



U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

Don Young
Chairman

James L. Oberstar
Ranking Democratic Member

March 1, 2006

Lloyd A. Jones, Chief of Staff
Elizabeth Megginson, Chief Counsel

David Heymsfeld, Democratic Chief of Staff

**The Administration's FY2007 Budget
Reneges on a 30-year Federal Commitment
To Ensure Air Service to Small and Rural Communities
and Undermines Our National Aviation System**

Dear Colleague:

Almost three decades ago, Congress enacted the Airline Deregulation Act of 1978, which phased out the Federal government's control over domestic fares and routes. At the time, Congress also recognized that the free market alone could not be relied on to maintain air service to all small communities. The Act established the Essential Air Service (EAS) program, which guaranteed that communities served by air carriers before deregulation would continue to receive a certain level of scheduled air service. In subsequent legislation, the program has been modified to ensure that it only provides air service where the service can be provided at a reasonable cost. Under the current program, the EAS subsidy may not exceed \$200 per passenger (except for communities more than 210 miles away from a medium- or large-hub airport) and communities that receive subsidy must be at least 70 miles from another medium- or large-hub airport.

Over the last six years, airlines have experienced severe financial pressure to leave smaller communities, and demands on the EAS program have increased. Since 2000, U.S. airlines have suffered massive financial losses due to the September 11th terrorist attacks, SARS, the unwillingness of many business travelers to pay premium fares, and rising fuel costs. In total, U.S. airlines have lost more than \$44 billion since the beginning of 2001, and the number of communities that require EAS subsidy to support scheduled air service has grown from 106 in 2000 to 152 in 2006.

Given the massive financial losses suffered by the airlines and the intent of the Airline Deregulation Act, Congress and the Administration should fortify the EAS program to ensure that small and rural communities do not lose air service. Regrettably, the Bush Administration wants to renege on a 30-year federal commitment to support small and rural community air service by cutting EAS funding by 54 percent.

The Administration's FY2007 budget request provides \$50 million for the EAS program – less than one-half the enacted EAS funding level for each of the last five years and \$77 million less than the authorized level for the program. In addition, the Administration's proposal would require

communities to pay a local contribution of 10 to 50 percent, depending on distance from the nearest airport. If all existing communities paid the local contribution and continued to participate in the program, **more than 60 communities would be eliminated from the program** (see attached chart).

By proposing to renege on the Federal commitment to support small and rural community air service, the Administration effectively contemplates a policy of two Americas – one wealthy enough to support scheduled air service, and the other increasingly isolated and unable to afford full access to our national aviation system.

I urge my colleagues to reject this flawed and inequitable policy, and to join me in sending the attached letter to the leadership of the Committee on Appropriations in support of the fully authorized level of funding (\$127 million) for the EAS program. To sign the attached letter or if you have any questions, please contact Giles Giovinazzi with the Aviation Subcommittee Staff at ext. 59161. The deadline for the letter is March 15, 2006.

Sincerely,

A handwritten signature in black ink that reads "Jim Oberstar". The signature is written in a cursive, flowing style.

James L. Oberstar
Ranking Democratic Member
Committee on Transportation and Infrastructure

March 1, 2006

The Honorable Jerry Lewis
Chairman
Committee on Appropriations
H218 Capitol

The Honorable David R. Obey
Ranking Democratic Member
Committee on Appropriations
1016 Longworth HOB

The Honorable Joe Knollenberg
Chairman
Subcommittee on Transportation, Treasury,
HUD, The Judiciary, District of Columbia,
and Independent Agencies
2358 Rayburn HOB

The Honorable John W. Olver
Ranking Democratic Member
Subcommittee on Transportation, Treasury,
HUD, The Judiciary, District of Columbia,
and Independent Agencies
1016 Longworth HOB

Dear Chairman Lewis, Ranking Democratic Member Obey, Chairman Knollenberg, and Ranking Democratic Member Olver:

The Airline Deregulation Act of 1978, which phased out the Federal government's control over domestic fares and routes, established the essential air service (EAS) program because of concerns that the free market alone could not be relied on to maintain air service to all small communities. In fact, over the last six years, airlines have experienced severe financial pressure to leave smaller communities, and demands on the EAS program have increased.

Since 2000, U.S. airlines have suffered massive financial losses due to the September 11th attacks, SARS, the unwillingness of many business travelers to pay premium fares and rising fuel costs. In total, U.S. airlines have lost over \$44 billion since the beginning of 2001, and the number of communities that require EAS subsidy to support scheduled air service has grown from 106 in 2000 to 152 in 2006.

