



## **AAAE Airline Economics and Air Service Committee**

### **2012/2013 Work Plan**

*Last Updated October 2012*

(Annual Conference to Annual Conference)

#### ***Mission Statement***

*The mission of the AAAE Airline Economics and Air Service Committee is to monitor and coordinate all activities of AAAE regarding the impact of airline economics on airport management and air service competition issues.*

***NOTE: Updates are in bold.***

#### **Goal #1: Monitor Impacts of Airline Economics on Airport Management.**

**Strategy 1.1** Understand the ramifications of labor laws on airline economics.

**Tactic 1.1.a:** Monitor and Provide Analysis (provided by others) on the [US National Mediation Board's New Labor Law](#)  
[US Chamber Joins Suit against new labor law](#)

**Strategy 1.2** Understand the ramifications of the FAA Reauthorization Bill (2012) on airline economics.

**Tactic 1.2.a:** Monitor the PFC Discussion and Debate – [ATA Opposes](#)

*PFC Cap:* As expected, the final version of the bill would not raise or eliminate the federal cap on local PFCs as AAAE and airports around the country had proposed. Neither the House-passed bill nor the Senate-passed legislation proposed to raise or eliminate the PFC cap as airports had recommended.

*PFC Pilot Program:* The final bill does not contain a Senate provision that would have allowed up to six airports to collect unlimited PFCs. Participating airports would have been required to collect fees directly from passengers “at the facility, via the internet or in any other reasonable manner.” The conference agreement requires GAO to conduct a study of “alternative means of collection of passenger facility charges.”

*PFC Streamlining:* The final bill excludes a Senate provision that would have partially streamlined the PFC application and approval process, which can take

several months to complete. However, the conference agreement eliminates the sunset on the PFC pilot program at non-hub airports as the House had proposed.

### **Strategy 1.3** [Air Carrier Incentive Guidebook](#).

**Tactic 1.3.a:** Evaluate need to provide comments to FAA's Notice of Petition and Request for Comments: [[Docket No. FAA-2011-0361](#)] Comments are due by 5/31/11.

*Policy and Procedures Concerning the Use of Airport Revenue; Policy Regarding Airport Rates and Charges: Petition of the Clark County Department of Aviation To Use a Weight-Based Air Service Incentive Program*

[Comments](#) provided to the Docket on June 3, 2011 on behalf of the committee.  
[FAA's Disposition of Comments](#), April 9, 2012

### **Strategy 1.4** Understand the Impacts of Enhancing Airline Passenger Protections.

**Tactic 1.4.a:** Monitor the implementation of the [Final Rule for Part I](#).  
(DOT-issued a [FAQ Sheet](#).)

**Tactic 1.4.b:** Monitor the implementation of the [Final Rule for Part II](#).

According to DOT, most provisions of the rule will take effect 120 days after its publication in the *Federal Register*. For more information view the DOT [announcement online](#) or view The final rule, proposed rule and comments at [www.regulations.gov](#), docket DOT-OST-2010-0140.

Allegiant Air and Spirit Airlines have [filed suit](#) over certain provisions of the proposed rule. They lost a round when the U.S. Court of Appeals in Washington [denied their motion](#) for a stay of some of the rules.

Appeals court [rejects](#) Allegiant, Spirit and Southwest's challenge of the DOT rules.

DOT published [notice](#) delaying effective date for certain requirements of the rule.

Additionally, DOT proposes [rule](#) to require airlines to report more data on fees, baggage and mishandled wheelchairs.

U.S. DOT/FAA held an [aviation diversion forum](#) on November 30, 2011. AAAE staff and member airports are participating in follow up items aimed at improving irregular operations. Staff also monitoring release of [ACRP 10-10, Guidebook for Airport Irregular Operations \(IROPS\) Contingency Planning](#)

- [Report 65](#) is now available and AAAE is assisting ACRP on outreach with workshops.

**Tactic 1.4c:** Monitor and provide guidance to membership regarding the airport contingency plan requirement.  
The FAA Modernization and Reform Act of 2012, was signed into law on February 14, 2012. [Section 42301](#) requires large-, medium-, small-, and non-hub commercial airports to complete and submit Emergency Contingency Plans for the handling of extended tarmac delays. [Official notice](#) of this requirement was issued by USDOT on February 24, 2012. Plans were due to the Secretary of Transportation for review and approval no later than May 14, 2012. Members have been provided with guidance on the [AAAE website](#).

**Tactic 1.4d:** **DOT has said that a Passenger Protections III may be forthcoming in 2013. The committee will monitor and report on the developments.**

**Strategy 1.5** Monitor the [Small Community Air Service Development Program \(SCASDP\)](#) and Provide suggestions for Improvement. The final FAA bill (2012) provides \$6 million per year for the Small Community Service Development program.

