the passenger mix needed to make the service successful. Then check that against the demand in your community and your ability to stimulate additional traffic.

Third, understand that we expect communities to take their partnership with us very seriously. We are prepared to contribute to the project as long as you are. As in any partnership, both parties are expected to meet their obligations. Keep this in mind when you develop your proposals.

Fourth, we encourage you to be innovative about solutions to your issues. A cookie-cutter approach may only serve to provide short-term improvements. Where appropriate and workable, consider consortia or regional approaches.

To the extent that we receive meritorious proposals, we will strive to authorize proposals in all parts of the U.S.; a variety of project types, with particular focus on innovative solutions that are reasonable; proposals for all sizes of small communities; and to address a variety of air service and airfare problems.

Finally, I want to mention that the Department's webpage has a lot of information on it regarding the statute, frequently asked questions, current and previous RFPs, previous grant award orders, studies and FAA base enplanement data for 1997. We have also provided a word version of the Summary Sheet Information in this year's RFP to facilitate electronic completion of the form. In this regard, be sure to use this year's format. We will not accept a previous format and you will have to refile. We also plan to add to this guidance in traversing the infamous Circular A-87, which provides guidance on how you can use grant funds and information on how our grant program relates to the FAA assurances. A direct

address to our webpage is [http://ostpxweb.dot.gov/aviation/X-50%20Role\\_files/smallcommunity.htm](http://ostpxweb.dot.gov/aviation/X-50%20Role_files/smallcommunity.htm).

We also would like feedback from you on what else you would like us to make available on the webpage. These suggestions should be emailed to Aloha Ley in my office. Her email address is [aloha.ley@ost.dot.gov](mailto:aloha.ley@ost.dot.gov).

As many of you may know, the Government Accountability Office is investigating this program. Should the GAO contact you, I encourage you to be forthright in your assessment and experiences under this program. We at the Department look forward to the input that the GAO can offer.

**National Commission:** Vision 100 provided for the establishment of a National Commission on Small Community Air Service tasked to study the challenges facing small communities in retaining and enhancing their scheduled air service and the adequacy of existing federal programs in helping communities achieve this goal, with particular emphasis on EAS communities.

The law *authorized* funding of \$250,000 for this Commission. However, the appropriations bill provided no funding for the Commission in FY 2005.

I know that time is short. I am happy to answer any questions that you may have about the program and our experiences over the past several years.