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A STUDY OF THE
ESSENTIAL AIR SERVICE PROGRAM IN THE
STATE OF IOWA:
PAST IMPLICATIONS AND
FUTURE DIRECTIONS

Prepared for the
Iowa Department of Transportation
Ames, Iowa

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I. INTRODUCTION

Air transportation influences a community's economic and social development by providing a valuable service that is not available by any other means. In Iowa, as well as throughout the Upper Midwest, the burdens of diminishing air service and increased air fares are falling most heavily on the smaller communities.

The "essential air service" subsidy program was established by the 1978 Deregulation Act to ensure that small cities with certificated airline service would be provided with at least minimal air service until October 24, 1988. The upcoming phase-out of this legislation, is currently a major topic of debate among midwest airline officials.

Authorization and Purpose

This report, is intended to analyze the past and present effects of the essential air service (EAS) program in the state of Iowa, and also relate these effects to various deregulatory impacts.

In addition, possible alternative courses of action are further outlined as proposed by various midwestern states, the Local Airline Service Action Committee, and the Regional Airline Association.

Sources of Data

The information included in this report is based upon data outlined in various national and state publications, texts, and periodicals.

In addition, telephone consultations with local and out-of-state airline officials were also obtained. Their suggestions and personal feelings toward alternative legislative proposals have been solicited as well.

Research in recent publications by various experts on airline deregulation also helped to provide some background information regarding the current status of the airline industry.

Plan of Presentation

This report is focused upon available courses of action when dealing with the EAS phase-out. It includes: a history of the EAS program, deregulatory impacts on airlines serving the midwest, and several alternative courses of action to EAS.

II. BODY

A. The History of Essential Air Service

In Iowa, the burdens of diminishing air service and higher air fares are falling most heavily on smaller communities. The air service solutions promised by deregulation proponents have not appeared in many cities, and may never appear at some smaller cities.

The root of today's small city air service dilemma can be traced back to the 1940's, when local service airlines were established and given federal subsidies.

The Civil Aeronautics Board (CAB), adopted regulatory policies that limited commuter airlines---which might have expanded unsubsidized air service to the smallest commercial passenger aircraft, thereby perpetuating public 'reliance' on federally subsidized local airline services. (1)

CAB subsidy policy did not encourage local airlines to become efficient providers of small-community air service, and may have contributed to less efficient operations. The subsidy formula used in the early 1960's is proof of this. By computing subsidy payments using "seat-miles" (a statistic measuring aircraft passenger capacity and route length) an airline that began using a larger plane was awarded a higher subsidy, regardless of whether such a move was justified by actual demand.

A review of local air service aircraft shows that from

21-seat DC-3's used in the 1940's (a plane already too large for many small community airports) carriers modernized their fleets with planes like the 56-seat Convair, and, in the 1960's, with DC-9's and 737 jets seating 80 to 120 passengers. (2)

Therefore, with each round of re-equipping, the cost of subsidized air service increased, and local airlines became more unwilling and less suited to serve the small community air markets.

The essential air service subsidy program was initiated by the 1978 Deregulation Act to ensure that small communities receive at least minimal air service until October 24, 1988.

Where air service is provided by only certificated carrier, and where airline abandonment reduces service to one carrier only, the CAB makes a determination of what constitutes "essential air service."

The actual level of service that constituted essential air service for a community was defined by the CAB in terms of five major service factors: equipment, hubs, frequencies, capacity, and stops. (3)

Aircraft eligible to provide essential air service were defined, at a minimum, to be twin-engined, dual-piloted, and with unimpeded cabin entry through airstair doors or similar types of access.

With regard to hubs, the objective established for the EAS program was to ensure that small communities were linked

to hub airports where opportunities to connect to other flights were available.

For frequencies, Congress specified in the act a minimum frequency of two round-trips on weekdays.

The EAS capacity requirement was based on accomodating 1978 traffic levels using a target load factor of 50%. The maximum number of seats guaranteed a community was 160 per weekday in both directions which, with a 50% load factor, represented 40 arriving and 40 departing passengers per weekday.

For stops, no rigid guidelines were specified.

In the past, seven Iowa cities were designated as essential air service communities. By 1984, four communities were receiving subsidy funding. (See Appendix A-1) Currently, however, Clinton and Ottumwa are the only 2 cities whose service carriers are subsidized.

At the onset, EAS subsidies to small community carriers totalled approximately \$100 million. Currently, this total has dropped to only \$25 million. This is quite a small percentage...considering that overall transportation subsidies total over \$300 billion.

B. Airline Deregulation and Its Effect on the Midwest

The Upper Midwest is perhaps less likely than other parts of the nation to reap benefits from the airline system that deregulation is creating. Since the earliest days of the region's development, the sparseness of population and

of markets, has hampered economic growth. For this reason, Iowa (as well as many other midwestern states) came to depend so heavily on federal subsidies.

1. Fares

The prospect of lower air fares was the main reason deregulation proposals had the support of consumer advocates.

However, basic (non-discounted) air fares have risen dramatically since deregulation, driving the price of air travel upward. Also, there's increasing evidence that basic air fares are rising more slowly on longer routes, which are predominantly between larger cities where there's more airline competition.

Small communities don't usually have the same air fare bargains as larger cities because demand for air travel is lower, and there's less competition.

People who fly to and from small cities have reason to be concerned about increases in air fares and the inequity of discounts, many of which go far beyond any real cost savings achieved by the airlines since deregulation. Yet, these are the results that one would expect the free market to produce in air transportation. And, as long as air fares are deregulated, small cities seem likely to be at a disadvantage with air fares.

2. Decline in Traffic and Quality-of-Service

As administered by the CAB, the EAS program has been aimed at providing bare minimum air service at bare minimum

cost. The poor service resulting from this policy has led to traffic declines. These, in turn, have provided an excuse for the federal government to further reduce minimum service guarantees. No serious attention has been given to question of "why" small city traffic has been declining or what we can do about it. Government policy has been, at best, one of passive indifference... watching air traffic decline at small cities while it grows elsewhere, waiting for the EAS program to end. (See Appendix A) Appendix A shows that passenger traffic at subsidized EAS points declined 54% from 1978 to 1985, while total domestic traffic grew 39%.

The "low bid" concept used by the US DOT results in the selection of EAS carriers, who in some instances, have neither the management experience or expertise to operate a scheduled air carrier nor an adequate financial base for development of reasonable service efforts.

3. The Need to Achieve Self-Sufficiency

If the nation continues its current course toward termination of all direct airline operating subsidies, it seems almost certain that some (or most) small community airlines will be left completely without air service.

As stated earlier, EAS subsidy provisions are temporary and will expire in 1988. This date was selected as the end of the first decade of deregulation, with the expectatation that this subsidy would only be used to provide a transitional "bridge," giving communities and airlines an opportunity to adjust to deregulated service and

find a basis for self-sufficient air service.

But...have small community airports adequately learned and adopted more favorable levels of self-sufficiency? Many people believe not.

A comment made by the National Association of State Aviation Officials read: "Unless these small community markets are stimulated by the use of better airplanes, and unless the carriers are provided with promotional expertise and funding, most present EAS communities will lose ALL scheduled air service in 1988. (4)

It's a stretching thought to compare the withdrawal of scheduled airline service to the abandonment of railroad service: the latter remade the face of rural America, and the former will directly affect many fewer communities. But still, the possible severing of a service that enhances a community's economic growth and place in the hierarchy of cities cannot be welcome.

It goes without saying that in-order for small community airports to actually achieve levels of self-sufficiency, subsidies must continue for some time yet in order for their traffic to start building-up once again.

Many people feel that this traffic could be significantly increased if a set proportion of the funding available under EAS could go specifically toward the development of marketing and promotional campaigns. Arnold Honkamp, Commissioner for the Dubuque airport, has attempted to do just this. The Dubuque airport (who no longer recieves any subsidy) has embarked on a major marketing and pro-

motional campaign for their local community. They're working closely with the local travel agents, and are communicating closely with the present carriers. (See Appendix B)

John Quey, a member on the EAS Committee of the US DOT, also stated that, "It may be a good idea to funnel a large majority of this local funding into marketing efforts in order to increase traffic. EAS is a very touchy subject, both for the carriers and communities involved."

Mr. Alan Wise, of Wise Aviation (located in Clinton), also brought-up this point. He felt the community would be economically hampered by ending EAS subsidies, and had to find a way to increase traffic to their local airport. According to Wise, "Many people aren't even aware of the fact that we offer service. I believe that if some of this subsidy money could be channelled toward better promotional strategies, we may be able to attract some of the business that's eventually lost by funding cutbacks in operation."

4. Conclusions

Small cities are just now beginning to feel the true impact of airline deregulation.