Given the massive financial losses suffered by the airlines and the intent of the Airline Deregulation Act, Congress and the Administration should fortify the EAS program to ensure that small and rural communities do not lose air service. However, the Administration's FY2007 budget request provides \$50 million for the EAS program – less than one-half the enacted EAS funding level for each of the last five years and \$77 million less than the authorized level for the program. Moreover, the Administration's proposal would require communities to pay a local contribution. If all existing communities paid the local contribution and continued to participate in the program, **more than 60 communities would be eliminated from the program.**

For these reasons, we respectfully request that, in drafting the FY2007 Transportation-Treasury Appropriations bill, you reject the Administration's proposal and provide the fully authorized \$127 million level of funding for the EAS program.

Sincerely,

**Communities Eliminated from Essential Air Service Program
by Administration's FY2007 Budget***

March 1, 2006

State	City	EAS Funding	Miles to Nearest Medium- or Large-Hub
Alabama	Muscle Shoals	\$1,364,697	122 miles
Alaska	Gulkana	\$199,839	201 miles
Arizona	Show Low	\$779,325	154 miles
Arizona	Prescott	\$1,001,989	102 miles
Arizona	Kingman	\$1,001,989	121 miles
Arkansas	Jonesboro	\$923,456	82 miles
Arkansas	Hot Springs	\$923,456	198 miles
California	Merced	\$696,788	107 miles
California	Visalia	\$450,000	178 miles
Colorado	Alamosa	\$1,083,538	199 miles
Colorado	Pueblo	\$780,997	121 miles
Georgia	Athens	\$392,108	72 miles
Hawaii	Hana	\$817,166	35 miles
Hawaii	Kamuela	\$431,336	N/A
Illinois	Marion/Herrin	\$1,251,069	123 miles
Illinois	Quincy	\$1,097,406	111 miles
Illinois	Decatur	\$954,404	126 miles
Iowa	Fort Dodge	\$1,080,386	156 miles
Iowa	Mason City	\$1,080,386	133 miles
Iowa	Burlington	\$1,077,847	188 miles
Kansas	Salina	\$487,004	186 miles
Kansas	Manhattan	\$487,004	122 miles
Kentucky	Owensboro	\$1,127,453	105 miles
Maine	Rockland	\$1,065,475	177 miles
Maine	Augusta/Waterville	\$1,065,475	153 miles
Maryland	Hagerstown	\$649,929	60 miles
Minnesota	Chisholm/Hibbing	\$1,279,329	199 miles
Mississippi	Laurel/Hattiesburg	\$1,100,253	135 miles
Missouri	Kirksville	\$840,200	154 miles
Missouri	Fort Leonard Wood	\$683,201	136 miles
Missouri	Cape Girardeau	\$1,147,453	127 miles
Missouri	Joplin	\$755,762	167 miles

**Communities Eliminated from Essential Air Service Program
by Administration's FY2007 Budget***

March 1, 2006

State	City	EAS Funding	Miles to Nearest Medium- or Large-Hub
Nebraska	Scottsbluff	\$494,887	192 miles
Nebraska	Kearney	\$1,166,849	181 miles
Nebraska	Grand Island	\$1,198,396	138 miles
New Hampshire	Lebanon	\$998,752	72 miles
New York	Jamestown	\$824,957	68 miles
New York	Watertown	\$585,945	172 miles
Oklahoma	Ponca City	\$636,279	112 miles
Oklahoma	Enid	\$636,279	84 miles
Oregon	Pendleton	\$649,974	203 miles
Pennsylvania	Dubois	\$643,818	112 miles
Pennsylvania	Oil City/Franklin	\$683,636	85 miles
Pennsylvania	Johnstown	\$644,319	84 miles
Pennsylvania	Bradford	\$824,957	77 miles
Pennsylvania	Lancaster	\$1,611,707	69 miles
Pennsylvania	Altoona	\$893,774	112 miles
Puerto Rico	Mayaguez	\$688,551	105 miles
Puerto Rico	Ponce	\$622,056	77 miles
Tennessee	Jackson	\$1,179,026	86 miles
Texas	Victoria	\$464,869	124 miles
Utah	Cedar City	\$770,285	179 miles
Utah	Vernal	\$595,436	150 miles
Vermont	Rutland	\$849,705	115 miles
Virginia	Staunton	\$650,123	134 miles
Washington	Ephrata/Moses Lake	\$1,698,922	178 miles
West Virginia	Morgantown	\$306,109	75 miles
West Virginia	Bluefield/Princeton	\$977,858	173 miles
West Virginia	Parkersburg	\$439,115	110 miles
West Virginia	Clarksburg/Fairmont	\$306,109	96 miles
Wyoming	Rock Springs	\$390,488	189 miles
Wyoming	Laramie	\$397,400	145 miles
32 States	62 Communities	\$51 million	130 miles (average)

*Department of Transportation estimate of the Administration's FY2007 Budget proposal using FY2004 hub data. This analysis assumes that all currently eligible EAS communities choose to continue participating in the program.