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“Legislative Update”



RESTORATION OF ESSENTIAL AIR SERVICE TO HAGERSTOWN, LANCASTER AND BROOKINGS AWAITS PRESIDENT’S SIGNATURE

Passage of the Airport and Airway Extension Act of 2008 in the Senate Provides Restoration of EAS Eligibility for These 3 Communities through FY2008

On February 13, the Senate passed the Airport and Airway Extension Act of 2008 [H.R.5270], which extends aviation programs and taxes through June 30, 2008. The Act has now been sent to the President for his signature and as of today, the bill has not yet been signed into law. Included in this Act is language which will restore Essential Air Service through FY08 to Hagerstown, MD; Lancaster, PA; and Brookings, SD.

RAP was successful in drafting the legislation resulting in the reinstatement of Hagerstown, Lancaster, and Brookings that was included in the language under Section 409 of Vision 100. The language required the DOT to calculate the distance from these 3 communities to the nearest large/medium hub by the most commonly used route certified by the state’s governor. Using the most commonly used route method, Hagerstown and Lancaster met the language requirement exceeding the minimum 70 mile requirement and Brookings exceeds the 210 mile requirement which removes the \$200 per passenger maximum subsidy cap under the current rules. As the *most commonly used route* language reached its sunset at the end of FY07, so did the commercial air service to Hagerstown, Lancaster and Brookings.

On this go-round, the efforts of Senators Benjamin Cardin (D-MD), Barbara Mikulski (D-MD), Arlen Specter (R-PA), Robert Casey (D-PA), John Thune (R-SD), Tim Johnson (D-SD) and Congressman Joe Pitts (R-PA) to retain subsidy to the communities led to the inclusion of the language in the Act. It is this kind of support from your elected representatives that you

must demand from your own delegation that will save the program. **BUT** it must be done as a cohesive block to be effective.

Commercial air service to Hagerstown, Lancaster and Brookings ended on September 30, 2007 as their EAS orders expired and the DOT declared the three communities ineligible for subsidy.

Prior to 2003, Hagerstown and Lancaster lost their eligibility when the distance measurements were calculated to be less than the 70 miles while Brookings was calculated to be within the 210 miles and thus subject to the \$200 per passenger subsidy cap.¹

RAP has continually urged Congress to include the most commonly used route as the mileage “standard” for determining the eligibility of all EAS communities in the current FAA Reauthorization bill. Our proposed language in the Rural Aviation Improvement Act [H.R. 3004 / S. 1571] reinforces our position for the necessity of mandatory rule changes in the EAS program.

Eastern Montana loses rural air service

Billings Gazette February 17, 2008

by Jan Falstad

Stepping down the airplane's stairs to the two-room Glasgow terminal on a windy, subzero Friday night, emergency room physician Dr. Michael Bush wondered if this might be his last flight to work a weekend shift at the 25-bed critical-access hospital.

Since 1993, Bush, the medical director for St. Vincent Healthcare emergency services in Billings, has been flying Big Sky Airlines to northeastern Montana several times a year to help fill a doctor shortage in the sparsely populated region.

Now Big Sky Airlines, the only regularly scheduled airline to serve seven remote Eastern Montana cities, including Glasgow, is going out of business.

Great Lakes Aviation, based in Cheyenne, Wyo., won the federal contract to take over the routes but doesn't yet have the airplanes or the pilots ready to fly in Montana.

That means commercial air service to Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point may end as early as March 8.

Great Lakes Chief Executive Chuck Howell said his company is aggressively hiring and training pilots and is negotiating for additional Beechcraft 1900D airplanes. Still, he said, *Great Lakes can't serve Montana until July at the earliest.*

"I wouldn't want to set the expectations any sooner," Howell said.

“Great Lakes...won the federal contract to take over the routes but doesn't yet have the airplanes or the pilots ready to fly in Montana...”

¹ The \$200 per passenger subsidy cap is yet another primary focus where RAP has targeted and advocated for change. Adjustment of the subsidy cap and implementation of the most commonly use route mileage determination work in conjunction with other program enhancements such as jet fuel cost adjustments to protect small communities and their commercial air service.

At the same time, the federal Essential Air Service program, which allocates \$120 million annually to ensure air service to remote areas, is being criticized as too expensive by officials in the U.S. Department of Transportation, the agency that administers the program.

Supporters of EAS, however, are quick to say that the program's biggest beneficiaries are rural communities, not airlines, and that it isn't taxpayers who pay for the program, but airlines.

"Airline taxes from a couple of sources pay for all the EAS subsidies even though this trust fund is now mixed with the federal unified (general) budget," said Fort Peck farmer John Rabenberg, who has chaired the Montana EAS Task Force for 30 years.

Big Sky employees have formed Phoenix Acquisitions LLC to buy the airline and prevent an interruption in service. If the buyout fails, a daylong trip for Eastern Montana business people or government officials to Helena will stretch into a two- or three-day trip by car.

And people like Bush would face more long drives. The emergency room doctor recalls one nightmare trip after his Big Sky flight up to Glasgow was canceled and he had to drive his car both ways.

