

Commercial Air Service Retention and Expansion Committee

Air Service Overview and Plan for Air Service Improvement

December, 2014



Legislative Charge (Senate File 2355)

The 2014 Iowa Legislature passed the Iowa DOT Omnibus bill, Senate File 2355. This bill contains language that reads as follows:

A commercial air service retention and expansion committee is established within the aviation office of the department. The membership of the committee shall consist of the director or the director's designee; the managers of each airport in Iowa with commercial air service; two members of the senate, one appointed by the majority leader of the senate and one appointed by the minority leader of the senate; and two members of the house of representatives, one appointed by the speaker of the house and one appointed by the minority leader of the house. Legislative members are eligible for per diem and expenses as provided in section 2.10, for each day of service. The committee shall, on or before December 31, 2014, develop a plan for the retention and expansion of passenger air service in Iowa. The committee shall meet as the committee deems necessary to assess progress in implementing the plan and, if necessary, to update the plan.

Members

Iowa Department of Transportation

Paul Trombino, III- Director, Iowa DOT, Chair

Michelle McEnany- Director, Office of Aviation, staff

Tim McClung- Planning and Outreach Manager, Office of Aviation, staff

Commercial Airport Managers

Kevin Foley - Des Moines

Heather Wilson - Cedar Rapids

Robert Grierson - Dubuque

Curt Miller - Sioux City

Sheila Combs - Waterloo

Pam Osgood - Mason City

Rhonda Chambers - Fort Dodge

Mary Beaird - Burlington

Legislative

Senator Jeff Danielson- Senate Majority

Senator Bill Anderson - Senate Minority

Representative John Landon- House Majority

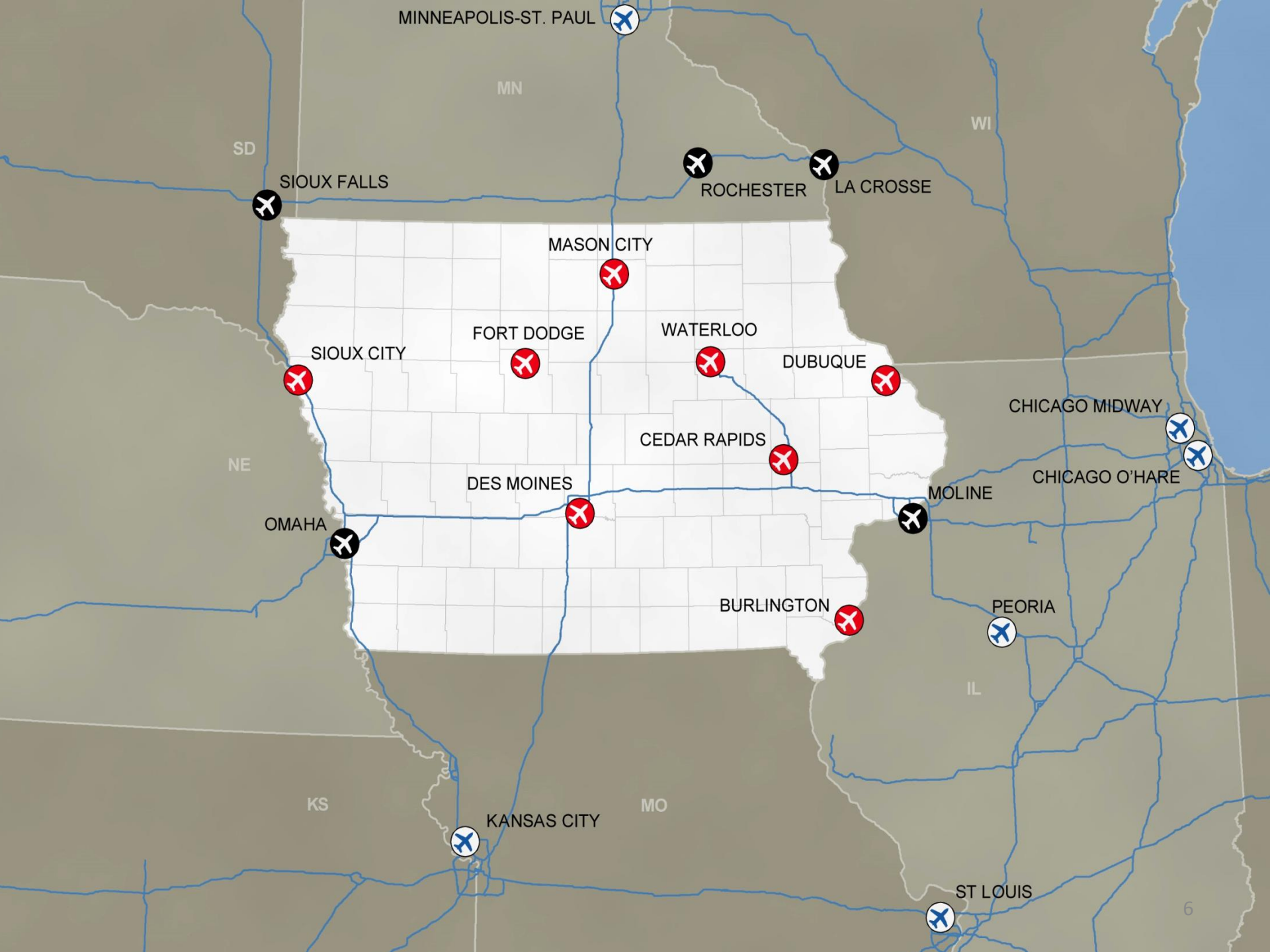
Representative Sally Stutsman- House Minority