The marketplace in the airline industry is slowly (but surely) coming under the control of the mega-carriers. Small and medium-sized cities which were served by 2 carriers are now served by one. In some instances the carrier cannot provide the service-quality required to meet the air

service needs of the communities.

Geography has placed small and medium-sized cities off the main airline routes. Cities with scheduled air service are now faced with another significant impact of deregulation...code sharing, mergers, and mega-carriers. There's a possibility that smaller cities may be left out of the scheduled air transportation system all together due to corporate air carrier policies.

People living in small and medium-sized cities have a need (and a right) for the same kind of benefits that are realized by persons living in larger cities...for example, scheduled public transportation, reasonable access to markets, and economic development.

C. Current Regional Efforts and Proposals that Serve as Alternative Courses-of-Action to EAS

1. LASAC

LASAC, (the Local Airline Service Action Committee), is an organization made-up primarily of Minnesota cities with the objectives of improving airline service to small and medium-size cities.

LASAC has also organized a "national" committee (for the same purpose) called the National Committee of Cities and States for Airline Service (NCCSAS).

Officials of LASAC believe that it's in the public interest that these subsidies be provided by their own tax dollars.

LASAC has come-up with a new and innovative legislative proposal that attempts to eventually "wean" these (subsidized) small-city airports toward better levels of self-sufficiency. This new contract air service program has been proposed in-order to get away from the "nursing home" mentality that characterizes current EAS policy and give small cities a chance to develop healthy levels of air traffic as well. Such a program is possible without a significant cost to the federal government. (the current costs around \$30 million per year) (5)

The key features of this new program are:

- 1) Upgrading basic air service to levels that will encourage traffic growth and lower per passenger cost.
- 2) Taking advantage of franchising or similar marketing arrangements between larger and small airlines to increase small city traffic.
- 3) Providing for states and localities to help design, and pay the cost of, their own air service.
- 4) Attracting qualified airlines to compete to provide small city service.

a. How the Proposed Legislation Addresses Specific Needs

1. Upgrading Basic Air Service

The downward spiral of poor air service, leading to declining traffic and, in turn, to even poorer service must be arrested. In some locations EAS service is being provided with aircraft as small as eight passengers and one pilot. In many cases, flights operate at unattractive

times; fares are often excessive and connections poorly timed. More detailed minimum service standards are required to arrest further loss of traffic.

In the proposed legislation, a new standard of "basic air service" would be established for all currently eligible EAS points except that cities within one hour's driving time of a hub city would be excluded from the program. For most points, basic air service would consist of well-timed morning and evening service in aircraft of at least 15 passenger capacity. Fares would have to be in line with those charged elsewhere for such services.

2. Franchising or Similar Marketing Arrangements With Larger Airlines

In recent years there have been dramatic increases in traffic in many small cities as a result of marketing agreements between major airlines serving a hub, and smaller airlines operating between the hub and small outlying points. Such agreements provide that the two airlines will establish convenient connections. In most cases, the small airline adopts various trademarks which identify it closely with the large carrier, and uses the larger airline's two letter designator code. This "code sharing" permits the small airline's flights to be listed in a favorable position on travel agency computer reservation screens as part of the larger carrier's route network.

Some subsidized points already benefit from service under such marketing arrangements. Many more could. Eighty

to ninety percent or more of the revenue passenger miles generated by small cities are carried by a large airline beyond the hub city. The larger airline obviously has an interest in continuing to capture those revenue passenger miles. The recent spread of franchise agreements reflects their enormous potential for tapping new traffic. For the very small points, however, a modest financial incentive---less perhaps than current subsidy payments---is necessary to encourage the creation of such marketing agreements. The current EAS program focuses only on service "to" a hub city. It ignores the interest of large beyond-hub airlines in capturing small city passengers and makes no effort to transform that interest into lower subsidy.

The new legislation could change this policy. In selecting airlines to provide subsidized services, the Secretary of Transportation would be directed to encourage and give preference to the submission joint airline proposals to maximize connecting services. The DOT would be expected to play an active role in bringing carriers together and encouraging the formation of marketing agreements.

3. Local Input and Cost Sharing

A number of cities and states now in the EAS program would be willing to share the cost of their service, especially if they were given a greater voice in designing their own air service. A study of practicality of cost sharing has already been made at Congress' request. (6)

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(In only some states, however, constitutional provisions bar direct state payments to business enterprises.) In any case, the current EAS program provides no means for cities and states to prescribe their own service or help pay for it.

In adopting the new legislation, the states and localities would have a greater voice in determining basic air service and specifying service levels above basic service if they are willing to pay 50% of the added cost. Experimental services at cities not previously covered by the EAS program could also be triggered by a 50% state or local contribution to the cost.

4. Airline Participation

Many of the small airlines that now participate in the current EAS program or have done so in the past, are no longer interested in participating. This is due (in many cases) to CAB/DOT subsidy rates which the carriers believe have not adequately compensated them...but which they have no effective power to challenge. Further, the airlines object to being 'held in' by DOT for long periods at cities where subsidies do not cover costs. A major reason for the 'hold in' periods is that, thanks to these policies, replacement airlines are not coming forward.

If good service at reasonable cost is to be provided at small cities, there must be a sizeable group of airlines

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seeking the opportunity to provide it. This requires an entirely different approach than the current program, in which the carriers feel helpless to deal with what they contend are unfair subsidy rates and 'hold in' policies.

The new program would be operated as a conventional government contract program with competitive contract negotiations. This would assure the lowest subsidy cost but would provide the traditional protection of Contract Appeals Board procedures. "Hold in" power would still be necessary to protect against interrupted service but would be much less of a problem because: (1) substitute airlines would more willingly step forward; and (2) the 'held in' airline would have to be compensated for its fully allocated costs plus the reasonable cost of profit opportunities lost because the government had, in effect, requisitioned its aircraft.

A detailed copy of this proposed legislation by LASAC is located at the back of this report in Appendix C.

2. Actions of Other Midwestern States

In order to obtain some helpful ideas for Iowa, nearby states were examined as to how each has dealt with the upcoming EAS phase-out.

a. Minnesota

Minnesota cities, in conjunction with other affected

cities from Alaska to Mississippi and California to Maine, are having legislation introduced to Congress to provide for a post-1988 small community air service improvement program. (A detailed outline of this legislation is located in Appendix D) It is basically the same idea proposed by LASAC...and therefore, will not be re-viewed a second time.

Minnesota currently has three communities receiving EAS payments; Mankato, Thief River Falls, and Worthington. However, 12 cities are effected by EAS in some manner.

Raymond J. Roght, Assistant Commissioner of the Minnesota DOT, sums his state's position on EAS as follows:

"It's in the national interest to maintain the scheduled air transportation system serving cities both large and small. The loss of reasonable access to scheduled air service by small and medium-sized cities would be a blow to the local, state, and federal economy.

Without scheduled air transportation, many cities would be left isolated from the inter-state scheduled public transportation system. Scheduled passenger rail service, with some exceptions, is non-existent throughout most of this region (and rural America in general). In addition, passenger bus service is also shifting from the small and medium-sized cities to the larger citites.

Minnesota believes that it's imperative that new legislation be enacted.

In summary, Minnesota DOT representatives believe that

small community air service is essential to small and medium-sized cities. Without some form of program to support scheduled air transportation, there's a possibility that one-third of their small cities may lose reasonable access to the scheduled air transportation system. In addition, their larger cities face the potential of temporary disruptions of the air service they now enjoy, due to corporate policies, goals and objectives which may not necessarily consider the public interest. (7) (Further review of this state's information, can be reviewed in Appendix D)

b. Wisconsin

The two Wisconsin cities currently receiving EAS subsidies are Manitowac, and Janesville.

Bob Kunkel, Executive Director of the Wisconsin Bureau of Aeronautics, expressed his views on EAS in the following manner: "Yes, I believe we should continue the EAS idea...but 'not' in the same manner that it's currently set-up. There should be cost-sharing along with the local community. In my opinion, direct subsidies to the carriers promote inefficient operations. I think it would be beneficial to local community traffic to use most of this EAS funding in the development of promotional efforts."

Not surprisingly, the officials in Wisconsin have many of the same feelings as the Minnesota representatives.

c. Illinois

Richard M. Ware, Chief of the Bureau of Aviation Education & Safety, provided necessary input for his state's position in regards to EAS.

Illinois has twelve communities that are protected under EAS, only two of which have involved subsidies to carriers serving those communities.

The communities with carriers that have been recipients of subsidized service are Mt. Vernon, and Sterling-Rock Falls.

The Illinois Division of Aeronautics has worked through NASAO (the National Association of State Aviation Officials) to support the objectives of the EAS program. They have also participated in testimony before various legislative committees on various aspects of the EAS program.

Overall, the Illinois officials view the phase-out of the EAS program as having a negative impact on their state. They did, however, state that they felt the long-term effect on their state would be minimal in comparison to others.

