

**THE SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PROGRAM**

*DEPARTMENT OF TRANSPORTATION
Office of the Secretary*

Report Number: CR-2008-051

Date Issued: May 13, 2008



Memorandum


U.S. Department of
Transportation

Office of the Secretary
of Transportation

Office of Inspector General

Subject: **ACTION:** Report on the Audit of the Small
Community Air Service Development Program
Office of Aviation Analysis
Report No: CR-2008-051

Date: May 13, 2008

From: David Tornquist 
Assistant Inspector General for Rail and
Maritime Program Audits and Economic
Analysis

Reply to
Attn of: JA-50

To: Acting Associate Director, Office of Aviation Analysis

This report presents the results of our audit of the Small Community Air Service Development Program (SCASDP). Concerns have been raised by some stakeholders regarding the program's effectiveness. In addition, Congress is considering possible reforms to this program as part of its larger reauthorization of aviation programs. We initiated this audit in response to a request from the Assistant Secretary for Aviation and International Affairs. The Office of Aviation Analysis (OAA) has administered the SCASDP since its inception in fiscal year (FY) 2001.

The objective of this audit was to determine the effectiveness of SCASDP in helping small-hub¹ and non-hub² communities in achieving sustainable air service. To achieve this objective, we reviewed SCASDP grants to determine: (1) which grants succeeded and which ones failed; and, (2) whether certain project characteristics or project types lead to a greater likelihood of grant success. Furthermore, we sought to identify "lessons learned" that could improve the probability of small-hub and non-hub communities achieving sustainable air service as a result of their SCASDP grants.

¹ Small-hub airports enplane between 0.05% and 0.25% of total system-wide passengers enplaned.

² Non-hub airports enplane fewer than 0.05% of total system-wide passengers enplaned.

We performed our audit in accordance with generally accepted government auditing standards prescribed by the Comptroller General of the United States. We reviewed all 40 grants issued between 2002 and 2006 (excluding feasibility studies) that had been closed for 12 months or more as of March 31, 2007. This criteria enabled us to determine if the projects could sustain themselves without continued Federal support. Exhibit A fully describes our scope and methodology and Exhibit B includes our evaluative criteria, which we used to determine the success or failure of the grants in our review, along with representative case studies.

BACKGROUND

The airline industry's high fixed costs have traditionally made it more difficult to establish or sustain economically viable air service in smaller communities. Congress recognized this when it deregulated air service and created programs such as the Essential Air Service (EAS), to ensure certain small communities continued to receive air service. Few, if any, EAS communities are ever able to grow their air service so that it can be sustained without Federal subsidies. Congress subsequently created SCASDP in FY 2001 to provide temporary help to small communities to achieve sustainable air service; thereby avoiding the need for ongoing Federal subsidies. An additional goal of the program was to generate creative air service development proposals that could possibly be implemented in other similar small communities.

The economic downturn of the early part of the decade, the events of September 11, 2001, rising fuel costs, and excess seat capacity led to airline bankruptcies and restructurings, which further exasperated small communities' abilities to attract and sustain air service. Although industry economics have rebounded somewhat in recent quarters, fundamental changes in the industry combined with the general risk averseness of airlines has made it more challenging for small communities to retain and enhance their air service.

Through FY 2007, the Department of Transportation (DOT) has issued slightly over 200 SCASDP grants totaling approximately \$100 million to small and non-hub communities (see Exhibit C for a complete list of all SCASDP grants issued to date). SCASDP is authorized to fund a maximum of 40 air service development grants per year. Grant awards have ranged from \$20,000 to \$1.6 million and have funded a wide range of air service initiatives, designed to achieve sustainable air service to small community airports.

In a review of the grants issued in the pilot years of the program, i.e. grants issued in FY 2002 and FY 2003, the Government Accountability Office found mixed

results but stated that too few grants had been completed to allow them to draw conclusions. Although the Administration has requested no funding for this program since its inception, Congress has funded SCASDP at \$20 million between FY 2002 and 2005 and at \$10 million from FY 2006 through FY 2008.

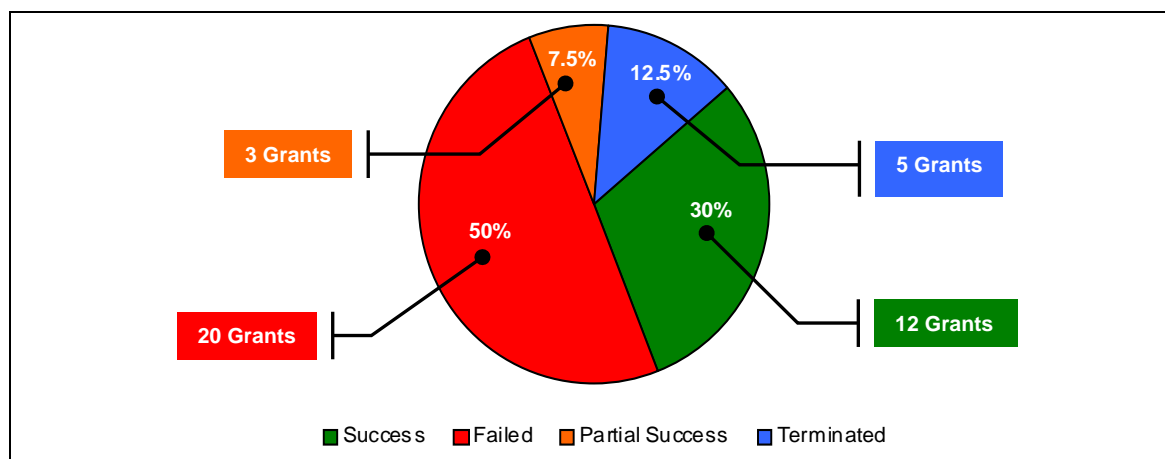
RESULTS IN BRIEF

We found that half of the grants we reviewed failed to achieve their objectives or were unable to sustain the resulting benefits beyond their grant horizon. Communities that performed a market analysis prior to implementing their grants, followed through with substantive financial and non-financial support, and used a part of their SCASDP funding to implement an airport awareness marketing campaign enjoyed significantly better success in obtaining sustainable air service. Giving priority to those communities whose SCASDP grant proposals incorporate these attributes will improve the overall success rate of the program.

While Most Projects Failed to Fully Achieve Their Objectives, Certain Grant Types Were More Successful Than Others

We found that 70 percent of the grants in our review failed to fully achieve their objectives (see figure 1 below). Specifically, 50 percent of the grants in our review were unable to achieve any of their articulated grant objectives, 12.5 percent were voluntarily terminated prior to any substantive progress being achieved and 7.5 percent were unable to obtain or achieve all their grant objectives. We found that 30 percent were successful in achieving their grant objectives and sustaining the resulting benefits for at least 12 months. Exhibit B presents a detailed description of the evaluation criteria of the Office of Inspector General (OIG) along with representative case studies.