Overview of Passenger Air Service *in Iowa*



IMPORTANCE OF PASSENGER AIR SERVICE IN IOWA

- Efficient movement of people and goods
- Quality of life
- Economic development
 - Business efficiency
 - 3rd most important factor for major employer locations
- Economic Impact
 - \$18.4B aviation impact
 - Business retention and attraction



FAA Central Region Data/U.S. Rankings

US RANK	Airport Name	State	Enplanements
31	Lambert-St Louis International	MO	6,216,104
35	Kansas City International	MO	4,836,221
60	Eppley Airfield	NE	1,975,339
85	Des Moines International	IA	1,078,496
100	Wichita Mid-Continent	KS	736,090
115	The Eastern Iowa Airport	IA	520,360
136	Springfield-Branson National	MO	368,752
206	Lincoln	NE	138,787
250	Manhattan Regional	KS	65,683
265	Central Nebraska Regional	NE	57,165
284	Columbia Regional	MO	45,714
301	Dubuque Regional	IA	33,465
320	Sioux Gateway/ Col. Bud Day Field	IA	25,313
323	Garden City Regional	KS	24,456
328	Joplin Regional	MO	23,329
334	Waterloo Regional	IA	20,984
380	Kearney Regional	NE	13,096
396	Liberal Mid-America Regional	KS	11,101
405	North Platte Regional / Airport Lee Bird Field	NE	10,421
407	Western Nebraska Regional Airport / William B. Heilig Field	NE	10,172
417	Forbes Field	KS	9,339
418	Hays Regional	NE	8,726
421	Waynsville-St. Robert Regionaql Forney Field	MO	8,325
439	Cape Girardeau Regional	MO	6,477
442	Southeast Iowa Regional	IA	6,439
447	Kirksville Regional	MO	5,917
450	Dodge City Regional	KS	5,789
516	Mason City Municipal	IA	3,188
523	Fort Dodge Regional	IA	3,083
535	Salina Regional	KS	2,829