3. RAA (Regional Airline Association)

The Regional Airline Association, an organization located in Washington D.C., has also introduced various changes in the current EAS program.

Their proposed legislation differs from the LASAC draft in a number of ways:

- 1) The local government would pay 20% of the subsidy for basic service.
- 2) Any airport which received subsidized service and is more than 50 miles from an airport with scheduled service, is considered an 'eligible-point.'
- 3) Subsidy funding would be generated from the general fund (\$25 million available).
- 4) RAA legislation would last for five years.

The only likeness to LASAC's draft, is that of the 15 passenger minimum capacity requirement.

Appendices E and F were forwarded by John Fredericksen, Executive V.P. of RAA. They are pieces of information contained in the RAA 1986-87 Annual Report.

The RAA has not formulated a specific policy on EAS as of yet. According to Mr. Fredericksen, "EAS is an extremely touchy subject right now. Some carriers are strongly in favor of the policy and some strongly opposed. As of the current time, the RAA hasn't formulated a specific policy position in regards to EAS. However, I have a feeling that debate over this issue may very well divide members within our own organization."

III. CONCLUSION

In an attempt to gain some additional input from various Iowa communities, the Chamber of Commerce directors were contacted from five cities: Dubuque, Ottumwa, Clinton, Spencer, and Fort Dodge.

Each director expressed the same general feeling. Local business-people are concerned over the possible threat of losing scheduled air service. These communities rely heavily on this service, and cannot afford to lose the economic benefit it provides to the local public and tax base. Especially at a time when our state is enduring some very tough economic (agricultural) hardships. These small communities deserve more support.

In my opinion, both the LASAC draft and RAA proposal have promising ideas. However, I personally believe the best thing that can be done for these small community airports is: to prolong the basic service policy for at least five more years, and channel a larger proportion of the subsidies into marketing and promotional strategies (rather than giving them 'directly' to the carriers themselves). This would allow small community airports to gradually increase their traffic levels, and, in turn, become more self-sufficient.

Appendix A-1

Table 1
Enplanements and EAS Subsidies

	1983 Total Enplanements	1983 Daily Passengers	1984 EAS (y or n)	1984 Total Subsidies (Sec. 419)
Cedar Rapids	206,142	565	N	--
Des Moines	542,535	1,486	N	--
Sioux City	64,293	176	N	--
Waterloo	53,733	147	Y	--
Burlington	18,294	50	Y	--
Dubuque	18,488	51	Y	--
Mason City	6,089	19	Y	\$738,513
Fort Dodge	5,032	16	Y	\$498,310
Clinton	2,375	8	Y	\$790,814
Ottumwa	1,838	6	Y	\$790,814
Spencer	4,288	12	N	--
Source:	Iowa Air System Plan--1982 CAB		CAB	CAB

ENPLANED PASSENGERS IN
SCHEDULED AIRLINE SERVICE

Comparison between 1978 and 1985*

<u>STATE</u>	<u>1978</u>	<u>1985</u>
<u>EAS Point</u>		
<hr/>		
ALABAMA		
Gadsden	6,508	1,527
<hr/>		
ALASKA		
41 Communities	63,280	58,332
<hr/>		
ARIZONA		
Kingman	417	3,135
Page	4,049	4,320
Prescott 1/	1,020	8,012
Winslow	2	444
<hr/>		
ARKANSAS		
Harrison	9,561	1,523
Eldorado/Camden	7,702	2,002
Hot Springs	27,359	2,068
Jonesboro	7,602	2,022
<hr/>		
CALIFORNIA		
Blythe	1,801	1,206
Crescent City	4,495	1,309
Santa Rosa	14,474	1,344
Merced	14,275	--
Modesto 1/	43,829	16,780
Stockton 1/	45,695	72,095
Visalia	26,370	9,232

1/ Subsidies recently terminated.

2/ Subsidy rate for "hold-in" service not yet established.

*

Source:

Certificated Air Carriers: Airport Activity Statistics of Certificated Route Air Carriers, 12 months ending December 31, 1978 and 1985.

Commuter Air Carriers: Table 1, Form 298C, RSPA, DOT., 12 months ending December 31, 1978 and 1985.

Commuter Enplanments are estimated at one half of O&D passengers.

<u>STATE</u>	<u>1978</u>	<u>1985</u>
<u>EAS Point</u>		
<u>COLORADO</u>		
Lamar	2,677	1,106
<u>GEORGIA</u>		
Athens	15,172	8,926
Moultrie/Thomasville	4,302	794
Waycross	468	--
<u>IDAHO</u>		
Twin Falls 1/	56,394	21,498
<u>ILLINOIS</u>		
Mt. Vernon	7,603	2,506
Sterling/Rock Falls	562	--
<u>INDIANA</u>		
Kokomo	1,667	1,396
<u>IOWA</u>		
Clinton	6,343	247
Fort Dodge 1/	9,684	4,932
Mason City 1/	19,329	5,076
Ottumwa	8,744	405
<u>KANSAS</u>		
Dodge City	6,198	2,653
Garden City	8,845	5,685
Goodland	2,958	1,137
Great Bend	5,045	2,505
Hays	9,722	4,729
Hutchinson	2,185	662
Parsons	--	--
<u>KENTUCKY</u>		
London/Corbin 1/	3,058	70
<u>MAINE</u>		
Lewiston/Auburn	3,303	655
<u>MICHIGAN</u>		
Jackson	10,196	528
Manistee/Ludington	2,847	90
Sault Ste. Marie (Marinette, WI)/	733	2,084
Menominee, MI	11,252	--
<u>MINNESOTA</u>		
Fairmont 1/	5,789	2,370
Worthington	2,603	940
Mankato	7,421	1,353
Thief River Falls	12,247	4,730

STATE

1978

1985

EAS Point

MISSISSIPPI

Greenwood 1/	2,392	--
Natchez	3,684	2,974
University/Oxford 1/	1,696	--

MISSOURI

Kirksville	2,620	1,446
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MONTANA

Glasgow	3,105	2,022
Glendive	837	1,326
Havre	1,011	1,136
Lewistown	755	591
Miles City	571	1,114
Sidney	1,481	2,802
Wolf Point	1,396	1,710
West Yellowstone	10,679	2,494

NEBRASKA

Alliance	3,287	496
Chadron	2,884	542
Columbus	2,981	673
Hastings	5,250	932
Kearney	5,924	2,042
McCook	3,430	1,104
Sidney 1/	2,207	504
Norfolk	7,386	1,897
North Platte 2/	26,190	10,790
Grand Island 2/	43,553	16,979
Scottsbluff 2/	30,220	19,519

NEVADA

Ely	5,473	2,236
Elko 1/	13,090	10,272

NEW MEXICO

Alamogordo	11,793	4,744
Carlsbad	8,543	11,849
Hobbs	4,822	5,052
Roswell	24,670	22,932
Silver City	6,683	2,486
Gallup	11,853	2,463
Santa Fe 1/	2,454	1,030

NEW YORK

Massena	4,882	3,274
Ogdensburg	4,088	2,928
Plattsburgh	12,380	6,683
Saranac Lake	6,350	5,454
Watertown	7,841	2,067

STATE

1978

1985

EAS Point

NORTH CAROLINA

Rocky Mount	9,049	540
Winston-Salem	3	4,539

NORTH DAKOTA

Devils Lake	4,162	1,188
Jamestown	3,040	3,334
Williston	8,085	6,408

OKLAHOMA

Enid	4,705	1,012
McAlester	746	506
Stillwater 1/	--	560
Ponca City	946	1,210

OREGON

Klamath Falls 1/	32,070	14,453
Pendleton	33,889	9,675
North Bend 1/	19,108	10,099
Salem	14,071	1,044

PENNSYLVANIA

Franklin/Oil City 1/	13,040	8,095
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PUERTO RICO

Ponce	47,997	1,690
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SOUTH DAKOTA

Brookings	2,799	3,250
Huron, Mitchell	6,923	2,934
Yankton	5,489	998

TENNESSEE

Clarksville	4,100	872
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TEXAS

Brownwood	3,663	1,848
Temple	16,122	7,024
Paris	3,161	827

UTAH

Cedar City	5,462	5,966
Moab	612	565

VERMONT

Montpelier/Barre	7,182	906
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VIRGINIA

Danville	5,567	2,372
Hot Springs	3,921	2,068

STATE

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19781985EAS Point

WASHINGTON

Aberdeen/Hoquiam 1/	165	2,536
Ephrata/Moses Lake	3,523	2,539

WEST VIRGINIA

Elkins	3,413	1,211
Morgantown	32,040	17,276
Clarksburg	36,085	19,054
Beckley	16,367	4,130
Bluefield	3,375	2,685

WISCONSIN

Manitowoc	10,883	360
Marinette, WI/ (Menominee, MI)	--	--

WYOMING

Worland	7,371	2,618
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Total	<u>1,100,101</u>	<u>507,051</u>
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Percent Decrease		<u>54%</u>
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Total Domestic Passengers, All Points	<u>251,255,997</u>	<u>350,136,698</u>
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Percent Change		<u>+39%</u>
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Certified Public Accountants

2345 J.F.K. Road • P.O. Box 699
Dubuque, IA 52004 • (319) 556-0123

March 13, 1987

Trish Dais
1125 North Dakota, #6
Ames, IA 50010

Dear Trish:

I am writing in response to your letter dated March 2, 1987 in regards to the EAS program.