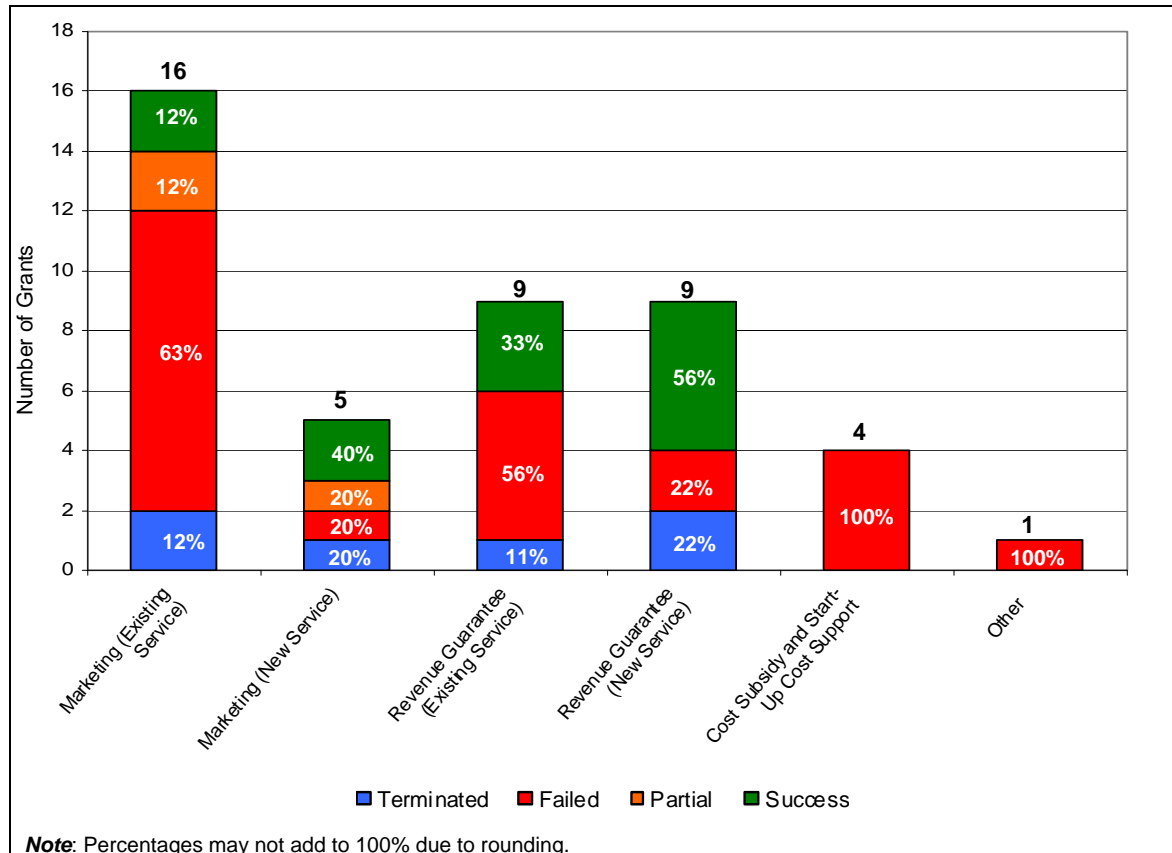
Figure 1. SCASDP Grant Outcomes



Source: OIG analysis.

Certain grant objectives were more successful than others. We also found that 44 percent of revenue guarantee grants succeeded, while only 19 percent of marketing grants succeeded. None of the four expense subsidy and start-up costs grants were successful (see figure 2 below). [Note: Four grants under our review had multiple grant objectives. The success or failure of each of these objectives was assessed independently of the others.]

Figure 2. Outcome by Grant Objective



Source: OIG analysis.

In addition, we found that grants targeting the introduction of new service rather than the expansion of existing service were more successful (50 percent vs. 20 percent). This was true within grant categories as well. Revenue guarantees for new service were more successful than for existing service (56 percent vs. 33 percent) and marketing grants for new service were more successful than for existing service (40 percent vs. 12 percent).

Grants targeting existing service may be less likely to succeed because these mature markets may provide less of a growth opportunity than well-selected new markets or may reflect attempts by communities to resuscitate a failing service.

Community Participation and the Process That Communities Follow Increases the Likelihood of Success

Community financial and non-financial participation increased the likelihood of grant success. Eleven out of the 33 grants with greater than 10 percent community financial participation succeeded, compared to only one out of the seven grants (14 percent) with 10 percent or less participation. However, the likelihood of success did not increase as the level of community financial participation increased beyond 10 percent.

A community's non-financial participation plays a key role in influencing an airline's decision making. For example, community leaders and organizations, such as local chambers of commerce and economic development corporations, can play a critical role in compiling market data as well as developing and delivering a sound proposal to the airlines.

The process communities follow can increase the potential success of their grant. The process certain communities followed rather than the nature of their SCASDP grants was a greater determinant of grant outcome. The key elements of a successful grant process are outlined below:

- ***Conduct Market Analysis*** – Reliable market data was the most significant determinant of grant success.
- ***Articulate SCASDP Strategy*** – SCASDP strategy should be based on market analysis.
- ***Present Air Service Proposal to Airlines and Negotiate Air Service Improvements*** - Community leaders and local organizations, such as the local chamber of commerce, play a key role in proposing air service initiatives and negotiating with target airlines.
- ***Implement Grant*** - SCASDP grants usually carry significant implementation risk, which is offset significantly with the quality and depth of the management teams at small community airports. Small communities offset any potential disadvantage by augmenting their management expertise through the judicious use of aviation consultants.
- ***Market and Brand*** – Spending some SCASDP funds on marketing programs in support of non-marketing grants (such as revenue guarantees, cost subsidies,

etc.) can stimulate demand for air services by increasing awareness of airport services and reversing the leakage³ of passengers to surrounding airports.

Lessons Learned

The same project limitation prevents potentially successful grant proposals from being considered. Communities may not be able to fully utilize the program due to the same project limitation. The same project limitation precludes a community from pursuing follow-on grants using grant strategies that have worked for them in the past. As a result, many communities, (especially in the pilot years of the program, 2002 and 2003), are precluded from seeking virtually any new grants due to the same project limitation.

The lack of funding flexibility may negatively impact the effectiveness of the program. Airlines typically have all of the leverage in their negotiations with small communities. As a result, airlines expect communities to react very quickly when they are in a position to implement a community's air service proposals. As such, access to SCASDP funding is key to a small community's air service proposal. Some small communities must forego certain air service possibilities because SCASDP is between funding cycles.

Summary of Recommendations

Our review found that communities which conduct in-depth market analysis and support their grants through substantive financial and non-financial support are more likely to succeed. Accordingly, we are recommending that OAA give priority to participate in the program to those communities that include an in-depth market analysis (except where inapplicable, such as feasibility studies) with their grant application; and, involve substantive levels of financial and non-financial community participation. Additionally, OAA should require communities requesting non-marketing grants (e.g. revenue guarantee grants, cost subsidy grants, etc.) to use a part of the funding awarded to them to implement a marketing program that complements their overall grant strategy.

Furthermore, we found that the same project limitation may limit the overall success of the program by excluding communities that have successfully implemented grants in the past from reapplying. Therefore, we are recommending that OAA evaluate the impact of the same project limitation on the overall success of the program, and seek legislative changes if necessary. A list of our

³ Passenger leakage is an approximate measure of the number of passengers that do not use the local airport for their air travel, choosing instead to travel to or from a competing airport in search of lower airfares and scheduling conveniences.

recommendations can be found on page 14. Management's response is included in its entirety in the Appendix.

FINDINGS

Most Grants Were Not Successful, but Some Grant Types Were More Successful Than Others

We found that 70 percent of the grants in our review failed to fully achieve their objectives (see figure 1 on page 3). Specifically, 50 percent of the grants were unable to achieve any of their articulated grant objectives or were unable to sustain grant benefits beyond the grant horizon; 7.5 percent were deemed to be partially successful suggesting that these communities were either unable to achieve all of their articulated grant objectives or unable to sustain the grant benefits through the end of June 2007; and, 12.5 percent were terminated prior to any substantive progress being achieved towards implementing their SCASDP grants. The remaining 30 percent of the grants were successful in achieving their grant objectives and sustaining the resulting benefits for at least 12 months. Exhibit B presents a detailed description of the OIG's evaluation criteria along with representative case studies.

Revenue guarantee grants had the highest success rate, 44 percent (or eight out of 18 grants). Comparatively, only 19 percent (or four out of 21 grants) of marketing grants succeeded. None of the four expense subsidy and start-up costs grants were successful (see figure 2 on page 4).

Overall we found that grants targeting the introduction of a new service rather than the expansion of an existing service were more successful (50 percent vs. 20 percent). This was true within grant categories as well. Revenue guarantees for a new service were more successful than for an existing service (56 percent vs. 33 percent) and marketing grants for a new service were more successful than for an existing service (40 percent vs. 12 percent).