**Tactic 1.5.a:** Communicate with DOT to get constructive criticism on unsuccessful grant proposals. Committee members will follow up with DOT. Some successful proposals were highlighted at the AAAE Annual Conference in Atlanta May 15, 2011.

The following links are provided for additional information on SCASDP:

- [Information](#) on the SCASDP
- [GAO Report](#) on SCASDP Grant Effectiveness, Nov. 2005
- [OIG Report](#) on SCASDP Grant Effectiveness, May 2008

**Tactic 1.5.b:** Provide members details about the RFP process timeframe.

**DOT awards grants for the 2012 program. Read the order [here](#).**

**Strategy 1.6** Monitor the impact of airline ancillary fee revenues on the AIP program.

Airlines are keeping base fares low and implementing additional, ever creative fees not subject to the ticket tax, therefore negatively impacting the balance in the Trust Fund.

**Tactic 1.6.a:** Invite ALA staff into this discussion at a future meeting.

Brad Van Dam provided insight on the future of the AIP program at the September 18, 2011 committee meeting. The AAAE board will be discussing a draft airport infrastructure financing plan at the Aviation Issues Conference in Kona, HI January 8, 2012.

Board approved the plan. Working with ACI-NA on strategy.

## **Goal #2: Monitor Air Service Competition Issues.**

### **Strategy 2.1** Monitor the activities of Mergers and Acquisitions.

**Tactic 2.1.a:** Track the United/Continental integration, the Southwest/AirTran integration, the bankruptcy of American, and the demise of Delta Commuter Comair.

#### **United/Continental:**

[FAA awarded United their single operating certificate](#) on November 30, 2011. Read the latest merger news and updates [here](#).

United integrated all operations to single reservation/passenger processing system on March 3<sup>rd</sup>. Issues remain as passengers experience problems.

**United announces reduction in force and routes due to City of Houston vote in favor of Southwest international service at Hobby. View news [here](#).**

#### **Southwest/AirTran:**

Southwest Airlines closed on its transaction to acquire AirTran Holdings, Inc. on May 2, 2011. Bob Jordan, Southwest's Executive Vice President Strategy and Planning, was appointed as President of AirTran Airways to help guide AirTran through its integration with Southwest. A single operating certificate is expected by the end of the 1<sup>st</sup> quarter in 2012 and ability to code-share by the summer of 2012. Read the latest merger news and updates [here](#).

Southwest Airlines [awarded a single operating certificate](#) on March 1, 2012.

**Southwest enters into a tentative sub-lease agreement with Delta to transition all of their B717 fleet over a three-year period beginning in 2013. View news [here](#).**

**Southwest enters agreement with City of Houston for International Service from Hobby Airport. View news [here](#).**

**Southwest CEO announces that they will be able to code-share with AirTran flights in the first quarter of 2013.**

Loss of Florida non-stops from a number of small AirTran cities as they wait integration with Southwest.

#### **American Bankruptcy:**

On November 29, 2011, AMR filed for Chapter 11 bankruptcy affecting American Airlines and American Eagle. More information on the reorganization can be found [here](#). **Judge extends period for AA to file reorganization plan until December 28, 2012. View news [here](#).**

AA asking to reject union contracts. Serious scope issues with pilot contracts.

**US Airways makes first move on AA with agreement reached with major AA unions. View news [here](#).**

**US Airways signs non-disclosure agreement with American. View news [here](#).**

**Strategy 2.2** Assist with recommendations for a National Air Service Policy.

**Tactic 2.2.a:** Monitor Aircraft Production Trends and Scheduled Aircraft Removals from airline fleets.

70-200-seat Aircraft are coming online – nothing smaller.

[ATR to consider 80-100 seat turboprop](#) = ATR-600 Series

CRJ1000 = 86-100 seats; EMB-195 = 108-122 seats

**Tactic 2.2.b:** Go back to AAAE Energy/Air Service Task Force Report.

Airline “Floor and Ceiling” limits on airline’s ability to price tickets.

Shouldn’t be predatory pricing with steep discounts that don’t cover the costs.

Shouldn’t be so exorbitant that it drives people away from the service either.

Monitor Obama Administration’s plans to impose carbon emissions tax.