SIOUX FALLS

ROCHESTER

LA CROSSE

MASON CITY

FORT DODGE

WATERLOO

SIOUX CITY

DUBUQUE

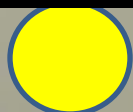
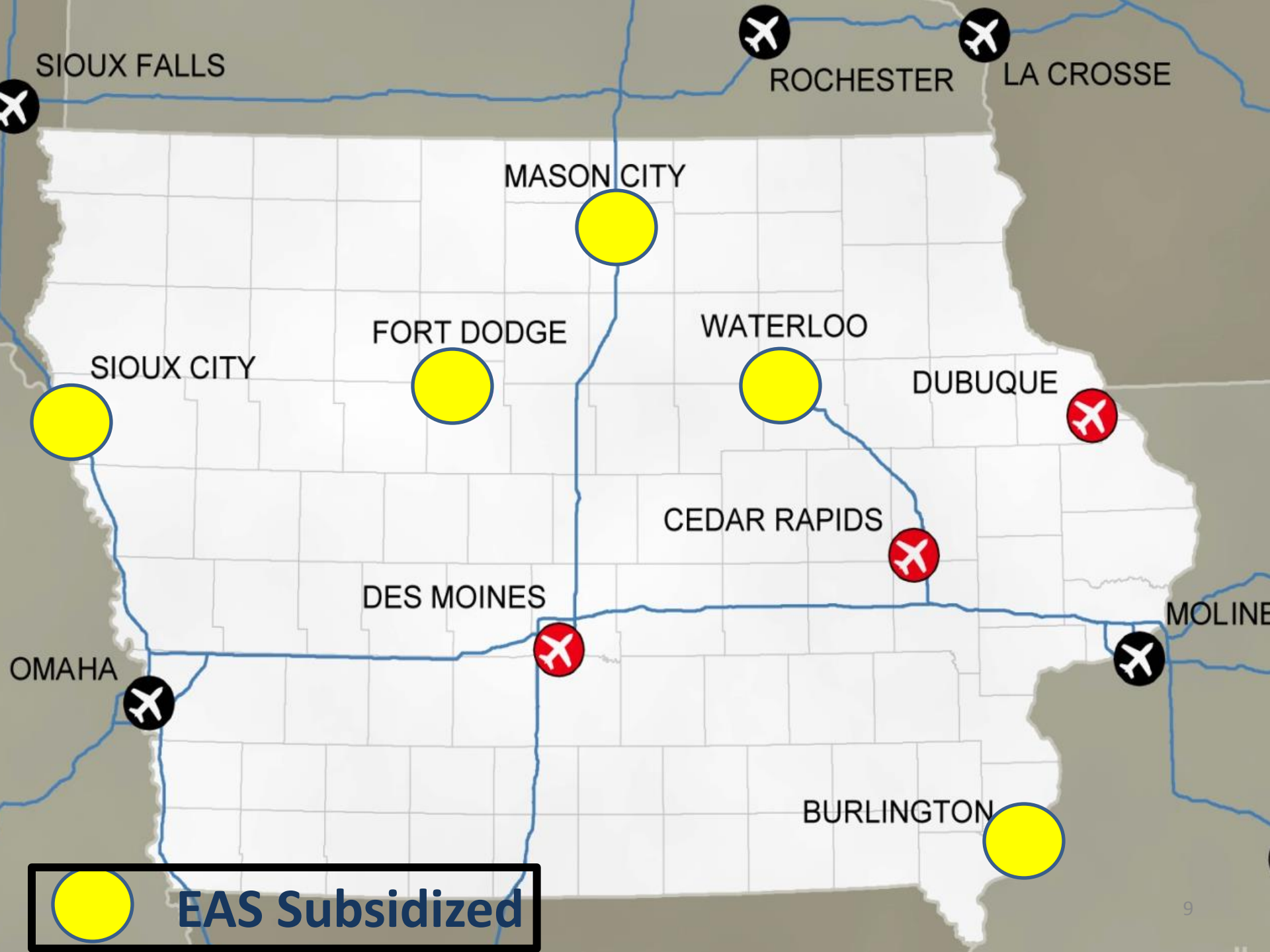
CEDAR RAPIDS

DES MOINES

MOLINE

OMAHA

BURLINGTON



EAS Subsidized

Passenger Enplanements

(5-year average)

<u>Airport</u>	<u>Enplanements</u>
Des Moines	961,000
Cedar Rapids	476,000
Duquque	35,000
Sioux City	28,000
Waterloo	22,000
Mason City	10,800
Fort Dodge	7,300
Burlington	5,200