Grants targeting existing service may be less likely to succeed because these mature markets⁴ may provide less of a growth opportunity than well-selected new markets or may reflect attempts by communities to resuscitate a failing service. For instance, a community in our review had requested SCASDP funding to implement a marketing campaign to increase passenger enplanement in support of its existing air service. At the time of their grant request, the community operated

⁴ Most grants (11 out of 12) targeting the expansion of existing service by either introducing additional frequencies or by upgauging existing aircraft, had operated in those markets before or since January 2000.

air service in one market, a major west coast hub airport, and this market by our definition (see footnote 4) was a mature market. The main impetus behind the grant was to retain and in a best case scenario bolster flying to the aforementioned hub airport. However, based on our review we determined that the traffic in this market declined by 12 percent during the grant period and an additional 16 percent in the post-grant period. Eventually, this decrease in enplanements led to the community losing its service to this market.

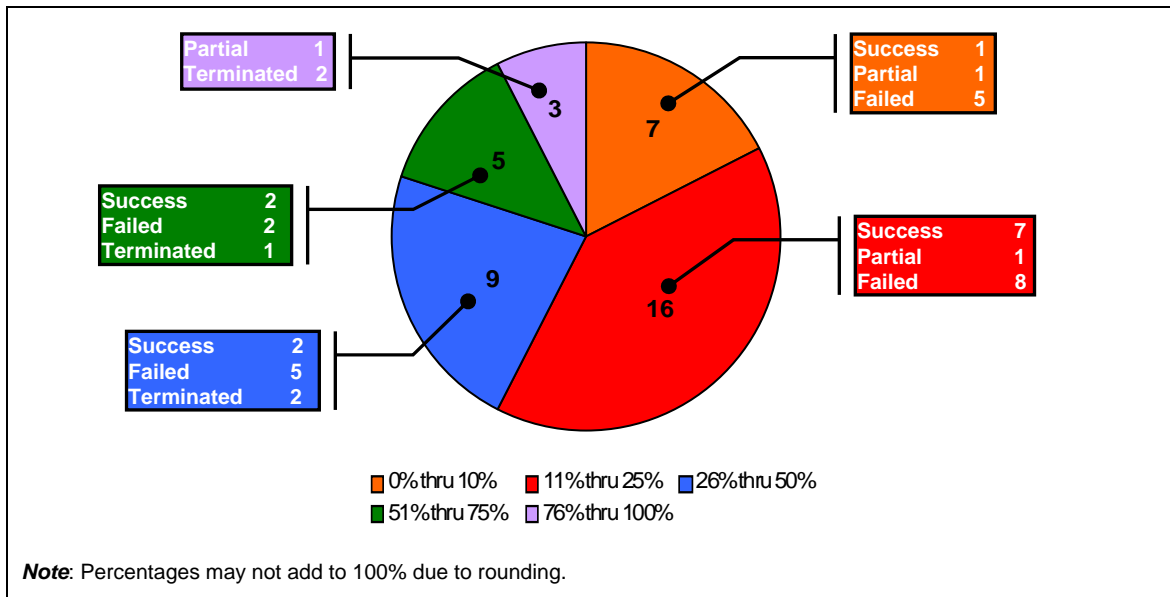
Furthermore, we found that most⁵ of the communities requesting grants to enhance existing service had not performed any form of market analysis. We noted a strong correlation between communities that had performed a market study and those who had successfully enhanced their existing air service. We found that three out of the four successful grants had performed a market study. In contrast, none of the unsuccessful grants had performed a market study. Thus we conclude that communities targeting existing service are more likely to succeed when they perform a market analysis as this allows them to ascertain if their proposed air service enhancements are sustainable in the long run.

Community Financial and Non-Financial Participation Increased the Likelihood of Grant Success

Eleven out of the 33 grants with greater than 10 percent community financial participation succeeded, compared to only one out of the seven grants (14 percent) with 10 percent or less participation. Figure 3 on the following page highlights the success rate of grants, based on community participation.

⁵ We conducted teleconferences or site visits with each of the 12 communities targeting existing service enhancements and found that only three of them had performed a market study. A list of the communities where we conducted site visits or teleconferences can be found in Exhibit D.

Figure 3. Grant Success Rate by Level of Community Participation



Source: OIG analysis.

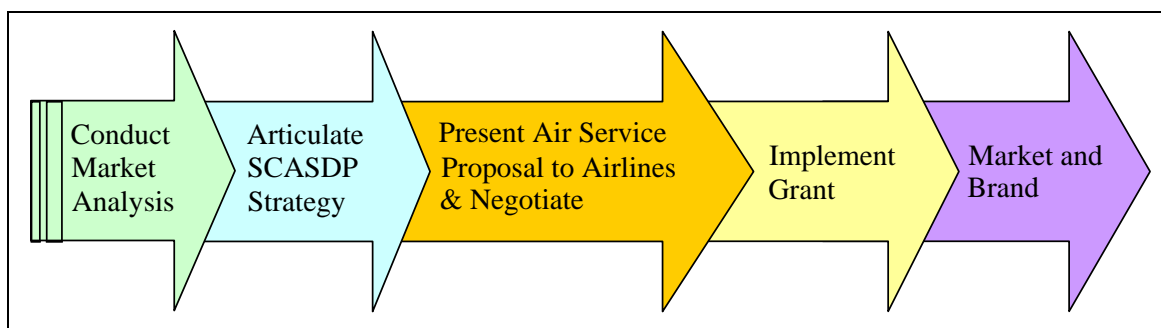
Although we found that community financial participation did influence grant outcome, the likelihood of success did not increase as the level of community financial participation increased beyond 10 percent.

A community's non-financial participation plays a key role in influencing an airline's decision making. For example, community leaders and organizations, such as local chambers of commerce and economic development corporations, can play a critical role in compiling market data as well as developing and delivering a sound proposal to the airlines. We are recommending that OAA give priority to grant proposals with substantive levels of financial and non-financial community participation.

The Process Communities Follow can Increase Their Ability to Successfully Implement Their SCASDP Grant

The SCASDP strategies (i.e. revenue guarantees vs. marketing, etc.) that communities choose to pursue allows them to compete for air service against other small communities. However, the process they follow in implementing their SCASDP grants determines grant outcome. The key elements of a successful grant process are outlined in figure 4 on the following page.

Figure 4. Key Elements of a Successful SCASDP Grant Process



Source: OIG analysis.

- Conduct Market Analysis** – Reliable market data was the most significant determinant of grant success. Good market data enables a community to identify their air service gaps and market opportunities, which allows them to identify air service development opportunities that have the highest probability of being sustainable in the long run. Without market analysis, airport and community leaders have unsupported notions about the air service needs of their community and the type of service that would be sustainable. For example, a community in New England used its SCASDP funding to implement a revenue guarantee in support of new air service to a medium-hub airport in the vicinity. This decision was made on the basis of anecdotal evidence they had received from various members of their community. Shortly after introducing this air service, the community and the airline in question determined that the demand for this service would not materialize and they decided to discontinue the air service.

Through our conference calls and site visits, we found a strong correlation between communities that had successfully implemented their SCASDP grants and those that had performed some form of a market study (either prior to requesting their grant or as a first step in the implementation of their grant). Community support and the use of aviation consultants contribute significantly to the execution of a market analysis, a time-consuming and intricate process.

- Articulate SCASDP Strategy** – Articulating a SCASDP strategy, based on market analysis, allows a community to formulate an air service plan that makes a compelling business case to target airlines. This allows the community to pursue air service initiatives that have the highest probability of attracting sustainable air service improvement to their communities. For example, a community in the Northeast engaged aviation consultants to conduct a market study. Based on the results of the market study, the consultants recommended that the community should target three daily flights to a specific major hub airport in the Northeast. Additionally, the consultant recommended using a

revenue guarantee to support these flights as this would be very attractive to the dominant air carrier at the target airport. The community successfully introduced the new service and then sustained this service beyond their grant horizon. During the grant period, the airline was so pleased with the overall performance of the new service that they added additional frequencies (not supported by the revenue guarantee) in this market. The additional frequencies, however, were not feasible and service was scaled back to the three flights suggested by the consultants.