**Tactic 2.2.c:** Work with the Airport Legislative Alliance (ALA) on Advocacy Efforts.

**Tactic 2.2.d:** Tie in US Chambers, National League of Cities, Governor’s, NASAO, Etc...

**Tactic 2.2.e:** Demise of Small RJs impacts small airports.

In a climate of high fuel costs, the fiscal realities of 50 and less seat aircraft leave many small communities facing the future of possible service reduction including the loss of all commercial air service. What can small airports and their communities do? Can economic development still thrive with depending on a nearby regional airport? What does “access to the national aviation system” mean? Will subsidies be needed? By who? The local community or Federal Government through EAS?

**Delta to acquire B717s leases from Southwest and have an opportunity to add additional 76-seat RJs in agreement with their pilots union; aircraft acquisitions to replace older mainline and 50-seat RJs (Will remove 218 50-seat RJs).**

**Delta shuts down Comair unit at end of September 2012. Read news [here](#).**

**SkyWest agrees with Delta to drop 66 50-seat CRJs and add 34 larger CRJs. Read news [here](#).**

**Strategy 2.3** Monitor the activities of Slot Swaps.

**Tactic 2.3.a:** Track the DL/US Air Slot Swap

On May 23, 2011, Delta Air Lines and US Airways announced a **new** agreement to transfer takeoff and landing rights at LGA and DCA. This revises the original 2009 agreement. Read the US Airways [Press Release](#).

[DOT approved the new agreement](#) on October 7, 2011. [DOJ still reviewing DCA swap for anti-trust concerns](#).

DOT holds auction for slots at LGA and DCA from November 14, 2011 through November 22, 2011. JetBlue awarded the slots and DCA and one set of slots at LGA. WestJet awarded one set of slots at LGA. Read the DOT press release [here](#).

Delta Air Lines and US Airways [close swap deal](#) on December 13, 2011.

Some small cities gained service to LGA and DCA; some lost service to one or both; depends upon whether DL or US is a major player in the market.

**Goal #3: Coordinate All Activities of AAAE Regarding the Impacts of Airline Economics on Airport Management and on Air Service Competition Issues.**

**Strategy 3.1** Conduct Four (4) Committee Meetings per Year

**Tactic 3.1.a:** Conduct 1st Meeting October 21, 2012 @ 3:00 pm in New Orleans, LA - [National Airports Conference \(NAC\)](#)

**Tactic 3.1.b:** Conduct 2nd Meeting January 6-10, 2013 in Maui, HI - [27th Annual Aviation Issues Conference](#)

**Tactic 3.1.c:** Conduct 3rd Meeting April 28-30, 2013 in Kansas City, MO – National Air Service Conference

**Tactic 3.1.d:** Conduct 4th Meeting May 19-22, 2013 in Reno, NV - [AAAE's 85th Annual Conference](#)

**Strategy 3.2** Provide Emails of Air Service Issues/Updates on an as needed basis.

**Tactic 3.2.a:** Send out email updates and schedule committee tel-cons as needed between regularly scheduled meetings

**Strategy 3.3** Discussion of National Transportation Policy

**Tactic 3.3.a:** Work with AAAE about broader transportation system discussions/ Get speakers together about a system of transportation – not only the aviation segment.

**Tactic 3.3.b:** Research the ability to secure resources to get a Research Foundation or “Think Tank” to assist with National Transportation Policy issues.

**Strategy 3.4** Understand what benefit [Part 380 Operators](#) and other non-traditional carriers can provide.

**Tactic 3.4.a:** Resolve the issues that prevent getting an IATA Code. Air service providers must have a 2-letter IATA code in order to code share. Lack thereof makes it uneconomical for air carriers to interline/connect. The committee has completed a survey on non-traditional air carrier issues. A follow-up survey is being generated to address comments received from the first survey. The results of the second survey should result in a list of practices that have been successful for airports dealing with non-traditional carriers.

**Strategy 3.5** Understand the Status of [US Customs Border Patrol Preclearance](#).

**Tactic 3.5.a:** Contact CBP for initial discussions and status of Preclearance.

A committee member spoke with CBP in June 2011 and they indicated current budget constraints in Washington have made preclearance in Mexico a non-starter. They also indicated that any area already constructed in Cancun for this would not meet CBP standards. Current violence in Mexico may be playing into this as well.

Ideas on how to proceed include forming an alliance with interested airlines and/or airline associations to lobby Capitol Hill.

**Tactic 3.5.b:** Draft follow-up letter to CBP inquiring about status and future plans for Preclearance Program.

**Strategy 3.6** Understand the Issues of the [Essential Air Service Program](#) and Suggest Improvements

**Tactic 3.6.a:** Create an EAS Subcommittee.

The EAS subcommittee has been formed. On May 3, 2011 there was an EAS Summit held in D.C. at which time the committee held open dialogue with congressional staff leaders, DOT officials, and airline representatives to stress the importance of an effective EAS program as Congress considers changes to the program - the outcome of which will dictate the committee's continued actions.