I will attempt to answer your questions in the order you ask, and would ask that you send me a copy of your completed project, when finished.

1. How do you feel about the fact that the local subsidies will eventually be unavailable?

The EAS program provides two important items. It guarantees air service to hub airports, and provides subsidies to do so if necessary. In the case of Dubuque, we don't receive a subsidy, but are guaranteed daily seats into O'Hare. This latter item is extremely important to Dubuque. If the subsidy program is terminated, I believe several cities in Iowa will lose air service, as they now know it. The effect on economic development to these cities could be substantial.

2. Have you (or your colleagues) introduced any possible solutionary measures or programs in dealing with this subsidy phase-out?

We have joined the National Committee of Cities and State for Airline Service, and I would hope all affected cities would join. In our case it is mandatory that we maintain our access to O'Hare, especially since the FAA allowed the buying and selling of slots at high density airports. I have also been in contact with our Congressman on this matter. Finally, I believe we must be creative in looking at future air service at Iowa's Commercial Services II airports. I am thinking of an "Iowa" airline which would provide service to these cities and into major and sub hubs.

3. Do you feel that ending of EAS subsidies will have a pronounced impact on the economy of the state as well as your local area?

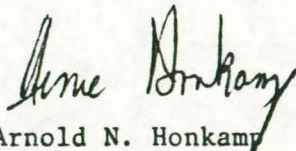
Elimination of the EAS law will have a very negative impact on the economic development of the affected cities. Air service is essential for businesses, especially of corporate headquarters or a sales force is located in the city.

4. Has the Dubuque airport done anything in particular as-for-as attempting to attract more passengers . . . ?

We have embarked on a major marketing and promotional campaign for the airport. After the initial blitz, we will continue a maintenance program year round. We are working with the local travel agents, and we are communicating closely with the present carriers. We are also identifying potential additional carriers, and will be calling on them to hopefully attract them to Dubuque. Finally, we are looking to remodel and expand our terminal, and are looking to do a destination and arrival study.

I hope this answers your questions, please feel free to contact me if you need more information.

Sincerely yours,



Arnold N. Honkamp

ANH/jc

1/2/87

PROPOSED SMALL COMMUNITY AIR SERVICE
IMPROVEMENT ACT

-- SUMMARY OF PROVISIONS --

I. GENERAL CONCEPT

A. New Statute

The Act would replace Section 419 of the Federal Aviation Act, eliminating the current system and implementing a new contract program to ensure continued access to the nation's air transportation system for small communities and isolated areas.

B. Timing

Under the new program, DOT would be required to enter into contract with air carriers for each point covered. Contracts would have to be in place within one year following expiration of Section 419 (i.e., no later than October 1989). Essential air service ("EAS") as provided under Section 419 would continue pending conclusion of a contract for the particular point in question.

C. Eligibility

The Act would cover all cities eligible for essential air transportation except those within one hour's driving time of an existing hub. Most such cities do not now, and presumably would not, require subsidy assistance to obtain adequate air service. However, if they did, they would be eligible.

II. CONTRACT PROGRAM

A. Basic Contract Requirements (EAS Points)

Inclusion of certain minimum features in each contract would be required by statute:

(1) Level of Service

Contracts would provide for at least two well-timed trips six days per week to the existing hub, or the current level of EAS service, whichever is greater. The hub could be changed if DOT, with the agreement of the affected community, found that use of a different hub would develop more traffic. Service would have to be provided morning and evening in each direction. (Service departing before 7:00 a.m. or after 7:00 p.m. or in the middle of the day (i.e., 10 A.M. to 4 P.M.) would not be considered reasonable in the absence of exceptional circumstances and community concurrence). Contracts also would provide for the maximum practicable number of convenient connections to beyond-hub destinations, and for agreements with beyond-hub carriers where necessary to ensure good beyond service. A key consideration in selection of the contract awardee would be its contractual arrangements for maximizing connecting traffic with beyond hub carriers.

(2) Aircraft Size

Aircraft size would be required by contract to be sufficient to accommodate passenger and non-passenger traffic at an average load factor of fifty percent (50%). In any case, service could not be provided on aircraft with less than an effective capacity of 15 passenger seats without the consent of

the affected community. Aircraft would be required in all cases to have two pilots and two engines and be pressurized for operations at altitudes over 8,000 feet.

(3) Fares

Reasonable fares would be provided for by contract. Reasonableness would be judged in relation to the prevailing fares of other air carriers in city pairs which have similar characteristics.

(4) Hold-In Provisions

A contract carrier at a given point may not wish to renew or renegotiate for an additional term. To avoid leaving a point without service, such a carrier would be required by contract to continue service to the point beyond the contract termination date until contract service could be instituted with a replacement carrier. However, a carrier held in after the end of its contract would be paid by DOT for its fully allocated losses plus return on investment (including assets at market value) and opportunity costs.

(5) Consultation With States and Cities

DOT would be required to consult with the states and affected communities before entering into an agreement with an air carrier and would be required to reflect local preferences as to basic service if practicable and not significantly affecting the basic contract costs.

B. Additional Service Features (EAS Points)

If a state/local entity desired service features beyond those contained in the basic contract under IIA above (e.g., an additional round trip, requirements regarding promotion, use of a large aircraft, etc.), DOT would be required to add such features to the contract provided the state/local entity agreed to pay half the additional cost of the special features. For example, if a state wanted to add one round trip costing \$50,000 to a basic contract worth \$300,000, the state/local entity would have to contribute \$25,000 (or just over seven percent (7%) of the total cost of the contract).

C. Experimental/Start-Up Service

The Act also would permit states or cities to propose experimental/start-up service at points not receiving scheduled air service, and DOT would be required to contract for the service to that point requested by the state or local entity. The latter would be required to pay for fifty percent (50%) of the cost of such service.

D. Contract Negotiation

"Basic" contracts under IIA would be negotiated by DOT. States and cities would have the right to propose specific contract provisions which would be incorporated in the contract if not inconsistent with this statute or federal procurement law. Contracts would be let by competitive negotiations. The

provisions of the Contract Disputes Act, including those pertaining to appeal of disputes to a Board of Contract Appeals, would apply.

III. DURATION OF PROGRAM

Ten years.

Appendix D

DRAFT

12/1/86

HR _____

A Bill to Provide For Improved Air Transportation
to Small Communities, and for Other Purposes

Be it enacted by The Senate and House of Representatives,
the United States of America in Congress Assembled, that this Act
may be cited as the "Small Community Air Service Improvement Act
of 1987."

- Sec. 1. The Secretary of Transportation shall enter into
contracts with air carriers to the extent necessary to:
- 1) assure that each eligible point receives
uninterrupted basic air service;
 - 2) assure that each new eligible point receives air
service of such type and quality as may be
specified by a state or local government entity
which has agreed to pay 50% of the contract cost of
such service; and
 - 3) provide for enhanced air service at each eligible
point whenever a state or local government entity
or any other person has agreed to pay 50 percent of
the contract cost of such enhancement.

- Sec. 2 For purposes of this Act:
- a) "Eligible point" means any airport in the United
States which is more than one hour's driving time
from a hub city and for which a determination of

essential air transportation has been made under Section 419 of the Federal Aviation Act as amended (49 USC § 1389).

- b) "New eligible point" means any airport not an eligible point which has been designated by a state or local government entity as a point to receive scheduled passenger air service under this Act and such entity has guaranteed to pay 50% of the contract price of the air service specified by such entity.
- c) "Basic air service" shall include all of the following elements:
 - 1) Two daily round trips 6 days a week with not more than one intermediate stop between the eligible point and a hub city, such flights to be scheduled to coincide approximately with the beginning and end of the business day. Flights departing from the eligible point or hub city between 10 AM and 4 PM or between 7 PM and 7 AM are not to be considered as so scheduled in the absence of the written agreement of the principal elected official of each community served by such point.
 - 2) Connecting or single plane service at the hub city to and from a substantial number of major destinations beyond such hub city.