Market studies also provide data on other significant factors such as the impact of passenger leakage. Market studies not only quantify the number of passengers that leak from small community airport, but they also provide data on the impact of factors such as ticket pricing and scheduling convenience on the amount of leakage from a community. Access to this data allows a community to adapt its SCASDP strategy to address such factors, which may enhance a small community's ability to sustain its air service enhancement in the long run.

- ***Present Air Service Proposal to Airlines and Negotiate*** – Community support plays a key role in articulating a small community's business case in favor of its proposed air service and its ensuing negotiations with target airlines. Local leadership, organizations such as the local chamber of commerce, and local businesses collectively play a key role in attracting and sustaining air services to small communities.

Local businesses and local organizations play a critical role in convincing target airlines of the economic viability of the proposed air service by establishing the size and quality of the high-yielding business traffic⁶ generated from a small community. Since very intense competition among small communities for the limited airline resources exists, most air service development proposals require small communities to provide some form of financial incentives to the target airline to attract them to their community. Participation by community leadership in air service development initiatives establishes the credibility of the financial incentives offered to target airlines, and reassures them of accessible financial assistance, when needed.

For instance, one of the communities we reviewed requested SCASDP funding to implement a revenue guarantee in hopes of upgrading their existing service from propeller-based to regional jet aircraft. The community's decision to

⁶ Business passengers, who generally tend to pay more for air services than leisure passengers, are critical to convincing target airlines of the short-term and long-term economic viability of small community air service.

upgauge to regional jets was grounded in a market study, which suggested that a significant proportion of their air travelers were high-yielding business passengers who leaked to surrounding airports (a non-hub airport within 60 miles, a small-hub airport within 120 miles, or a major hub airport within 180 miles) rather than use the daily air service from the community to three east coast hub airports. The study identified two main reasons for the passenger leakage: 1) business passengers were unwilling to fly on propeller aircraft that had operated in this market prior to their grant and 2) the scheduling of flights from the local airport resulted in significant layovers at the hub airports. In response to the market study, the community formed an air service development committee, comprised of the airport director as well as representatives from the local chamber of commerce and local businesses. The committee collectively negotiated the upgauging of the aircraft in this market to regional jets, modifying flight scheduling to reduce layovers at the hub airports connected to their airport. This resulted in a significant decline in passenger leakage from the community, which played a key role in the community's ability to successfully sustain regional jet service beyond the grant horizon.

- ***Implement Grant*** – SCASDP grants usually carry significant implementation risk, which is offset significantly with the quality and depth of the management teams at small community airports. Small communities can offset any potential disadvantage by augmenting their management expertise through the judicious use of aviation consultants.
- ***Market and Brand*** – Airlines operating in small communities typically have limited resources at their disposal to invest in marketing programs designed to stimulate the demand for their services from small communities. Therefore, we found that spending some SCASDP funds on marketing programs in support of non-marketing grants (such as revenue guarantees, cost subsidies, etc.) can stimulate demand for air services by increasing awareness of airport services and reversing the leakage of passengers to surrounding airports.

For instance, airport authorities, the largest resort community, and the chamber of commerce at a year-round leisure community in the Rocky Mountains collectively raised funds to fund a marketing campaign in support of a SCASDP sponsored revenue guarantee to a major west coast hub airport. The marketing campaign not only sought to stimulate demand from the local market and curb passenger leakage, but it also collaborated with the airlines operating from the community to design promotional campaigns, stimulating tourist traffic to the community. The community also takes advantage of e-mail distributions and other internet advertising tools that stimulate traffic to and from the community. Based on our review, we concluded that the community not only achieved its

SCASDP objective, it was also successful in stimulating traffic and attracting air service to an alternate west coast hub airport. The community in question believed that the traffic stimulated through its marketing campaign was critical in both of its successful air service initiatives outlined above.

Based upon these results, we recommend that OAA give priority to communities who include an in-depth market analysis (except where inapplicable, such as feasibility studies) in their grant application. Additionally, OAA should require communities requesting non-marketing grants (e.g. revenue guarantee grants, cost subsidy grants, etc.) to use a part of the funding awarded to them to implement a marketing program that complements their overall grant strategy.

The Same Project Limitation Prevents Potentially Successful Grant Proposals From Being Considered

We found that communities may not be able to fully utilize the program due to the same project limitation. The same project limitation precludes a community from pursuing follow-on grants using grant strategies that have worked for them in the past. As a result, many communities (especially those that received grants in the pilot years of the program, i.e. 2002 and 2003), are precluded from seeking virtually any new grants. This problem is particularly significant for those communities in the initial years of the program that had received grants with fairly broad objectives.

For example, a Midwestern community was awarded a grant in the pilot years of the program to implement, among other things, a cost subsidy and start-up cost relief program, a market study, and a marketing campaign. This grant enabled them to secure service with a low-cost carrier. However, this service ceased after being in service for less than a year due to the financial distress and subsequent restructuring of the airline operating this service. Following the closing of their initial SCASDP grant, the community applied for a follow-on grant that sought to encourage airlines to target leisure traffic as a means to curb passenger leakage to surrounding airports. The community offered to offset an airline's start-up and operating costs associated with introducing flights at off-peak times such as weekends or to leisure destinations. The community's application, however, was denied under the "same project limitation" as both the current proposal as well the community's initial proposal had sought to provide cost relief to the airlines operating from their airport.

Encouraging innovative solutions to the problems confronting small communities was one of the key impetuses behind the program. As discussed above, the same project limitation may be restricting small communities from developing creative

solutions to address their air service deficiencies, which may limit the overall effectiveness of the program. We recommend that OAA evaluate the impact of the same project limitation on the effectiveness of the program and seek legislative changes, if necessary.

The Lack of Funding Flexibility May Negatively Impact the Effectiveness of the Program

OAA presently conducts one grant cycle per fiscal year. This involves soliciting grant proposals through a request for proposal, reviewing and deliberating on grant applications, and formalizing grant agreements with successful communities and obligating requisite funds. This process is usually completed in the fourth quarter of the fiscal year, typically around the second to third week of September.

Airlines typically have all of the leverage in their negotiations with small communities. As a result, airlines expect communities to react very quickly when they are in a position to implement communities' air service proposals. As such, access to SCASDP funding is key to a small community's air service proposal. Some small communities must forego certain air service possibilities because the SCASDP is between funding cycles.

RECOMMENDATIONS

We recommend that the Office of Aviation Analysis:

1. Give priority to participate in the program to those communities whose grant applications:
 - a. include an in-depth market analysis (except where inapplicable, such as feasibility studies), and
 - b. involve substantive levels of financial and non-financial community participation.
2. Require communities requesting non-marketing grants to use a part of the funding awarded to them to implement a marketing program that complements their overall grant strategy.
3. Evaluate the impact of the same project limitation on the effectiveness of the program and seek legislative changes, if necessary.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided the Office of Secretary of Transportation (OST) with our draft report on March 13, 2008, and we received their response on May 9, 2008. OST's full response is included in the appendix to this report. OST concurred with each of our recommendations and has taken action to implement them.

Recommendation 1: OST concurred with our recommendation to give priority to those grant applications which include in-depth market analysis (except where inapplicable, such as feasibility studies) and involve substantive levels of financial and non-financial community participation. In its order soliciting SCASDP grant proposals for 2008, OST has emphasized that a thorough understanding of the target market is essential for grant success and encourages communities requesting funds for certain types of grants to include in-depth market analysis with their proposals.

Regarding community financial and non-financial participation, OST stated that they have historically made an effort to treat locally based participation as a factor to be considered when evaluating the merits of competing proposals. The order soliciting grant proposals for 2008 also included a statement that communities that contribute from local sources (other than airport revenues) are accorded priority consideration during the grant selection process.