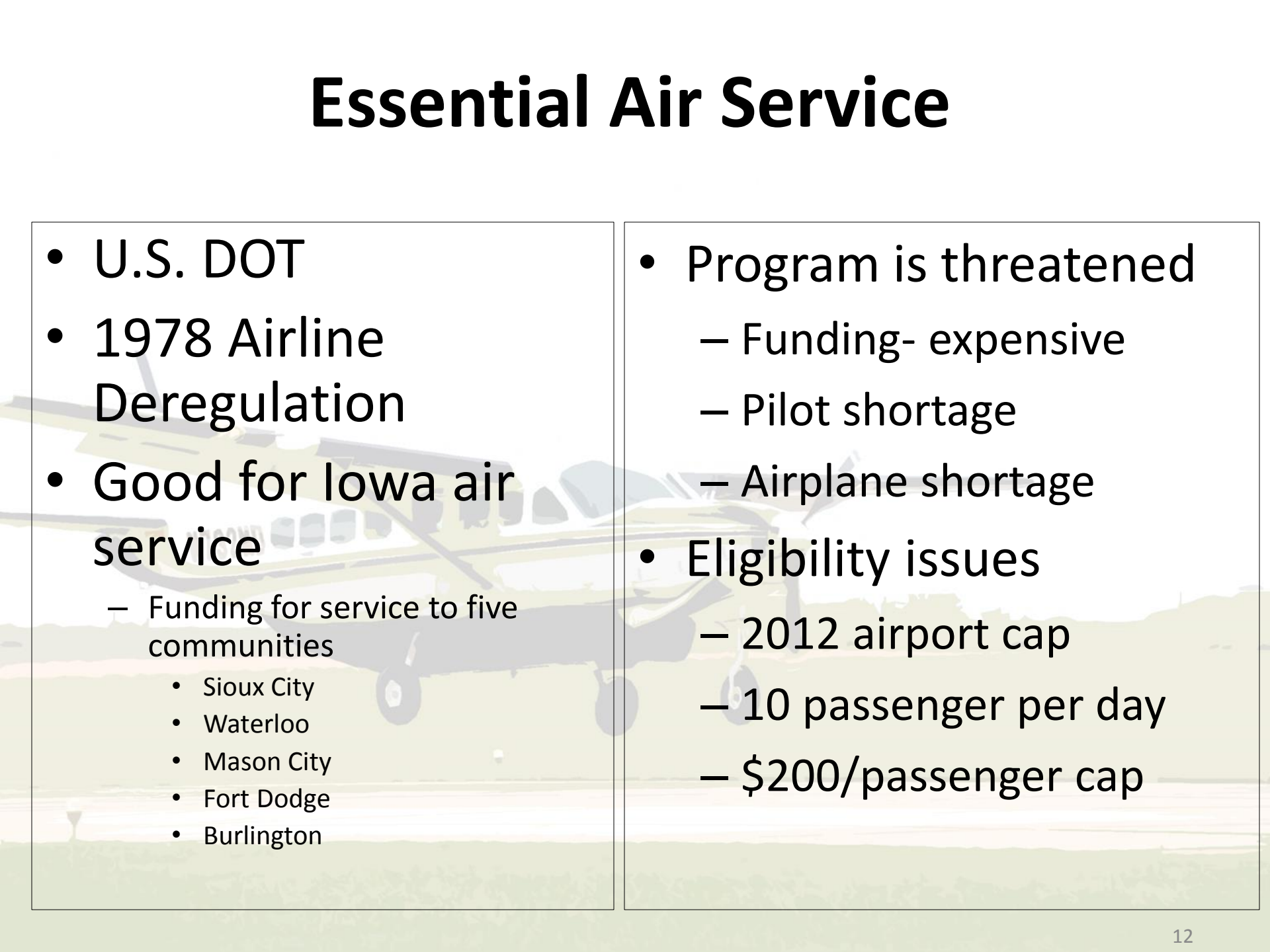
A closer look at the U.S. DOT's Essential Air Service Program in Iowa



For more detail, see the overview white paper of Essential Air Service in Iowa:

<http://www.iowadot.gov/aviation/studiesreports/home.html>

Essential Air Service

- 
- U.S. DOT
 - 1978 Airline Deregulation
 - Good for Iowa air service
 - Funding for service to five communities
 - Sioux City
 - Waterloo
 - Mason City
 - Fort Dodge
 - Burlington
 - Program is threatened
 - Funding- expensive
 - Pilot shortage
 - Airplane shortage
 - Eligibility issues
 - 2012 airport cap
 - 10 passenger per day
 - \$200/passenger cap

Annual EAS Subsidy Rates

- Sioux City... \$611,434 (American)
 - Waterloo.... \$945,546 (American)
 - Mason City. \$3,715,952 (Air Choice One)
 - Fort Dodge. \$3,715,952 (Air Choice One)
 - Burlington.. \$1,917,566 (Air Choice One)
- *\$10,906,450**

* Additional expenses incurred with security and airfield maintenance standards

Other Subsidized Service

- Targeted incentives have been used
 - i.e. Moline, Scotts Bluff, Topeka
 - Limited success
 - Typically revenue guarantees
- Incentives won't work unless service is sustainable
- Probability for success is tied to significant local participation
- Subject to FAA incentive rules
 - Time limits (2 years)
 - Prohibition on airport revenue diversion
 - Funding must come from non-airport sources