- 3) Service provided in aircraft large enough to accommodate estimated passenger and non-passenger traffic at an average load factor for each such class of traffic of not greater than 50%; provided, however, that in no event shall contracts under this Act provide for service with aircraft of less than an effective capacity of 15 passengers unless, after October 31, 1978, aircraft of such size have not been employed in scheduled airline service for more than 60 consecutive operating days at such point.
 - 4) Service provided in aircraft with at least two pilots and two engines, unless, after October 31, 1978 no such aircraft have been employed in scheduled airline service for more than 60 consecutive operating days at such point.
 - 5) Service provided with pressurized aircraft for operations which regularly exceed an altitude of 8,000 feet.
 - 6) Service at fares which are not excessive when compared to the generally prevailing fares of other air carriers for like service between similar pairs of points.
- d) "Enhanced air service" is service whose quality exceeds basic air service and whose contract cost

would be in excess of the cost of basic air service.

- e) "Hub city" is an airline point which is within reasonable proximity to an eligible point and from which are obtainable direct flights to a significant number of major domestic airline destinations. The hub city for each eligible point shall be that city or cities which, as of January 1, 1986, was identified as an airline hub for such point in connection with the providing of essential air service pursuant to Section 419 of the Federal Aviation Act. The Secretary may designate new or different hub cities for eligible points with the concurrence of the principal elected officials of each community served by such point.
- f) "Secretary" means Secretary of Transportation.
- g) "Department" means Department of Transportation.
- h) "Air carrier" is as defined in Section 101(3) of the Federal Aviation Act (49 USC § 1301(3)).

Sec. 3 In selecting an air carrier to provide contract air service under this Act the Secretary shall give particular weight to such carrier's demonstrated reliability in providing scheduled air service and to the contractual arrangements such carrier has made with other air carriers to assure service beyond the hub city as required by paragraph (2) of subsection 2(b) of this

Act. Where necessary to assure such service the Secretary shall contract directly with air carriers providing air service from the hub city to points beyond. The Secretary shall also encourage the submission of joint contract proposals by two or more air carriers which reflect arrangements to maximize service for eligible points to and from major cities beyond their hub city.

Sec. 4. Contracts for basic air service made under this Act shall, to the extent otherwise consistent with this Act, reflect the preferences of the actual and potential users of airline service at the eligible point. In determining such preferences great weight shall be given to the views of elected officials representing such users. Contracts providing for enhanced air service shall include such provisions for enhancements as are prescribed by the governmental entity or other person which has agreed to pay the non-federal share thereof and are otherwise lawful. The Secretary may require appropriate payment in advance or such other security to assure that the non-federal contributions for air service under this Act are timely made.

Sec. 5. Contracts made under this Act shall be of such duration as the Secretary finds, after consultation with elected representatives of the affected cities, will tend to encourage reliable air service and public patronage

thereof. All such contracts shall provide that the Secretary may require the contracting airline to continue to provide the specified air service beyond the termination date of its contract if, despite diligent efforts by the Secretary, a timely contract with a replacement air carrier has not been arranged; provided, however, that, in the event the Secretary shall require such extended service the airline providing such service shall be compensated for service beyond the contract termination date in an amount which is sufficient to cover its fully allocated actual costs plus return on used and useful investment (at market value) attributable to the service and the reasonably demonstrable cost of opportunities foregone as a result of being obliged to provide such extended service.

Sec. 6. Notwithstanding any other provision of law, the Secretary shall let contracts hereunder by competitive negotiations under procedures established by the Secretary. The provisions of the Contract Disputes Act of 1978 (41 USC § 601 et. seq.) shall be applicable to all contracts subject to this Act.

Sec. 7. Contracts required to be made by this Act shall be entered into at the earliest practicable date but in no event later than 24 months after the date of enactment. On the effective date of a contract made under this Act, the eligible point covered by such contract shall cease

to be an eligible point within the meaning of Section 419 of the Federal Aviation Act and no compensation pursuant to that section shall thereafter be earned for air service to such point.

Sec. 8 The Secretary is authorized to incur obligations for the purpose of carrying out the provisions of this Act from appropriations made for such purpose.

Sec. 9 In negotiating contracts under this Act or otherwise fixing their terms the Secretary shall invite the participation and comments of affected state and local government entities to the maximum extent practicable. Contracts under this Act shall be made by and in the name of the Secretary.

Sec. 10 Section 419(b)(2) of the Federal Aviation Act (49 USC § 1389(b)(2)) is hereby repealed. Section 419(g) of such Act (49 USC § 1389(g)) is amended by changing the word "ten-year" to "twelve-year."

Sec. 11 This Act shall expire 10 years from its date of enactment.

Appendix E

Mn/DOT's presentation to the U.S. DOT representatives at the December 8, 1986 meeting concerning Essential Air Service.

I AM RAYMOND J ROUGHT, ASSISTANT COMMISSIONER, MN/DOT, AERONAUTICS DIVISION. ACCORDING TO MINNESOTA STATUTES, CHAPTER 360, MN/DOT, AERONAUTICS DIVISION IS THE STATE AGENCY RESPONSIBLE FOR AERONAUTICAL MATTERS AND POLICY IN MINNESOTA.

MINNESOTA HAS 12 CITIES WHICH ARE AFFECTED IN SOME MANNER BY THE ESSENTIAL AIR SERVICE PROGRAM.

THREE OF THESE CITIES ARE SERVED BY AIR CARRIERS RECEIVING ESSENTIAL AIR SERVICE PAYMENTS; MANKATO, THIEF RIVER FALLS AND WORTHINGTON.

THREE ARE SERVED BY A SINGLE AIR CARRIER WITHOUT SUBSIDY; FAIRMONT, CHISHOM/HIBBING AND INTERNATIONAL FALLS.

SIX ARE SERVED BY ONE OR MORE CARRIERS ON A NON-SUBSIDY BASIS; BEMIDJI, BRAINERD, DULUTH, MINNEAPOLIS/ST PAUL, ROCHESTER, AND WINONA*. (*SERVED THROUGH LA CROSSE, WI)

IT IS IN THE NATIONAL INTEREST TO MAINTAIN THE SCHEDULED AIR TRANSPORTATION SYSTEM SERVING CITIES BOTH LARGE AND SMALL. THE LOSS OF REASONABLE ACCESS TO SCHEDULED AIR TRANSPORTATION BY SMALL- AND MEDIUM-SIZED CITIES WOULD BE A BLOW TO THE LOCAL, STATE AND FEDERAL ECONOMY.

WITHOUT SCHEDULED AIR TRANSPORTATION MANY CITIES WOULD BE

LEFT ISOLATED FROM THE INTER-STATE SCHEDULED PUBLIC
TRANSPORTATION SYSTEM.

- SCHEDULED PASSENGER RAIL SERVICE, WITH SOME EXCEPTIONS, IS
NON-EXISTENT THROUGHOUT MOST OF THIS REGION AND RURAL
AMERICA IN GENERAL.

- PASSENGER BUS SERVICE, WHICH HAS BEEN DEREGULATED, IS
SHIFTING FROM THE SMALL- AND MEDIUM-SIZED CITIES TO THE
LARGER CITIES.

- AFTER 1988 ALL NON-HUB CITIES, SERVED BY ONE AIR CARRIER,
ARE AT RISK OF TEMPORARY DISRUPTIONS OF SCHEDULED AIR
SERVICE CAUSED BY CORPORATE DECISIONS OF AIR CARRIERS, WHICH
MAY OR MAY NOT TAKE INTO ACCOUNT THE PUBLIC NEED. MINNESOTA
CITIES FACED WITH THIS POTENTIAL PROBLEM ARE BEMIDJI,
BRainerd, CHISHOLM/HIBBING, DULUTH, FAIRMONT, INTERNATIONAL
FALLS, MANKATO, THIEF RIVER FALLS, WINONA/LA CROSSE,
WORTHINGTON AND POSSIBLY ROCHESTER.

AIRLINE DEREGULATION HAS NOT FOSTERED THE DEVELOPMENT OF
SCHEDULED AIR TRANSPORTATION IN SMALL- AND MEDIUM-SIZED
CITIES.

ENPLANEMENTS AT THOSE 9 MINNESOTA CITIES, TECHNICALLY
ELIGIBLE FOR THE ESSENTIAL AIR SERVICE PROGRAM, TOTALED
246,307 IN CALENDAR YEAR 1979. BY 1984 THIS TOTAL HAD

DROPPED BY OVER 36% TO 156,550 ENPLANEMENTS. AT THE THOSE SERVICE POINTS WHERE ESSENTIAL AIR SERVICE PAYMENTS WERE MADE TO AIR CARRIERS TO PROVIDE SCHEDULED PASSENGER SERVICE, ENPLANEMENTS DECLINED MORE DRASTICALLY. FOR EXAMPLE, AT WORTHINGTON, MN ENPLANEMENTS DECLINED 76% FROM 3,275 IN 1979 TO 783 IN 1984; AT MANKATO, MN 79% FROM 6,688 IN 1979 TO 1,368 IN 1984 AND AT THIEF RIVER FALLS 72% FROM 13,773 IN 1979 TO 3,776 IN 1984. BY COMPARISON ENPLANEMENTS AT MINNEAPOLIS/ST PAUL INTERNATIONAL DECLINED 12% FOR THE SAME PERIOD.