Recommendation 2: OST also concurred with our recommendation to require communities requesting non-marketing grants to use a portion of their funding to implement a marketing program which complements their overall grant strategy. OST stated that they agree that grant projects which incorporate marketing have a greater likelihood of success. Accordingly, they have incorporated language in the order soliciting grant proposals for 2008 that encourages communities to designate in their grant proposals, a portion of the funds for the development of a marketing plan in support of the service they are seeking to obtain.

Recommendation 3: Regarding our recommendation to evaluate the impact of the same project limitation and seek legislative changes if necessary, OST also concurred. According to OST, Congress amended the SCASDP in 2003 and added the provision excluding communities from receiving additional funds for the same project. As currently written, OST believes that the statute provides latitude in determining what represents a "same project" and they do not foresee a need to seek any legislative changes. In their 2008 order, OST provided guidance to applicants on how they determine whether a proposed project is sufficiently different to constitute a new project. They stated that they would look particularly

at the goals and objectives of the previous grant as well as the key components of the means by which those goals and objectives are to be achieved when considering a new proposal from a prior grantee.

ACTIONS REQUIRED

OST's response and actions taken address the intent of our recommendations. Therefore, we consider these recommendations resolved.

We appreciate the courtesies and cooperation of OST representatives during this audit. If you have any questions regarding this report, please contact me at (202) 366-1981 or Mitch Behm, Program Director, at (202) 366-1995.

#

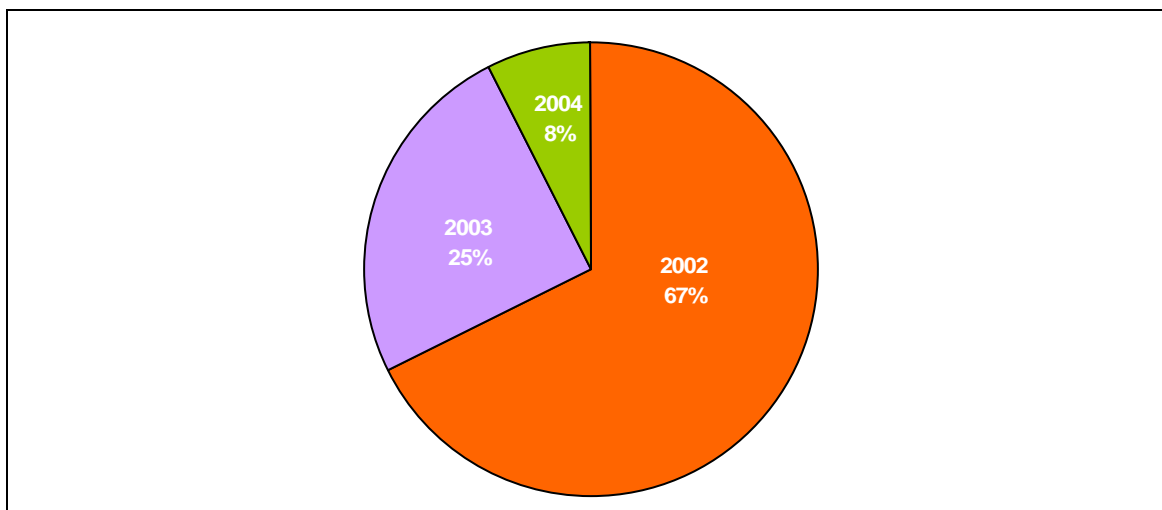
cc: Acting Under Secretary for Policy, S-3
Acting Assistant Secretary for Aviation and International Affairs, OST, X-1
Audit Liaison, OST, M-1

EXHIBIT A. SCOPE AND METHODOLOGY

Scope

This performance audit was conducted in accordance with generally accepted government auditing standards prescribed by the Comptroller General of the United States. The scope of our audit included all 187 SCASDP grants issued between fiscal years 2002 and 2006. From this, we selected all 40 grants⁷ issued between 2002 and 2006 (excluding feasibility studies) that had been closed for 12 months or more as of March 31, 2007. These grants enabled us to determine if the projects were at least minimally self-sustaining. Please refer to Exhibit C for a list of all grants issued under the program and the 40 grants included in our audit. Figure 5 below graphically presents the grants we reviewed by year of issue.

Figure 5. Grants Reviewed by Year of Issue

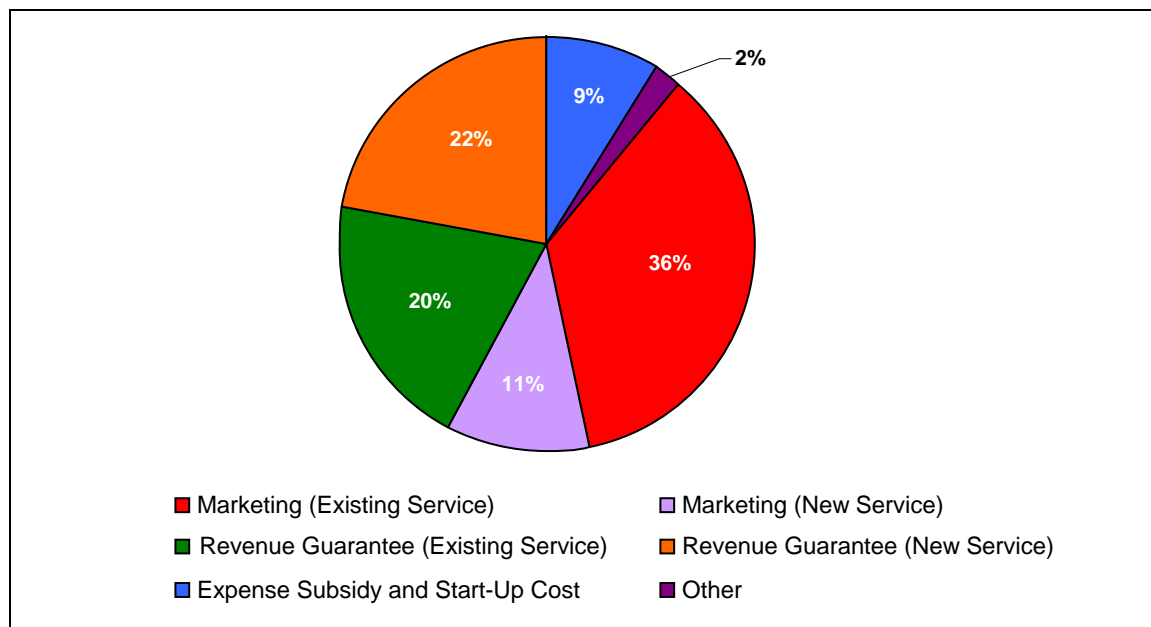


We reviewed background information on each of the 40 grants including the grant application, grant agreement (including any subsequent grant amendments), and final “closeout reports” submitted by communities upon completion of their SCASDP grants. This enabled us to assess the objective(s) of each grant and allowed us to identify the strategies that communities deployed in order to achieve their desired goal. Furthermore, this information provided us with a baseline to assess if a community was successful in achieving its stated grant objective(s) and if the grant strategy proposed by a community was effective in achieving

⁷ OIG review included five grants that had been voluntarily terminated by the communities receiving those grants.

sustainable air service improvements to a community. Figure 6 provides a breakout of grants by grant objective.⁸

Figure 6. Grants Reviewed by Objective



Methodology

We used a variety of quantitative and qualitative data in an effort to evaluate whether the communities in our review were successful in achieving their stated grant objectives and whether they were able to sustain the resulting grant benefits beyond the grant horizon. We collected flight activity data from FAA's *Flight Schedule and Delay Statistics (FSDS)* database and passenger enplanement data from the Bureau of Transportation Statistics' (BTS) *298C Schedule T1 Passenger Database and T-100 Passenger Enplanement Database*. We conducted trend analyses and checks of the data to assess reasonableness and comprehensiveness. We also spoke with managers responsible for maintaining the databases to understand any noted inconsistencies and attempted to resolve them. Based on our understanding of the data through discussions with knowledgeable agency officials, as well as checks for obvious errors in accuracy and completeness, we determined that the data was sufficiently reliable for our purposes.