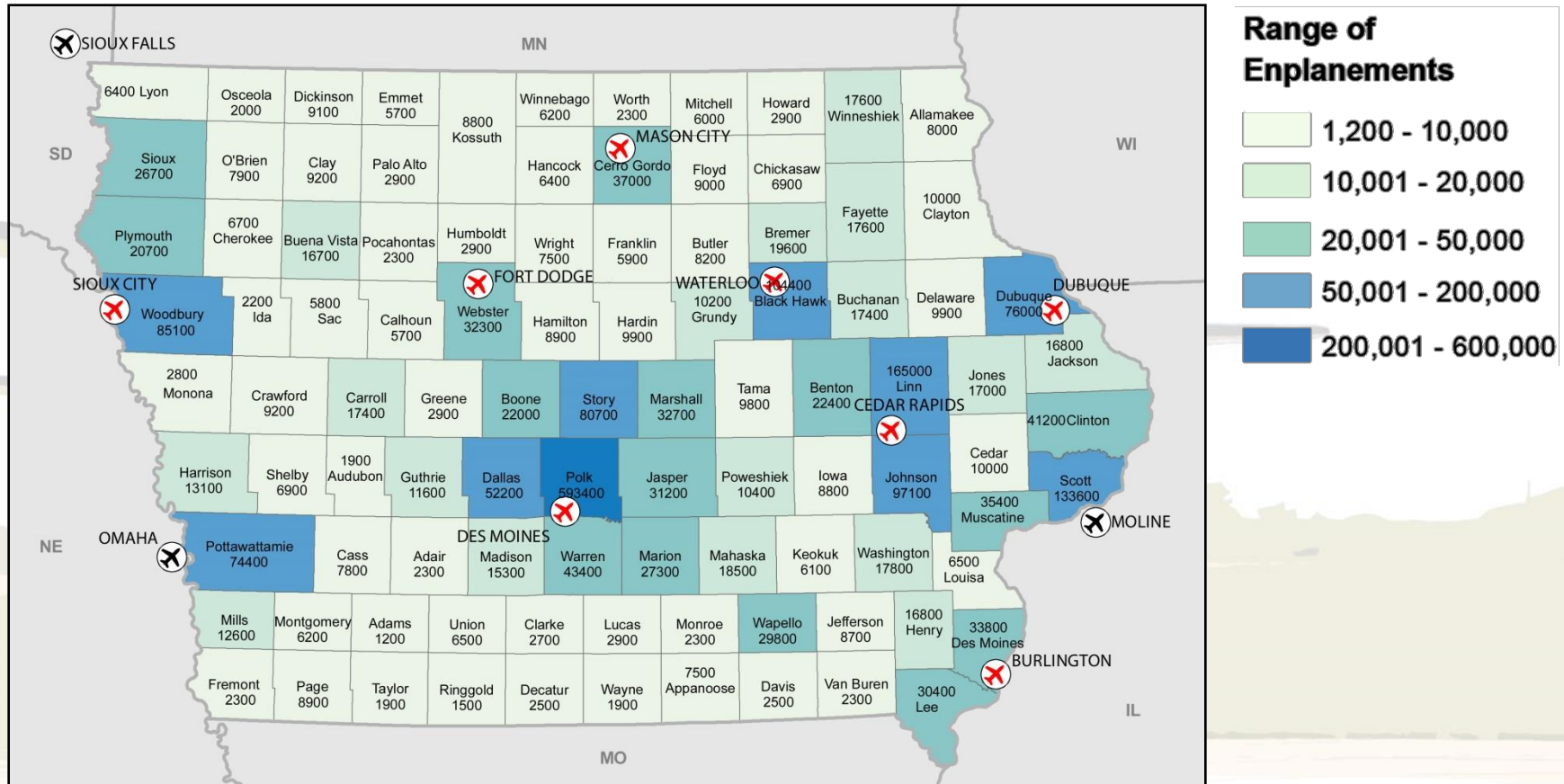
Iowa Air Service Study 2008 Findings



STUDY FINDINGS

- Iowa generates over 2.5 million annual passenger enplanements annually
- Top passenger issues:
 - Service reliability
 - Fares
 - Flight frequencies
 - Drive time to airport
 - Non-stop service
- Largest opportunity for airports is retaining a larger percentage of market share
- Service needs to be sustainable