U. S. DOT'S ADMINISTRATION OF THE EAS PROGRAM IS SUCH THAT SMALL CITIES ARE PLACED AT A DISADVANTAGE IN DEVELOPING SELF-SUFFICIENCY. THE PROVISIONS OF THE CURRENT EAS PROGRAM HAVE BEEN CONSTRUED SO THAT ALL THAT IS REQUIRED OF THE DOT IS TO PROVIDE MINIMAL ACCESS TO THE SCHEDULED AIR TRANSPORTATION SYSTEM AND THE REDUCTION OF PAYMENTS TO AIR CARRIERS.

FOR EXAMPLE, FAIRMONT, MANKATO AND WORTHINGTON, MN. WERE SERVED ON A LINEAR ROUTE SYSTEM. ENPLANEMENTS AT ONE CITY TENDED TO SUPPORT THE SERVICE AT THE OTHERS. HOWEVER, THE U. S. DOT IN AN EFFORT TO SAVE APPROXIMATELY \$100,000 ALLOWED AN AIR CARRIER TO SELECT FAIRMONT OUT OF THE LINEAR ROUTE SYSTEM. SECTION 419 OF THE FEDERAL AVIATION ACT OF 1958, AS AMENDED, CITES "THE DESIRABILITY OF DEVELOPING LINEAR ROUTE SEGMENTS." AS A RESULT OF THE DOT'S ACTION

ENPLANEMENTS AT MANKATO AND WORTHINGTON HAVE NOT RECOVERED FROM THIS DISRUPTIVE FEDERAL ACTION.

THE "LOW BID" CONCEPT USED BY THE U.S. DOT RESULTS IN THE SELECTION OF EAS CARRIERS, WHO IN SOME INSTANCES, HAVE NEITHER THE MANAGEMENT EXPERIENCE OR EXPERTISE TO OPERATE A SCHEDULED AIR CARRIER NOR AN ADEQUATE FINANCIAL BASE FOR DEVELOPMENT OF REASONABLE SERVICE EFFORTS. FOR EXAMPLE, SOME AIR CARRIERS OPERATED EQUIPMENT NOT DESIGNED FOR AIRLINE SERVICE, OTHERS DID NOT HAVE ACCESS TO THE COMPUTERIZED AIRLINE RESERVATION SYSTEM, MOST WERE UNABLE TO PROVIDE THROUGH-FARES AND/OR JOINT FARES, SOME HAD NO MARKET IDENTITY AND DID NOT HAVE AN UNDERSTANDING OF USER/CARRIER RELATIONSHIPS THAT MUST BE DEVELOPED BETWEEN THEM AND THE PEOPLE THEY SERVED.

IS IT RATIONALE TO BELIEVE THAT A CITY THAT ENPLANED 13,773 PASSENGERS IN 1979 COULD BE REASONABLY SERVED BY AN 8 OR 9 PASSENGER AIRCRAFT ON A ONE-STOP 262 MILE ROUTE SEGMENT? WE DO NOT BELIEVE THAT IT IS; HOWEVER, THAT IS WHAT HAS HAPPENED OVER THE OBJECTIONS OF BOTH THE CITY AND MN/DOT, AERONAUTICS DIVISION IN ONE SITUATION IN MINNESOTA.

SMALL CITIES ARE JUST NOW FEELING THE TRUE IMPACT OF AIRLINE DEREGULATION.

THE MARKETPLACE IN THE AIRLINE INDUSTRY IS SLOWLY BUT SURELY COMING UNDER THE CONTROL OF THE MEGA-CARRIERS. SMALL- AND MEDIUM-SIZED CITIES WHICH WERE SERVED BY TWO CARRIERS ARE

NOW SERVED BY ONE. IN SOME INSTANCES THE CARRIER CANNOT PROVIDE THE QUALITY OF SERVICE REQUIRED TO MEET THE AIR SERVICE NEEDS OF THE COMMUNITIES.

GEOGRAPHY HAS PLACED SMALL AND MEDIUM-SIZED CITIES OFF THE MAIN AIRLINE ROUTES. CITIES THAT ARE AT THE END OF THE LINE NEED PROTECTION FROM LOSS OF ACCESS TO THE AIR TRANSPORTATION SYSTEM.

MINNESOTA BELIEVES THAT IT IS IMPERATIVE THAT NEW LEGISLATION BE ENACTED.

CITIES WITH SCHEDULED AIR SERVICE WILL NEED AN AIR SERVICE "SAFETY NET" AFTER 1988 BECAUSE THESE CITIES ARE NOW FACED WITH ANOTHER SIGNIFICANT IMPACT OF DEREGULATION - CODE SHARING, MERGERS AND MEGA-CARRIERS. CITIES WILL NEED PROTECTION FROM TEMPORARY DISRUPTIONS OF SCHEDULED SERVICE. ALSO, THERE IS A POSSIBILITY THAT THE SMALLER CITIES MAY BE LEFT OUT OF THE SCHEDULED AIR TRANSPORTATION SYSTEM ENTIRELY DUE TO CORPORATE POLICIES OF AN AIR CARRIER (S).

ANY NEW PROGRAM MUST BE MORE POSITIVE, PLACE OBLIGATIONS ON AIR CARRIERS, CITIES, STATES AND THE U. S. DOT TO STIMULATE USAGE AND FOSTER DEVELOPMENT OF THE SCHEDULED AIR TRANSPORTATION SYSTEM.

WHY? BECAUSE PERSONS LIVING IN SMALL AND MEDIUM-SIZED CITIES HAVE A NEED FOR THE SAME KINDS OF BENEFITS THAT ARE REALIZED BY PERSONS LIVING IN LARGER CITIES. I.E. SCHEDULED PUBLIC TRANSPORTATION, REASONABLE ACCESS TO MARKETS, AND ECONOMIC DEVELOPMENT. IN OUR OPINION THE ELIMINATION OF FUNDING FOR SMALL COMMUNITY AIR SERVICE WILL HAVE A GREATER IMPACT ON THE ECONOMY THROUGH LOSS OF TAX REVENUES, THAN WHAT THE FEDERAL GOVERNMENT WOULD INCURR IN A PROGRAM WHICH WOULD FOSTER AND DEVELOP AIR SERVICE IN THESE SMALL COMMUNITIES.

IN SUMMARY, WE BELIEVE THAT SMALL COMMUNITY AIR SERVICE IS ESSENTIAL TO SMALL AND MEDIUM-SIZED CITIES. WITHOUT SOME FORM OF PROGRAM TO SUPPORT SCHEDULED AIR TRANSPORTATION THERE IS A POSSIBILITY THAT ONE-THIRD OF OUR SMALL CITIES MAY LOSE REASONABLE ACCESS TO THE SCHEDULED AIR TRANSPORTATION SYSTEM AND THE LARGER CITIES FACE THE POTENTIAL OF TEMPORARY DISRUPTIONS OF THE AIR SERVICE THEY NOW ENJOY, DUE TO CORPORATE POLICIES, GOALS AND OBJECTIVES WHICH MAY NOT NECESSARILY CONSIDER THE PUBLIC NEED.

MINNESOTA BELIEVES THAT CITIES SHOULD BE PROTECTED FROM TEMPORARY AIR SERVICE DIRUPTIONS BY AN "AIR SERVICE SAFETY NET".

CITIES CURRENTLY RECEIVING SCHEDULED AIR SERVICE UNDER THE CURRENT EAS PROGRAM SHOULD BE PROVIDED WITH BASIC AIR

SERVICE AT FEDERAL EXPENSE BEYOND 1988. THIS DEVELOPMENT PERIOD IS REQUIRED TO ALLOW THESE CITIES, WHICH WERE PLACED AT A DISADVANTAGE BY THE CURRENT PROGRAM, TO ACHIEVE SELF-SUFFICIENCY AS AN AIR SERVICE POINT.

THE POST 1988 PROGRAM SHOULD PROVIDE A MECHANISM FOR CITY/STATE/FEDERAL UNITS OF GOVERNMENT TO CONTRACT FOR SERVICE ENHANCEMENTS AND SHARE IN THE COSTS OF THESE SERVICE ENHANCEMENTS ABOVE THE BASIC SERVICE.

THE PROGRAM SHOULD INCLUDE A PROVISION TO ALLOW NEW CITIES TO PARTICIPATE, PROVIDED THE STATE IN WHICH THEY ARE LOCATED AGREES. AT THESE FEW LOCATION THE COST SHARING BETWEEN THE FEDERAL GOVERNMENT AND THE LOCAL GOVERNMENTAL UNITS WOULD BE SUBSTANTITALLY HIGHER FOR THE LOCAL UNITS OF GOVERNMENT.