The FSDS data was used to measure the changes in the flight activity from a small community airport and the passenger enplanement data was used to measure changes in passenger traffic. We conducted site visits or teleconferences with

⁸ Four grants in our review had two major grant objectives. As a result, each of these grants had been counted in two grant categories. The success or failure of each grant objective has been assessed independently of the other.

airport and community representatives from each of the communities in our review⁹ (except for the five communities in our review that had voluntarily terminated their grants) in an effort to measure the impact of their SCASDP grants on their ability to attract sustainable air service improvements. In addition, we also talked to aviation consultants in an effort to develop a deeper appreciation for the challenges confronting small community airports and to identify some “lessons learned” that could improve the probability of small-hub and non-hub communities achieving sustainable air service.

As referenced earlier, five of the communities in our review had terminated their grants prior to making any substantive progress towards implementing their SCASDP funded projects. In each case, the community in question spent less than 15 percent of the funds awarded to them under this program. Based on this, we concluded that these communities had not made substantive progress towards implementing their SCASDP grants and therefore decided to waive further review on these grants to determine their success or failure.

⁹ We were successful in conducting teleconferences with 20 communities and conducted site visits with an additional four communities.

EXHIBIT B. EVALUATION CRITERIA AND CORRESPONDING CASE STUDIES

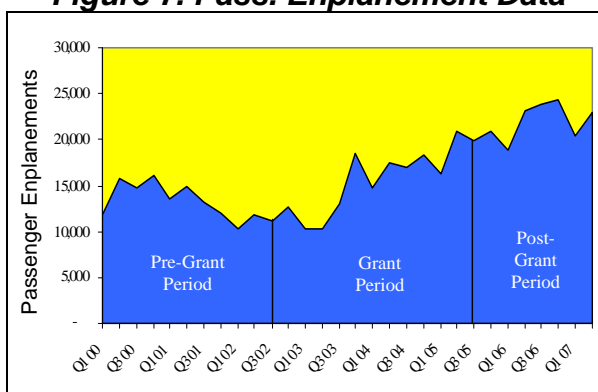
OIG developed evaluation criteria that were applied uniformly to the grants in our review and provided us with the platform to equitably evaluate the success or failure of the grants under our review. The OIG's evaluation criteria were as follows:

Success – A community was deemed to have successfully implemented its SCASDP grant, if it was able to achieve its articulated grant objective(s) and then sustain the resulting benefit for at least 12 months.

Case Study: One of the communities in our review spent most of its SCASDP funding to hire a business development manager whose primary objective was to execute a market study and use the data collected from the market study to develop a marketing plan that would (1) lead to an increase in passenger enplanements, and (2) put the community in a position to attract new air service to complement and compete with their existing air service. Based on our analysis we determined that this community increased passenger enplanements by 80 percent (see figure 7 below) during the grant period and then sustained passenger enplanements at a higher level in the post-grant period. Furthermore, this community parlayed the increased passenger enplanements to attract air service to a competing hub airport on a new airline and increased flight activity from the community as portrayed in figure 8 below. We concluded that this community successfully achieved its grant objective and sustained resulting grant benefits.

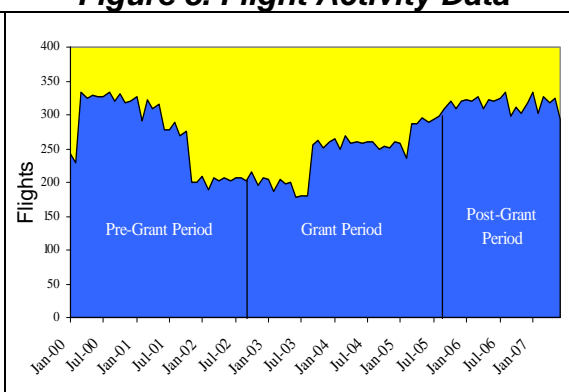
Successful Case Study

Figure 7. Pass. Enplanement Data



Source: BTS data.

Figure 8. Flight Activity Data



Source: FAA data.

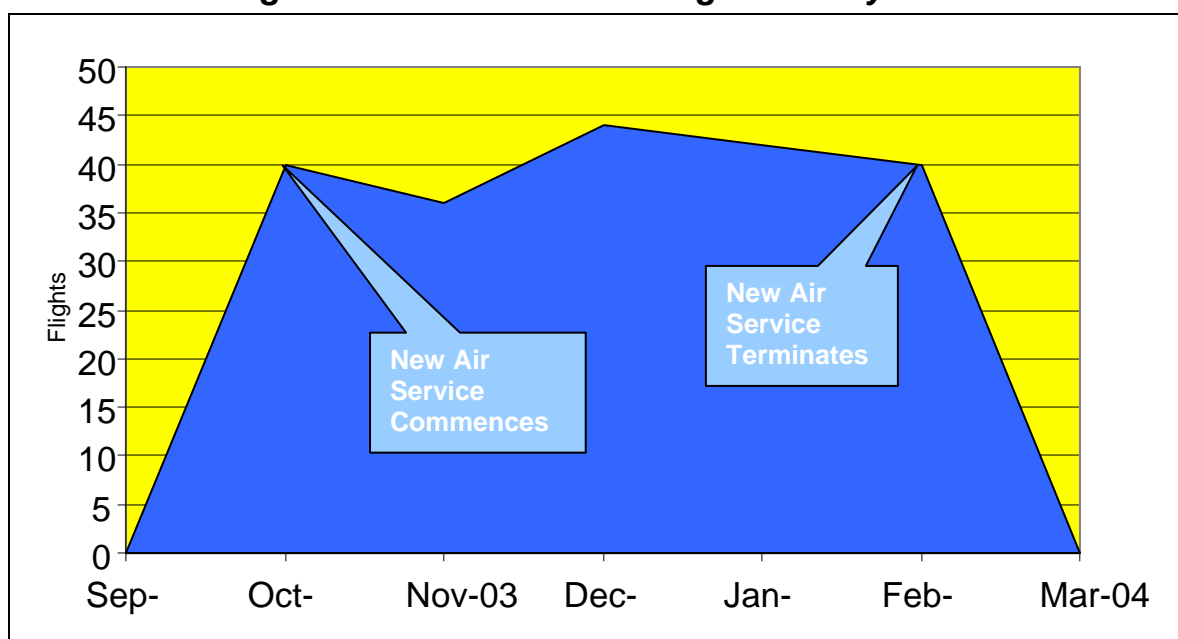
Failed – A community was deemed to have failed in implementing its SCASDP grant if it was unable to achieve any of its articulated grant objective(s) or unable

to sustain the resulting benefits beyond its grant horizon.

Case Study: A community in our review spent the funding awarded to it under the program to execute a revenue guarantee to attract new air service to the community. Based on our analysis, we concluded that the community was successful in attracting new air service (see figure 9 below). However, it was unable to sustain this service beyond their grant horizon. Thus, we concluded that this grant had failed.

Failed Case Study

Figure 9. New Air Service Flight Activity Data



Source: FAA data.