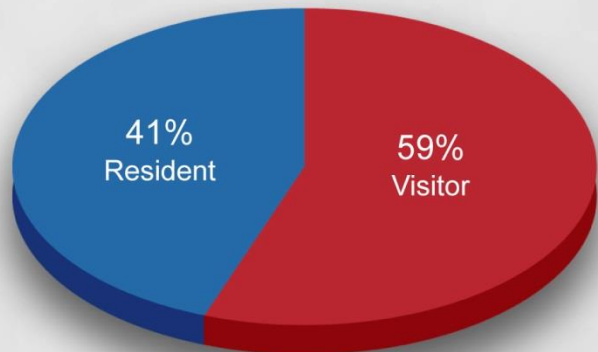
Demand for Commercial Airline Travel



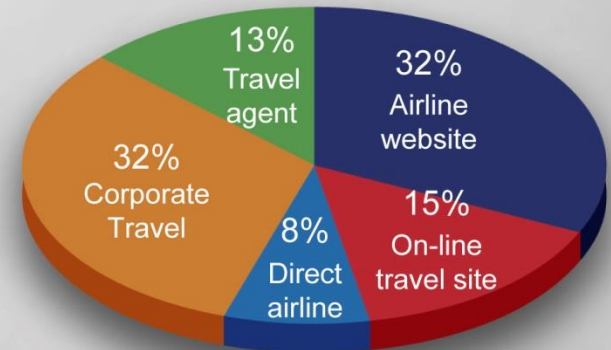
Total Annual Commercial Enplanements: 2.5 Million

PASSENGER AND BUSINESS SURVEY RESULTS

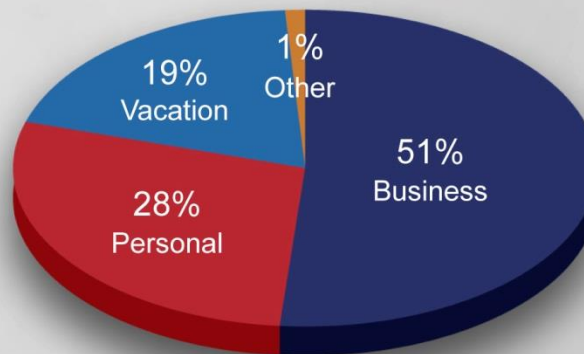
Type of Traveler



Method of Ticket Purchase



Reason for Travel



Air Service Trends and Distribution



Where are planes and people going to from Iowa?

Planes

- Chicago
- Denver
- Minneapolis
- Dallas
- Atlanta
- Detroit
- Las Vegas
- Phoenix
- Charlotte
- Washington D.C.

People

- Las Vegas
- Orlando
- Phoenix
- New York
- Chicago
- Los Angeles
- Washington D.C.
- Dallas
- Denver
- San Francisco

Air Service Trends

- Industry consolidation
 - Delta/Northwest
 - United/Continental
 - U.S. Airways/America West/American
 - Southwest/AirTran
- Larger planes
- Measured capacity

Market Capture from Iowa Airports

	Airport	Market (2008 Report)	Enplanements (2008 Report)	Enplanements (Last full year)	% of Market 2008/2013
Single carrier airports	Burlington	82,380	7,760	6,340	9% / 8%
	Fort Dodge	59,640	7,000	*5,630	12% / 9%
	Mason City	80,310	12,160	*6,030	15% / 8%
	Waterloo	201,430	32,880	20,900	16% / 10%
	Sioux City	160,940	33,600	25,200	21% / 16%
	Dubuque	137,260	47,000	32,900	34% / 24%
Multi carrier airports	Cedar Rapids	916,350	511,000	521,320	56% / 57%
	Des Moines	1,341,070	978,900	1,101,400	73% / 82%

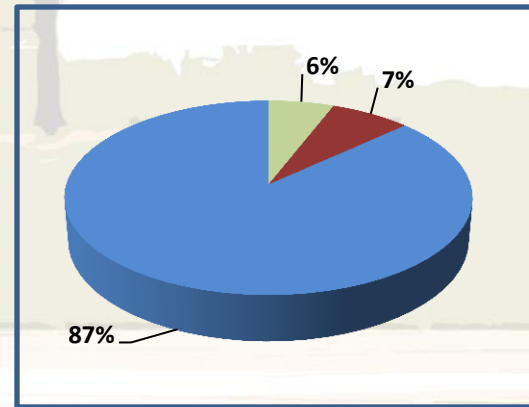
Air Service Development Considerations

- Infrastructure funding
- Air service marketing
- Air service funding



Infrastructure Funding

- FAA Airport Improvement Program (87%)
 - Largest investor
- Iowa DOT State Aviation Program (6%)
 - Aircraft registration fees
 - Aviation fuel taxes
- Local (7%)
 - Airport revenues
 - Local subsidies