DL [announces](#) service adjustments to 24 markets including some existing EAS cities.

The EAS panel held at the Airport/Regional Airline Executive Summit in December 2011 was informative and a success, particularly with regard to the ongoing communication it has encouraged between AAAE and RAA. Faye Malarkey Black, VP Legislative Affairs with RAA will continue to stay in contact

with Doug Kimmel and AAAE staff on matters pertaining to EAS that are relevant to both associations.

The panel comments at the meeting included the following from DOT: 90 mile rule was in place (out from 70 miles) and a waiver process expected for airports affected to apply to DOT for an exemption. Ten airports would be affected by the 90 mile rule; \$1,000 maximum per passenger subsidy for any airport is in place; 163 airports are currently in the program (44 Alaska, 119 non-Alaska).

Airline comments on the panel included: EAS reform should include regionalization of some airports on a case-by-case basis, but there is not a “one size shoe” fits all solution; airports measure success by enplanements and airlines by per passenger revenue which often are contrary to one another; far fewer large hub airports exist which are necessary to make air service from small markets survive due to the connectivity and synergies they provide; aircraft aren’t being manufactured with less than 70- 90 seats; 19 and 30 seat aircraft are limited and require more and more maintenance to operate while aircraft with less than 19 seats don’t save the EAS program money as once believed; a long term FAA reauthorization bill is necessary for carriers to finance their fleet for growth and expansion.

Since the Summit, the FAA reauthorization bill has passed, and included the following for EAS: \$193 million authorized; 15 seat rule repealed; EAS airports capped to those communities receiving subsidy between 9/30/10 and 9/30/11 (122 airports not including AK and HI); 90 mile rule was repealed and replaced with the requirement to have at least a 10 passenger per day average for airports within 175 miles of a medium/large hub; and the \$1,000 maximum per passenger subsidy for any airport no matter the distance from a hub was retained.

The challenges facing EAS continue however, and as AAAE reported in the short period of time since the passage of the reauthorization bill, Republicans on the House transportation committee still argue that EAS is, “a good example of a taxpayer-subsidized program gone unchecked.” The EAS Subcommittee’s challenge will be to increase participation from EAS airports, agree where we can on specific program reforms to pursue, and present a unified voice on the benefits of the program to members of congress.

In recent discussions with AAAE staff the idea of hosting another EAS Summit meeting this fall in conjunction with RAA was discussed. The meeting would feature both airport and airline panels, presentations from DOT, AAAE Legislative Affairs, and Congressional staff on the existing status of EAS in Washington and throughout the industry.

**AAAE EAS Webinar held on September 26, 2012. Over 30 airports participated in a 90 minute webinar titled The Future of the Essential Air Service Program. Speakers included Democratic Staff Director, Aviation Subcommittee of the House Transportation & Infrastructure Committee, Dennis DeVany, Chief, EAS Program, U.S. Department of Transportation and Kevin Schlemmer, Transportation Industry Analyst, Office of Aviation Analysis, U.S. Department of Transportation and Faye Malarkey Black, Senior Vice President,**

**Government Affairs, *Regional Airline Association (RAA)*. The speakers walked through the changes to EAS made in the FAA Reform and Reauthorization Act of 2012, answered questions about eligibility and DOT administration of the program, and the airlines' view of the future.**

**Tactic 3.6.b:** Ensure We Have an Inclusive and Broad Approach to EAS Discussions.

**Goal #4: Improve AAAE/GL-AAAE National Air Service Conference.**

**Strategy 4.1** Provide Better Value to Airports/Attendees

**Tactic 4.1.a:** Develop Conference Program Objectives

Solicit relevant topics from the membership about 6 months in advance of the conference to set the conference program accordingly.

**Tactic 4.1.b:** Develop a Tool Kit to Assist Airport Directors with Air Service Recruitment and Retainment

**Tactic 4.1.c:** Develop an Education Program

- Local Program – educate the community about the importance of air service.
- Local Program – educate the community about how air service works. (Get airline representative to provide guidance on this.)
- Elected Officials – educate them about how airlines pick the communities that win and those that lose based on which communities they decide to serve.

**Strategy 4.2** Increase Conference Attendance

**Tactic 4.2.a:** Review Location of Conference

Kansas City, MO in 2013

Annually set and announce the conference location 1 year in advance.

**Tactic 4.2.b:** Conference Marketing

Begin marketing efforts earlier.

Promote the conference differently:

*“National Air Service Conference hosted by AAAE/Great Lakes Chapter”*