ESSENTIAL AIR SERVICE DETERMINATION

<u>State</u>	<u>Hubs (Number of allowed stops)</u>	<u>Frequency</u>	<u>Inbound and Outbound Seats Each Service Day with:</u>	
			<u>9-seat or smaller</u>	<u>14-seat or larger</u>
<u>Illinois</u>				
Bloomington	CHI (0) + STL (2) or IND (1)	2d	80	62
Champaign/Urbana	CHI (0) + STL (1)	2d	80	62
Danville	CHI (0)	2wd/2we	80	62
Decatur	CHI (1) + STL (0)	2d	80	62
Galesburg	CHI (1)	2wd/2we	52	40
Marion/Herrin	STL (0)	2d	80	62
Mattoon/Charleston	CHI (1) or STL (1)	2wd/2we	46	35
Mount Vernon ^{1/}	STL (0)	2wd/2we	50	38
Quincy/Hannibal	CHI (1) + STL (0)	2d	80	62
Rockford	CHI (0) or DEN (2) + DTW (2)	2d	80	62
Springfield	CHI (1) + STL (0)	2d	80	62
Sterling/Rock Falls	CHI (0)	2wd/2we	16	13
<u>Indiana</u>				
Bloomington	CHI (1) + IND (0)	2d	80	62
Elkhart	CHI (0)	2d	80	62
Kokomo/Logansport/ Peru	CHI (0)	2wd/2we	12	12
Lafayette	CHI (0)	2d	80	62
Muncie/Anderson/ New Castle	CHI (1)	2wd/2we	66	51
Terre Haute	CHI (1) + IND (0)	2d	80	62
<u>Iowa</u>				
Burlington	CHI (1) + STL (1)	2d	80	62
Clinton	CHI (0)	2wd/2we	22	17
Dubuque	CHI (1)	2d	80	62
Fort Dodge	CHI (2), DSM (0), MSP (1) or OMA (0)	2wd/2we	34	26
Mason City ^{2/}	CHI (2), DSM (1), MSP (1) or OMA (1)	2wd/2we	52	40
Ottumwa	CHI (1) or DSM (0) + MLI (0)	2wd/2we	32	25
Waterloo	CHI (2) + DEN (2), STL (2) or MSP (1)	2d	80	62

1/ An amended essential air service determination for Mt. Vernon was issued by Order 85-8-62 but was stayed by Order 85-10-83. The stay is still in effect.

2/ The determination has been appealed. The appeal is pending before the Department.

Lafayette, IN (city)

Pop. - City: 43,011 (1980) - Airport service area: 276,293
Chicago accounts for 25% of traffic. Next major destinations are New York (6%), Detroit (5%), Minneapolis (4%) and Los Angeles (3%). Business travelers constitute 75% of traffic, discretionary travelers 25%. Current traffic (est. at 23,000 enplanements) only reflect 25 of air travel demand. Majority of travelers drive to Indianapolis for lower fares and alternative service. No impact on Lafayette. However, failure to provide an alternative program would cause loss of opportunity to stimulate the growth of local service air transportation. Absent air transportation, would expect private enterprise limousine service to expand to meet the needs. Program should be amended to allow communities to participate financially to expand beyond basic EAS to reach levels which can meet the needs of communities. For eligibility, isolation standard of 2 hour driving time to nearest alternative point and traffic standard of .0025% of population/day average. Funding should be from the trust fund provided that it is removed from the Federal budget. Cities are restrained from increasing taxes to meet additional program funding requirements. Prefer user taxes.

Logansport, IN (city)

Pop. - City: 17,899 (1980) - Airport service area: 40,000
Majority of air travelers at Logansport utilize local air taxi and are not aware of the subsidized service available at the hyphenated community of Kokomo. Many Logansport passengers drive to Chicago or Indianapolis. Thus, elimination of subsidy for Kokomo/Logansport/Peru would not adversely affect the community. Economic level of user should be screened just like it is for every other federal subsidy program. Subsidies should not be continued. Users tax is an excellent idea.

IOWA

Burlington, IA (airport)

Pop. - City: 29,000 (1980) - Airport service area: 202,500
Estimated 30% of traffic utilizes St. Louis and 70% use Chicago. Most travel is business. Current traffic is only about 75% of projected. Larger aircraft, more direct flights to other hubs and improved economic climate are necessary to increase boardings. Many travelers use Cedar Rapids (100 miles) and commute by private vehicle. Since none of current carriers receive subsidy, elimination of the funding should have no effect. Demand for air service seems to be strong and stable. Eligibility should be based on economic need. Funding should be national from tax on aviation fuel to national carriers. The community would not be able to participate in subsidy-sharing except in terms of supporting airport.

Clinton, IA (city)

Pop. - City: 32,779 (1980) - Airport service area: 45,000
No traffic data was supplied by the community. Based on travel agent survey, 90% of traffic utilizes other airports. Increased frequency, lower fares and better quality service are necessary to increase boardings. Public transportation is not available to alternative airports. Discontinuation of subsidies would result in elimination of service which would cause a hardship on the general public who are unable to drive the 40 miles to Moline. EAS program should require the airline providing service to promote the service and be connected with a computer reservation system. Retain current funding. Community could not participate in funding due to current economic conditions.

Fort Dodge, IA (city)

Pop. - City: 29,423 (1980) - Airport service area: 200,000
Major markets are Minneapolis (74%), Des Moines (16%), and Chicago (9%).
Alternate transportation currently used is automobile to other major hubs.
Lower air fares to major hubs, more scheduled service and larger aircraft are necessary to increase traffic. Fort Dodge has been without subsidy for one year. However, the community claims that neither carrier serving it believes that the point is profitable. Eligibility should take into account isolation but not minimum traffic standards. Economic development of the community should be looked at. Funding should be at the state and federal level through a user's tax or use of the current air ticket tax. The community is unable to participate in funding.

Mason City, IA (airport)

Pop. - City: 30,144 (1980) - Airport service area: 163,325
Major markets - Chicago (30%), Detroit (20%), Memphis (15%), New York (15%) and Los Angeles (10%), with Minneapolis being the major connecting point. Business travelers account for 75% of traffic and discretionary/tourist 25%. Air travelers started to use other airports after Ozark began reducing service in the early 1980's and after the PATCO work stoppage, and they continue to do so. To regain this traffic, a new jet or commuter carrier is necessary. Bus service is available to other cities but not airports. If Great Lakes were to lose subsidy at Clinton, it might discontinue Mason City-Chicago service. Lack of this service would affect the region's economic and business development. A subsidy program in some form should continue. An isolation criteria should be established for eligibility based on distance and driving time. A standard based on traffic is not favored. Funding should be at the federal level with funds generated from all users. Current city and airport funding would not enable the community to participate in subsidy cost sharing.

Ottumwa, IA (airport)

Pop. - City: 27,381 (1980) - Airport service area: 86,000
Major travel destinations are Denver, Dallas, Los Angeles, Las Vegas and Chicago. (No percentages or connecting points were designated.) Travel agent survey indicates that less than 10% of local travelers enplane at the community's airport. 90% go by car to Des Moines or Cedar Rapids for better connections and more frequent service. More competitive air fares and better coordination of flights with major airline schedules at hub airports are necessary to increase local boardings. No direct bus or limousine service is available to Des Moines, the closest alternative air transportation center. Loss of air service (if subsidies are discontinued) would seriously impair the ability to attract new business and industry to replace those sectors. There is no real substitute for air transportation. Best alternative would be freeway/expressway link to Des Moines. A change that would provide incentives for major carriers to provide interline service from the small community. Funding should be as it is currently provided with the requirement that the airline promote the service with advertising and coordination with major airlines. Since the elimination of revenue sharing, there are no funds available at the community level for subsidy cost sharing.