Air Service Marketing

- Locally driven
 - Filling seats to retain service
 - Recruiting new air service
 - Routes must be sustainable
 - Airlines are risk averse at this time
- Requires a local champion(s)!
 - Local needs, local considerations, local benefits

Air Service Funding

- U.S. DOT
 - Essential Air Service Program
 - Small Community Air Service Development Program
- Iowa DOT
 - Air Service Development Program
 - Sustainment for retention through annual marketing efforts
 - Enhancement for capitalizing on expansion opportunities
- Local
 - Incentive & marketing program

A closer look at the Iowa Air Service Development Program



Iowa DOT's

Air Service Development Program

Part 1- *Sustainment*

- **Air Service Sustainment** – ongoing marketing and educational programs, studies, matching funds for federal grants
 - 80% state share
 - Currently \$28,000 for each commercial service airport
 - Focus on building market share
 - Advertising, web site enhancements, social media, & public relations
 - Iowa Air Service Study 2008 found 500,000 potential passengers leaving Iowa market areas



TICKETING



Iowa DOT's

Air Service Development Program

Part 2- *Enhancement*

- **Air Service Enhancement** – recruitment of new air service using financial incentives, market entry support, and air service and data analysis studies
 - Grant cap of 40% of unobligated funds
 - Significant local match
 - Focus on new routes, low cost service and increased capacity



Iowa Commercial Service Airports Synopsis



Des Moines and Cedar Rapids

- Multi-carrier service
- 95% of Iowa enplanements
- Current Focus---airport terminals
 - Des Moines: \$500M terminal proposed
 - Cedar Rapids \$100M+ terminal renovation
- Low cost carrier recruitment
 - Southwest, Frontier, Allegiant



Dubuque

- Single carrier- American (unsubsidized service)
- No longer eligible for Essential Air Service
 - Airports capped in 2012 FAA Modernization Act
- Constructing a new \$40M airport terminal



Sioux City and Waterloo

- Single carrier- American
- Recently moved to Essential Air Service
- Seeking second carriers



Mason City and Fort Dodge

- Suffering from loss of Delta and Great Lakes
 - 1,500 hour pilot rule
- New carrier: Air Choice One
 - Single-engine business model
 - 9-passenger
- EAS Challenges ahead
 - \$200 per passenger cap, max subsidy
 - 10 passenger/day, minimum requirement



Burlington

- Stable with Air Choice One service
- EAS Challenges ahead
 - \$200 per passenger cap, max subsidy
 - 10 passenger/day, minimum requirement



Iowa Commercial Service Airports

Airport	# of Carriers	# of Passenger	EAS Subsidy
Des Moines	7	961,000	-
Cedar Rapids	5	476,000	-
Duquque	1	35,000	-
Sioux City	1	28,000	\$611,434
Waterloo	1	22,000	\$945,546
Mason City	1	10,800	\$3,715,952
Fort Dodge	1	7,300	\$3,715,952
Burlington	1	5,200	\$1,917,566

Proposed Plan



Proposed Plan

- **Four recommendations**
- **Plan strategies**
 - **Local**
 - **State**
 - **Federal**



Plan Recommendation 1

- Continue supporting growth at Iowa's multi-carrier commercial service airports.
 - Airports in Des Moines and Cedar Rapids are serving 95% of passenger air service traffic in Iowa and passenger traffic is on an upward trend.

Plan Recommendation 2

- Advocate for continuation of the U.S. DOT's Essential Air Service program, with less restrictive eligibility requirements.
 - Without EAS, air service at the five federally subsidized airports in Burlington, Fort Dodge, Mason City, Sioux City, and Waterloo could be threatened.
 - Dubuque should be eligible for EAS.
 - 3rd busiest Iowa commercial airport
 - 35,000 annual enplanements (5-yr average)

Plan Recommendation 3

- Market to sustain and enhance air service.
 - Utilize and promote existing service
 - Airlines must be profitable, or they will leave
 - Recruit sustainable new service
 - Continue Iowa Air Service Development Program
 - Provide additional funding if state aviation funding revenues grow

Plan Recommendation 4

- Develop locally-driven strategic and contingency planning for air service retention and expansion.