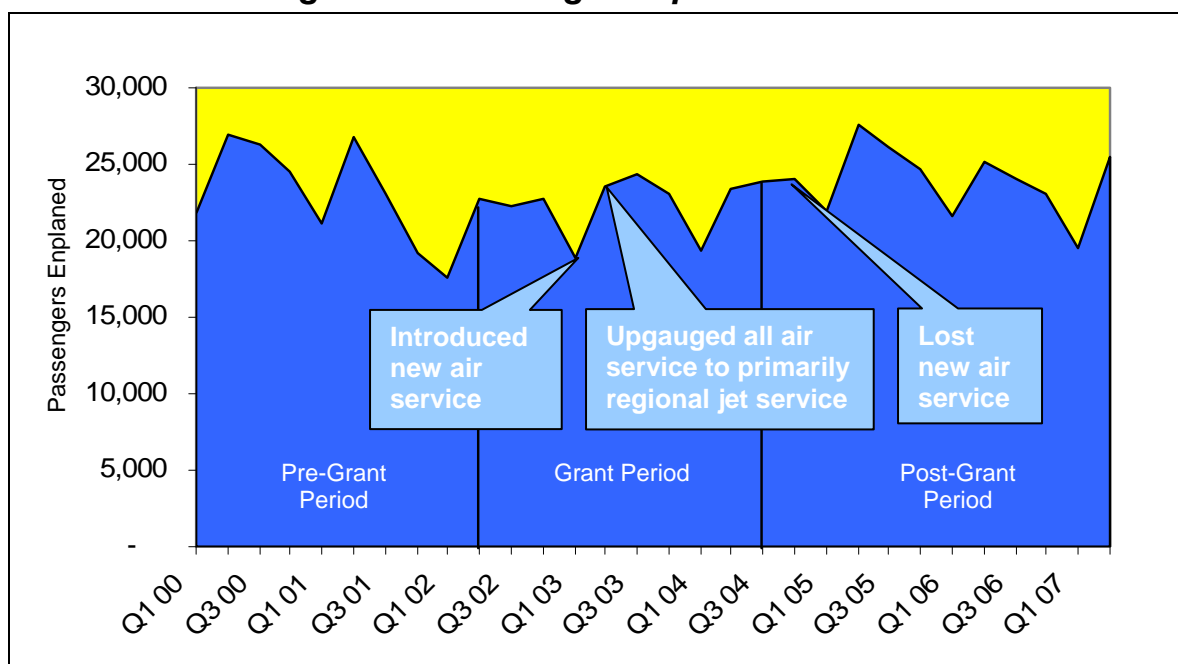
Partial Success – A community was deemed to be partially successful in implementing its SCASDP grant, if it was able to achieve some of its articulated grant objectives and/or sustain the resulting benefits at levels that were significantly lower than had been anticipated in its grant proposal.

Case Study: One of the communities in our review used its SCASDP funding to implement a marketing program to stimulate air traffic from the community in hopes of attracting new service to one of two Midwestern hub airports. Based on our analysis (see figure 10 on the following page), we concluded the community was able to: (1) achieve a sustained increase in passenger enplanements, (2) use the increased enplanement to upgauge its existing air service to regional jets, and (3) introduce new air service to one of the hub airports outlined in its proposal. However, this service ceased operations during the grant period due to the

financial restructuring undertaken by the airline operating this service. We concluded that although this community was unable to achieve all of its articulated grant objectives, it did benefit from its participation in this program. Furthermore, it was able to sustain these benefits for at least 12 months. Therefore, we considered this grant to be a partial success.

Partial Success Case Study

Figure 10. Passenger Enplanement Data



Source: FAA and BTS data.


Terminated – The community in question voluntarily terminated its grant prior to making any substantive progress towards implementing their grants. In each case, the community spent less than 15 percent of the funds that were awarded to it.

Case Study: One of the communities in our review successfully received a grant to implement a revenue guarantee and marketing campaign in support of expanding its existing air service to a major Midwestern hub airport. Although the community wanted to add additional flights to the hub airport, it was unable to convince the airline that the enhanced flying would be feasible. The community in question decided to terminate its grant rather than amend the scope of its grant. Prior to terminating its grant, the community had spent less than 3% of the funding that had been awarded to it under the program.

EXHIBIT C. SCASDP GRANTS ISSUED BETWEEN 2002 AND 2007

	Grant Year (FY)	Community/Consortium of Communities	State	Amount
1	2002	King Cove, Sand Point, Akutan, Cold Bay, False Pass, Nelson Lagoon	AK	\$240,000
2	2002	Mobile	AL	\$456,137
3	2002	Fort Smith	AR	\$108,520
4	2002	Lake Havasu City	AZ	\$403,478
5	2002	Santa Maria	CA	\$217,530
6	2002	Lamar	CO	\$250,000
7	2002	Daytona Beach	FL	\$743,333
8	2002	Augusta/Aiken	GA/SC	\$759,004
9	2002	Mason City	IA	\$600,000
10	2002	Hailey	ID	\$600,000
11	2002	Marion	IL	\$212,694
12	2002	Fort Wayne	IN	\$398,000
13	2002	Manhattan	KS	\$388,350
14	2002	Paducah	KY	\$304,000
15	2002	Somerset	KY	\$95,000
16	2002	Lake Charles	LA	\$500,000
17	2002	Presque Isle	ME	\$500,000
18	2002	Houghton & Pellston	MI	\$120,000
19	2002	Brainerd, St Cloud	MN	\$1,000,000
20	2002	Cape Girardeau	MO	\$500,000
21	2002	Meridian	MS	\$500,000
22	2002	Asheville	NC	\$500,000
23	2002	Bismarck	ND	\$1,557,500
24	2002	Scottsbluff	NE	\$950,000
25	2002	Taos/Ruidoso	NM	\$500,000
26	2002	Binghamton	NY	\$500,000
27	2002	Akron/Canton	OH	\$950,000
28	2002	Baker City	OR	\$300,000
29	2002	Reading	PA	\$470,000
30	2002	Rapid City	SD	\$1,400,000
31	2002	Bristol/Kingsport/Johnson City	TN	\$615,000
32	2002	Abilene	TX	\$85,010
33	2002	Beaumont/Port Arthur	TX	\$510,000
34	2002	Moab	UT	\$250,000
35	2002	Lynchburg	VA	\$500,000
36	2002	Bellingham	WA	\$301,500
37	2002	Pasco	WA	\$200,000
38	2002	Rhineland	WI	\$500,000
39	2002	Charleston	WV	\$500,000
40	2002	Casper, Gillette	WY	\$500,000

Source: OAA

 Represents Communities in the OIG Sample

Grant Year (FY)	Community/Consortium of Communities	State	Amount	
2002 - Replacement and Reallocated Grants				
41	2002	Chico	CA	\$44,000
42	2002	Visalia	CA	\$200,000
43	2002	Telluride	CO	\$300,000
44	2002	Syracuse	NY	\$480,000
45	2002	Rutland	VT	\$280,000
46	2002	Bridgeport/Clarksburg	WV	\$372,286
			FY 2002 Total	\$21,661,342
47	2003	King Cove, Sand Point, Akutan, Cold Bay, False Pass, Nelson Lagoon	AK	\$70,000
48	2003	Dothan	AL	\$200,000
49	2003	Baxter County/West Plains/Gainesville	AR/MO	\$574,875
50	2003	Arizona Rural Consortium	AZ	\$1,500,000
51	2003	Bakersfield	CA	\$982,513
52	2003	Fresno	CA	\$1,000,000
53	2003	Gunnison/Crested Butte	CO	\$200,000
54	2003	Gainesville	FL	\$660,000
55	2003	Savannah/Hilton Head	GA/SC	\$523,495
56	2003	Dubuque/East Dubuque/Platteville	IA/IL/WI	\$610,000
57	2003	Lewiston	ID	\$675,000
58	2003	Owensboro	KY	\$500,000
59	2003	Shreveport	LA	\$500,000
60	2003	Bangor	ME	\$310,000
61	2003	Muskegon	MI	\$500,000
62	2003	Duluth	MN	\$1,000,000
63	2003	Cut Bank	MT	\$90,000
64	2003	Joplin	MO	\$500,000
65	2003	Greenville	MS	\$400,000
66	2003	Tupelo	MS	\$475,000
67	2003	North Carolina Consortium	NC	\$1,200,000
68	2003	Dickinson/Williston	ND	\$750,000
69	2003	Grand Island	NE	\$380,000
70	2003	Taos Consortium	NM	\$1,400,000
71	2003	Athens/Morgantown	OH/WV	\$587,224
72	2003	Marietta/Parkesburg	OH/WV	\$500,000
73	2003	Redmond	OR	\$515,000
74	2003	Erie	PA	\$500,000
75	2003	Aguadilla	PR	\$626,700
76	2003	Charleston	SC	\$1,000,000
77	2003	Pierre	SD	\$150,000
78	2003	Knoxville	TN	\$500,000
79	2003	Victoria	TX	\$20,000
80	2003	Staunton	VA	\$100,000
81	2003	Friday Harbor	WA	\$350,000