HISTORIC TRAFFIC DATA FOR COMMUNITIES WITH ESSENTIAL AIR SERVICE DETERMINATIONS

State/Point	Annual Passenger Enplanements					Daily Passenger Enplanements				
	1976	1978	1980	1982	1985	1976	1978	1980	1982	1985
<u>Indiana</u>										
Bloomington	13214	22341	19471	11145	10672	42	71	62	36	34
Elkhart	25330	27230	25808	23426	20194	81	87	82	75	65
Kokomo/Logansport/Peru	429	1667	-	1096	1396	1	5	-	4	4
Lafayette	24547	32623	34440	22277	23208	78	104	110	71	74
Muncie/Anderson/New Castle	14539	20514	12753	5342	7299	46	66	41	17	23
Terre Haute	25394	30376	28068	17506	17919	81	97	89	56	57
<u>Iowa</u>										
Burlington	31102	35324	26521	22358	25132	99	113	84	71	80
Clinton	5862	6343	2273	1776	247 <u>10/</u>	19	20	7	6	2 <u>11/</u>
Dubuque	33948	40919	25088	19490	12811	108	131	80	62	41
Fort Dodge	9078	9684	4809	3599	4932	29	31	15	11	16
Mason City	17295	19329	10257	3264	5077	55	62	33	10	16
Ottumwa	8272	8744	3045	1383	405 <u>10/</u>	26	28	10	4	3 <u>11/</u>
Waterloo	107467	115660	69054	49109	50504	342	370	220	157	161
<u>Kansas</u>										
Dodge City	3431	6198	5306	4039	3536 <u>3/</u>	1	20	17	13	11
Garden City	9702	8845	8266	7935	7578 <u>3/</u>	31	28	26	25	24
Goodland	2657	2958	2279	1426	1516 <u>3/</u>	8	9	7	5	5
Great Bend	2692	5045	4582	3455	3339 <u>3/</u>	9	16	15	11	11
Hays	8416	9722	7753	6527	6304 <u>3/</u>	27	31	25	21	20
Hutchinson	1057	2185	1362	950	884 <u>3/</u>	3	7	4	3	3
Independence/Parsons/ Coffeyville	1529	3568	3114	1920	958 <u>3/</u>	5	11	10	6	3
Liberal/Guyman, OK	14194	13888	13549	7422	6185 <u>3/</u>	45	44	43	24	20
Manhattan/Junction City/ Ft. Riley	44826	49412	50327	41786	41959 <u>3/</u>	143	158	160	134	134
Salina	15995	23706	28282	12021	7061 <u>3/</u>	51	76	90	38	23
Topeka	52802	83217	49227	45950	25884 <u>3/</u>	169	266	157	147	83

Summary of
U.S. Essential
Air Service

Appendix G

State and C.A.B. Order	City	Hub	Distance to Hub	Guaranteed Essential Air Service		Actual Available Service 1/86		Actual Available Service 1/87		Actual Available Service 1/78		
				Daily Roundtrip Frequency	Seats per Day	Daily Roundtrip Frequency	Seats per Day	Daily Roundtrip Frequency	Seats per Day	Daily Roundtrip Frequency	Seats per Day	
Missouri	81-10-6	Bloomington	Chicago and St. Louis	114 142	2	80	6 2	239 38	3 5	107 95	9/2 2	135/88 88
	80-2-124	Champaign/Urbana	Chicago and St. Louis	130 143	2	80	6 3	264 57/345	7 7/3	283 133/320	5 5	408 383
		Danville	Chicago	116	2	80	4	60	4	60	6	90
		Decatur	Chicago and St. Louis	152 110	2	80	2 10	63 182	4 16	176 304	1 5	44 408
		Galesburg	Chicago	153	2	52	4	76	4	76	7	105
		Marion/Herrn	St. Louis	100	2	80	11	205	13	247	3	203
		Mattoon/Charleston	Chicago or St. Louis	168 123	2	46	4 —	60 —	4 —	60 —	2 2	88 88
	85-8-62	Mount Vernon	St. Louis or Chicago	87 217	2	10	3 —	45 —	2 —	36 —	2 —	88 —
	80-2-124	Quincy, IL/ Hannibal, MO	Chicago and St. Louis	224 94	2	80	4	76	1	19	3	203
							5	79	8	152	5/3	95/178
84-8-20	Rockford	Chicago or an unspecified hub to the east and west	72 —	2	80	1	122	—	—	2	205	
						3	54 (DTW)	—	—	2	20	
81-10-6	Springfield	Chicago and St. Louis	173 84	2	80	12	230	25	553	4/3	192/203	
						20	435	18	342	9	818	
85-7-52	Sterling/ Rock Falls	Chicago	100	2	16	2	30	2	16	7	105	
Indiana	83-6-3	Bloomington	Chicago and Indianapolis	198 44	2	80	2	30	2	30	5	75
							2	80	2	88	5	75
		Elkhart	Chicago	92	2	80	5	236	4	200	11	209
		Kokomo Logansport/Peru	Chicago	139	2	12	3	24	2	16	1	15
		Lafayette	Chicago	110	2	80	5	116	6	139	9	171
		Muncie/Anderson/ New Castle	Chicago	167	2	66	2	38	2	38	5	75
		Terre Haute	Chicago and Indianapolis	169 58	2	80	3 1	57 19	3 2	57 30	8 5	120 75
Iowa	84-5-74	Burlington	Chicago and St. Louis	191 146	2	80	—	—	1	19	3	203
							4	60	7	133	3	178
		Clinton	Chicago	125	2	22	2	30	2	30	5	75
	86-8-27	Fort Dodge	Des Moines or Chicago or Omaha or Minneapolis	156	2	80	4	158	7	222	1/3	15/203
							—	—	—	—	1	15
							2	36	2	36	—	—
				75 333 123 168	2	34	2 — 2	30 — 30 30	2 — 4	30 — 76	1 — —	115 — 44 —
		Mason City	Chicago or Minneapolis or Des Moines	298 120 113	2	52	3	45	— 5	— 95	1 —	115 —
	84-5-74	Ottumwa	Chicago or Des Moines and Moline	249 69 104	2	32	2	30	2	30	—	—
							2	30	2	30	—	—
						—	—	—	—	2	88	

State and C. A. B. Order	City	Hub	Distance to Hub	Guaranteed Essential Air Service		Actual Available Service 1/86		Actual Available Service 1/87		Actual Available Service 1/78	
				Daily Roundtrip Frequency	Seats per Day	Daily Roundtrip Frequency	Seats per Day	Daily Roundtrip Frequency	Seats per Day	Daily Roundtrip Frequency	Seats per Day
Iowa (continued)	Waterloo	Chicago and	242	2	80	4	222	3	132	1	44
		Denver or	678			—	—	—	—	2	230
		Minneapolis or	167			2	30	5	117	1	90
		St. Louis	284			1	115	1	90	—	—
Kansas 85-7-60	Dodge City	Denver and	299	2	24	2	38	2	38	1	19
		Wichita or	139			3	57	2	38	3	57
		Kansas City	303			—	—	—	—	—	—
	Garden City	Denver and	257	2	46	2	38	2	38	1	19
		Wichita or Kansas City	182 338			3 —	57 —	2 —	38 —	3 —	57 —
	Goodland	Denver	172	2	10	2	38	2	38	2	36
	Great Bend	Wichita or Kansas City	92	2	22	1	19	—	—	3	57
						2	38	1	19	2	36
	Hays	Denver and Wichita or Kansas City	307 130 246	2	42	1	19	2	38	1	19
						—	—	1	19	—	—
						2	38	1	19	2	36
	Hutchinson	Wichita	37	2	6	2	38	2	38	4	76
						—	—	—	—	—	—
Independence/ Coffeyville/Parsons	Kansas City	137	2	8	2	38	—	—	2	38	
84-8-84	Liberal/Guymon	Denver	284	2	58	2	38	2	38	2	106
	Manhattan/ Junction City/ Fort Riley	Kansas City	108	2	80	16	264	14	233	13/2	104/106
						—	—	—	—	—	—
	Salina	Kansas City	165	2	58	2	38	3	57	1	53
Topeka	Kansas City	55	2	80	19/3	273	15/2	208/215	15/5	120/389	
Kentucky 85-5-83	London/Corbin	EAS redefined as zero				—	—				
84-3-71	Owensboro	Louisville	84	2	56	4	60	3	48	6	90
	Paducah	Louisville and St. Louis	183 145	2	80	3	45	2	36	2	230
8						140	8	152	2	230	
Louisiana 84-2-5	Alexandria	Dallas and	296	2	80	3	111	3	96	3	385
		New Orleans	160			4	129	3	82	2	30
	Lafayette	Houston and New Orleans	215 151	2	80	3	320	3	360	3	270
						9	162	6	108	6/5	90/450
Lake Charles	Houston and New Orleans	141 218	2	80	10	202	6	150	3/3	45/270	
					1	37	6	108	1	15	
Maine 84-7-76	Augusta/ Waterville	Boston	156	2	80	4	64	5	75	13	227
	Bangor	Boston	201	2	80	5/4	87/592	6/4	115/620	2/5	30/735
						2	30	2	30	3	45
	Bar Harbor	Boston	196	2	80 6/1-9/30 24 10/1-5/31	2	30	2	30	3	45
85-3-73	Lewiston/Auburn	Boston	122	2	10	2	30	3	45	2	38
84-7-76	Portland	Boston	95	2	80	14/4	291/592	14/5	273/765	9/5	197/775
	Presque Isle/ Houlton	Boston	332	2	80	2	80	2	64	2	310

• Service is provided exclusively by commuter/regional air carriers.

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