Plan Strategies

- **Locally driven initiatives**
- **State activities and funding programs**
- **Federal funding programs**

Locally Driven Initiatives

Current

- Infrastructure
 - Maintain airport to required standards
 - Maximize federal and state resources
- Market air service
 - Retain and build market share
 - Local funding and Iowa Air Service Development Program
- Airline recruitment
 - Conduct analysis and studies as needed
 - Local funding and Iowa Air Service Development Program
 - Develop cases for new service/increased capacity

Locally Driven Initiatives

Possible New Initiatives

- **Build air service recruiting task force**
 - Identify community champion(s)
 - Seek strategic partnerships
- **Develop strategic plan for air service**
 - Include contingency planning
 - Utilize Iowa Air Service Development Program
- **Strengthen advocacy for federal programs**
 - **Airport Improvement Program**
 - Long-term reauthorization with increase in funding levels
 - Stop diverting trust funds intended for airport projects to FAA operations
 - Tax ancillary fees
 - **Essential Air Service Program**
 - Continuation of program at adequate funding levels
 - Lighten restrictions of eligibility requirements to assist existing commercial service airports in maintaining passenger air service.

State Activities

Current

- Data collection
 - Monthly enplanements/cargo
 - Monthly air fare reports/trends
 - Commercial air service system capacity reports
 - Seats per departure and destination airport, flight frequencies, days of operation, aircraft size
- Studies/analysis (as needed)
 - Air Service, Economic Impact, Aviation System Plan, Essential Air Service

State Activities

Possible New Activities

- Update statewide commercial air service study when existing data is no longer useful
- Encourage airports to conduct local passenger service strategic/contingency planning and assist airports as appropriate
- Strengthen advocacy for federal programs
 - Arrange meeting with Iowa DOT, air service communities, and federal delegation
 - Airport Improvement Program
 - Long-term reauthorization with increase in funding levels
 - Stop diverting trust funds intended for airport projects to FAA operations
 - Tax ancillary fees
 - Essential Air Service Program
 - Continuation of program at adequate funding levels
 - Lighten restrictions of eligibility requirements to assist existing commercial service airports in maintaining passenger air service.

State Funding Programs

Current

- State Aviation Program
 - Commercial Service Vertical Infrastructure
 - \$1.5M annual appropriation from Rebuild Iowa Infrastructure Fund
 - Development and renovation of airport buildings and fuel facilities
 - Airport Improvement Program
 - \$2.6M State Aviation Fund (aircraft registration fees and aviation fuel taxes)
 - Airport maintenance and development
 - Air Service Development
 - Safety programs

State Funding Programs

New Possible Funding Program Changes

- State Aviation Program
 - Commercial Service Vertical Infrastructure
 - Consider legislative increases in appropriations for development and renovation of airport buildings and fuel facilities
 - Increase from \$1.5M to \$2M
 - Airport Improvement Program
 - Stop diversion of use tax on aircraft sales from the State Aviation Fund to the General Fund
 - 10 year average \$3M/year

Federal Funding Programs

Current Program

- FAA's Airport Improvement Program
 - \$40 – 60M annually to Iowa
- U. S. DOT's Essential Air Service
 - \$10.9M annually to Iowa
 - Five communities
- U.S. DOT's Small Community Air Service Development Grant
 - Competitive grant program
 - \$12M annually nationwide
 - Past Iowa recipients
 - Burlington, Cedar Rapids, Dubuque, Mason City, & Sioux City

Federal Funding Programs

Possible Program Changes

- Reauthorize the long-term extension of the Airport Improvement Program with increased funding levels
- Use trust funds for airport improvement projects
 - Eliminate diversion to FAA operations
- Close airline ancillary fee aviation tax loophole
- Changes to Essential Air Service
 - Continuation of program at adequate funding levels
 - Modify eligibility requirements
 - Remove airport cap to make Dubuque eligible
 - Lighten restrictions on minimum daily passenger requirements and per passenger subsidy

This 2014 report from the Iowa Commercial Air Service Retention and Expansion Committee provides a plan for the retention and expansion of passenger air service in Iowa.

The committee was chaired by the Iowa Department of Transportation and consisted of managers of each commercial air service airport, as well as two members of the Iowa Senate and two members of the Iowa House of Representatives.

Thank you to all Commercial Air Service Retention and Expansion Committee members for their time and participation in development of the plan.

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