"After 48 hours in the ER, I was so tired all I could think of doing is drinking pop nonstop and driving, waiting until the last possible moment to pull over and urinate," Bush said. "Then I'd start drinking again, using my discomfort to stay awake."

At Frances Mahon Deaconess Hospital in Glasgow, Connie Brunelle, a flight nurse and physician recruiter, hugs Bush when he arrives. She said he's like family now.

Even with those close ties with the staff and his devotion to Glasgow's residents, Bush said if he had to drive the 554-mile round trip on two-lane highways every other month, he wouldn't do it.

"I've been working all weekend, and it wouldn't be safe to drive for six hours," Bush said.

Brunelle said recruiting physicians to live in Eastern Montana is difficult now and that if doctors can't fly in for an interview or their families are asked to move to a town they can't fly out of, her job will become even tougher.

"My concern is that if we lose this air service, we won't get anything back and we will have much more trouble recruiting physicians," Brunelle said.

EAS subsidizes about 150,000 flights per year in 33 states, plus Puerto Rico.

Critics argue that many EAS flights are too costly and sometimes go to cities within a one- or two-hour drive of a bigger airport. For example, EAS subsidizes Great Lakes flights from Pueblo, Colo., to Denver, 115 miles away. Over the past 30 years, however, Colorado Springs has

grown substantially and its airport can now easily accommodate travelers from Pueblo, which is only 43 miles away.

The EAS subsidy per passenger for a Billings-to-Glasgow flight was \$358 in 2006, although that's a little deceptive, Rabenberg said. Ridership fell off that year because of poor service from Big Sky, he said, and that boosted the subsidy amount. Currently, a one-way ticket for that flight costs \$152 with no advance booking.

Under EAS rules, airplanes must fly to subsidized cities even if the planes are empty and there are no

listed passengers to pick up. That happens once in a while on Big Sky, and occasionally a last-minute traveler does show up.

That's not unusual for other forms of mass transit such as buses, trains and subways that must keep scheduled routes even if no one is waiting at the station.

Rabenberg said the critics miss some key facts.

He disputed the numbers in a December USA Today article, which stated that passengers pay \$88 to fly Big Sky from Lewistown to Billings while the federal government pays the \$1,343 balance of the ticket's cost. That flight originates in Havre, he said, so the subsidy should be half of what was stated in the article.

Last year, only two people on average flew between Lewistown and Billings, a route that would be a two-hour drive. However, mass transit nearly everywhere is heavily subsidized, Rabenberg argued.

"Go check out what federal subsidies the subway system in Washington, D.C., gets or what was poured into the Big Dig tunnel in Boston," Rabenberg said. "Unbelievable."

Randy Holom, chief executive of the Glasgow hospital, said the free market doesn't always work efficiently, adding that after the 1978 Airline Deregulation Act, airlines started competing for the plum routes and ignoring others.

"There are more people flying the New York to L.A. 'red eyes,' but they still have to be subsidized by high fares elsewhere or those people wouldn't be getting \$99 tickets to cross the country," Holom said.

For example, a full-fare, one-way ticket on Northwest Airlines from Billings to Minneapolis, about 850 miles away, costs \$783.

Bad move to Boston

In December, Big Sky announced that due to "enormous, unsustainable losses" from its expansion last year to the Boston market, it was shutting down the East Coast flights in January and going out of business.

The U.S. Department of Transportation then awarded Big Sky's \$8.5 million annual EAS subsidy to Great Lakes Aviation, effective Feb. 1.

Big Sky currently flies to Helena and Missoula, which are nonsubsidized routes but important destinations for Eastern Montana passengers. Great Lakes hasn't committed to flying to those cities.

Yet most aviation officials in the EAS cities said they expect a smooth transition because that is what they've been told by Big Sky and Great Lakes.

On Feb. 6, Chief Executive Paul Foley of MAIR Holdings Inc., which owns Big Sky Airlines, told investors that the airline "will continue to evaluate whether it can continue operating" until another carrier can take over the Montana routes.

Rabenberg called the situation "a real bummer."

"That's why I'm fighting for this so desperately," he said. "It's not just for me. It's for our whole area."

The tiniest airport

The Wolf Point airport is the smallest in the lower 48 states with regularly scheduled airline service. The town of 3,000 sits in Roosevelt County and meets the U.S. Census definition of "frontier."

Big Sky station manager Eugene Loendorf, like the other remaining Big Sky employees, is living in limbo, not knowing if his job will end. So, amid the sweet smell of aviation fuel, he continues to sell tickets, load luggage, wave the red batons to marshal planes to the Wolf Point terminal and tow the Beechcraft back to the hangar at night.

Most of the seven EAS airports have even escaped the national obsession with security. Fliers here don't have to take their shoes off or prove that their bottles of hand lotion are small enough.

Airport manager Rick Isle and City Council president Dewayne Jaeger said Homeland Security officials came out from Washington, D.C., two years ago.

"TSA came out here and said, 'There's no room,' " Isle said.

So Wolf Point built a 900-square-foot addition that cost \$398,100. The room was finished last February but isn't yet equipped or manned. For now, passengers continue to walk across the runway, bags in hand, to board Big Sky and are bused to security screeners when they arrive in Billings for their next flight.

If people get used to driving, they may not come back to flying, Jaeger said.

Scobey businesswoman Mida Tande, who flies to buyers' markets several times a year to stock her clothing store, Tande's Toggery, said she is lucky enough to have alternatives. While waiting in Wolf Point for the arriving Glasgow flight to be de-iced, Tande said she'll probably take the train to Minneapolis-St. Paul to shop and see her grandchildren.

"I try to get to the Billings markets and fly to Las Vegas, but I have other options to spend my money," she said.

Other frequent fliers aren't so lucky.

Tribal officials flying to Denver, legislators and local government officials heading to Helena, business executives and oil-and-gas industry people flying to the boom area of Eastern Montana - all of them use Big Sky Airlines.

Residents with medical problems fly Big Sky to see their doctors in Billings. Miss Montana Kristen Mantooth flies Big Sky to her hundreds of publicity appointments.

And for two years now, Randy Edwards, a farmer and rancher from Opheim, has flown his two young children on Big Sky from Salt Lake City to Glasgow as often as twice a month and then drives them to the ranch, which sits about 14 miles from the Canadian border.

"The kids are on a first-name basis with the pilots and TSA," Edwards said. "It's sad. If it wasn't for this little airline, my kids coming up to see me isn't going happen."

More doctor disruption

Dr. Roman Hendrickson lives about an hour south of Butte, in Sheridan, Mont. As many as six times a year, he drives nearly four hours to Billings to catch a flight to Wolf Point to work at the hospital.

"If I had to drive nine hours one way, I'm not going to go," he said.

Hendrickson said he believes it is bureaucratic arrogance to risk an interruption of flight service.

"Driving across Northern Montana is like the distance between Chicago and almost to Washington, D.C.," Hendrickson said. "If it was that part of the country that suddenly had no air service, they wouldn't be so cavalier."

Peg Norgaard, the chief executive of Northeast Montana Health Services, which represents the hospitals in Wolf Point and Poplar, flies Big Sky every other month to attend hospital board and health education meetings in Helena. What is a one-day trip on Big Sky could stretch into a three-day driving trip.

She also hires physicians to cover emergency room shifts in Wolf Point and Poplar, the tribal headquarters for the Fort Peck Assiniboine/Sioux tribe. Getting doctors back home for their own practices can be expensive, she said, citing a canceled flight one month ago from Sidney to Billings.

"The only way I could get him back was to hire a charter, and that flight cost me \$1,700," Norgaard said.

The next flight?

As required by federal law, Big Sky gave a 60-day notice to its employees that their last day would be March 8. The U.S. Department of Transportation could order Big Sky to continue flying in 30-day extensions, but it hasn't done so in other service shutdowns, Rabenberg said.

Before Great Lakes can fly the Montana routes, it has to serve a St. Louis hub it promised to fly last year. It also owes an airplane to a California town.

And on Feb. 1, EAS awarded Great Lakes another former Big Sky subsidy worth \$1.3 million to serve Cape Girardeau, Mo.; Owensboro, Ky.; and Jackson, Tenn.

No subsidy payments are made unless flights occur. However, a key question is why EAS would award a no-penalty deal to an airline, such as Great Lakes, that isn't ready to fly.

The Mississippi River town of Cape Girardeau went without EAS service for seven months last year when the Federal Aviation Administration shut down RegionsAir. Big Sky won that subsidy but flew only for two months. It quit in January as part of its going-out-of-business move.

Cape Girardeau airport manager Bruce Loy said he has faith in Howell, but the aviation industry is in a tough spot today.

"It seems that Big Sky and Great Lakes went through the same challenges together of not being able to start up as soon as they wanted to because they had difficulty acquiring aircraft and in hiring and training pilots," Loy said.

Sharon Leeper, the airport manager in Burlington, Iowa, 83 miles from Davenport, also went seven months without EAS service until Great Lakes started up in October, months after the promised start date.

"Everything that could have possibly happened to cause a difficult situation last year came together," Leeper said. "I hope that doesn't happen to you. It can be devastating."

The view from the Potomac

Dennis DeVaney, who administers EAS from Washington, D.C., declined to be interviewed for these stories, but a spokesman said fewer airlines flying EAS routes so the agency had no choice but to award Big Sky's Montana routes to Great Lakes.

An attempt by Big Sky employees to buy the airline from MAIR is proceeding. But the effort, led by the pilots, depends on raising cash and winning back the EAS contract.

When Evan Barrett, Gov. Brian Schweitzer's economic development officer, and development specialist Pam Cote asked DeVaney last month if he could give the EAS subsidy agreement back to Big Sky if the employee buyout effort succeeded, the answer wasn't encouraging.

Cote said DeVaney told her and Barrett that "if every man, woman and child in the state of Montana wanted it, I might consider it."

Bush, who grew up in the Midwest, said other areas of the U.S. have transportation choices that simply don't exist in northwestern Montana.

"Honestly, I don't feel sorry for those people," he said. "Up here, it's called essential air service for a reason. It really is essential."