Represents Communities in the OIG Sample

Grant Year (FY)	Community/Consortium of Communities	State	Amount	
2003 - Replacement and Reallocated Grants				
82	2003	Hot Spings	AR	\$195,000
83	2003	Elmira	NY	\$200,000
84	2003	Worcester	MA	\$442,615
85	2003	Laredo	TX	\$400,000
Total				\$21,087,422
86	2004	Huntsville	AL	\$479,950
87	2004	Redding/Arcata	CA	\$500,000
88	2004	Santa Rosa	CA	\$635,000
89	2004	Steamboat Springs	CO	\$500,000
90	2004	New Haven	CT	\$250,000
91	2004	Sarasota	FL	\$1,500,000
92	2004	Albany	GA	\$500,000
93	2004	Sioux City	IA	\$609,800
94	2004	Waterloo	IA	\$550,000
95	2004	Pocatello	ID	\$75,000
96	2004	Champaign/Urbana	IL	\$200,000
97	2004	Bloomington	IL	\$850,000
98	2004	Evansville/South Bend	IN	\$1,000,000
99	2004	Lafayette	LA	\$240,000
100	2004	Alpena	MI	\$583,046
101	2004	Kalamazoo	MI	\$500,000
102	2004	Marquette	MI	\$700,000
103	2004	Columbus	MS	\$260,000
104	2004	Butte	MT	\$360,000
105	2004	Lincoln	NE	\$1,200,000
106	2004	McCook/North Platte	NE	\$275,000
107	2004	Lebanon	NH	\$500,000
108	2004	Farmington	NM	\$650,000
109	2004	Elko	NV	\$222,000
110	2004	Youngstown	OH	\$250,000
111	2004	Salem	OR	\$500,000
112	2004	Dubois	PA	\$400,000
113	2004	Latrobe	PA	\$600,000
114	2004	Wilkes-Barre/Scranton	PA	\$625,000
115	2004	Sumter	SC	\$50,000
116	2004	Sioux Falls	SD	\$350,000
117	2004	Chattanooga	TN	\$750,000
118	2004	Del Rio	TX	\$318,750
119	2004	Tyler	TX	\$90,000
120	2004	Logan	UT	\$530,000
121	2004	Charlottesville	VA	\$250,000
122	2004	Richmond	VA	\$950,000
123	2004	Walla Walla	WA	\$250,000
124	2004	Eau Claire	WI	\$500,000
125	2004	Beckley/Lewisburg	WV	\$300,000
Total				\$19,853,546

 Represents Communities in the OIG Sample

	Grant Year (FY)	Community/Consortium of Communities	State	Amount	
	126	2005	Montgomery	AL	\$600,000
	127	2005	Modesto	CA	\$550,000
	128	2005	Monterey	CA	\$500,000
	129	2005	California Consortium	CA	\$245,020
	130	2005	Durango	CO	\$750,000
	131	2005	Marathon	FL	\$750,000
	132	2005	Macon	GA	\$507,691
	133	2005	Idaho Falls	ID	\$500,000
	134	2005	Rockford	IL	\$1,000,000
	135	2005	Somerset	KY	\$950,000
	136	2005	Alexandria	LA	\$500,000
	137	2005	Knox County	ME	\$555,000
	138	2005	Hancock/Houghton	MI	\$516,000
	139	2005	Sault Sainte Marie	MI	\$587,000
	140	2005	Hibbing	MN	\$485,000
	141	2005	Marshall	MN	\$480,000
	142	2005	Farmington/Poplar Bluff	MI	\$936,404
	143	2005	Gulfport/Biloxi	MS	\$750,000
	144	2005	Great Falls	MT	\$220,000
	145	2005	Greenville	NC	\$450,000
	146	2005	Jacksonville	NC	\$500,000
	147	2005	Fargo	ND	\$675,000
	148	2005	Ruidoso	NM	\$600,000
	149	2005	Ithaca	NY	\$500,000
	150	2005	Stewart (Newburgh)	NY	\$250,000
	151	2005	Massena	NY	\$400,000
	152	2005	Lawton/Ft. Sill	OK	\$570,000
	153	2005	Oregon/Washington Consortium	OR/WA	\$180,570
	154	2005	Bradford	PA	\$220,000
	155	2005	Williamsport	PA	\$500,000
	156	2005	Florence	SC	\$500,000
	157	2005	Aberdeen	SD	\$450,000
	158	2005	Killeen	TX	\$280,000
	159	2005	Cedar City	UT	\$155,000
	160	2005	Vernal	UT	\$40,000
	161	2005	Huntington	WV	\$500,000
	162	2005	Wyoming Consortium	WY	\$800,000
			Total		\$18,952,685
	163	2006	Fairbanks	AK	\$500,000
	164	2006	Tuscaloosa	AL	\$400,000
	165	2006	Chico	CA	\$472,500
	166	2006	Palmdale	CA	\$900,000
	167	2006	Montrose	CO	\$450,000
	168	2006	Melbourne	FL	\$800,000
	169	2006	Burnswick	GA	\$500,000
	170	2006	Cedar Rapids	IA	\$200,000
	171	2006	Springfield	IL	\$390,000
	172	2006	Gary	IN	\$600,000
	173	2006	Garden City/Dodge City/Liberal	KS	\$150,000
	174	2006	Big Sandy Redion	KY	\$90,000

	Grant Year (FY)	Community/Consortium of Communities	State	Amount	
	175	2006	Monroe	LA	\$50,000
	176	2006	Jackson	MS	\$400,000
	177	2006	Kalispell	MT	\$450,000
	178	2006	Grand Forks	ND	\$350,000
	179	2006	Jamestown/Devil's Lake	ND	\$100,000
	180	2006	Gallup	NM	\$600,000
	181	2006	Jamestown/Devil's Lake	NY	\$150,000
	182	2006	Toledo	OH	\$400,000
	183	2006	North Bend	OR	\$400,000
	184	2006	Harrisburg	PA	\$400,000
	185	2006	Abilene	TX	\$465,100
	186	2006	Longview	TX	\$225,000
	187	2006	Lynchburg	VA	\$250,000
			Total		\$9,692,600
	188	2007	Yuma	AZ	\$200,000
	189	2007	Stockton	CA	\$400,000
	190	2007	New Haven	CT	\$300,000
	191	2007	Panama City	FL	\$575,000
	192	2007	Burlington	IA	\$140,000
	193	2007	Terre Haute	IN	\$350,000
	194	2007	Bowling Green	KY	\$150,000
	195	2007	Lexington	KY	\$600,000
	196	2007	Ironwood	MI	\$135,000
	197	2007	Saginaw	MI	\$500,000
	198	2007	Kirksville	MO	\$30,000
	199	2007	Golden Triangle	MS	\$500,000
	200	2007	Greenville	MS	\$450,000
	201	2007	Helena	MT	\$450,000
	202	2007	North Carolina DOT (11 non-hub airports)	NC	\$573,278
	203	2007	Minot	ND	\$500,000
	204	2007	Southeast New Mexico Air Service Coalition, Roswell	NM	\$400,000
	205	2007	Athens	OH	\$50,000
	206	2007	Youngstown	OH	\$575,000
	207	2007	Astoria/Newport	OR	\$842,400
	208	2007	Klamath Falls	OR	\$400,000
	209	2007	Pennsylvania DOT (4 airports excluding Latrobe)	PA	\$400,000
	210	2007	Mid-Continent EAS (only Jackson)	TN	\$50,000
	211	2007	St. Croix	VI	\$150,000
	212	2007	Oak Harbor	WA	\$180,000
	213	2007	Rhineland	WI	\$75,000
			Total		\$8,975,678
			Grand Total		\$100,223,273

Exhibit C. SCASDP Grants Issued Between 2002 and 2007

EXHIBIT D. LIST OF TELECONFERENCES AND SITE VISITS**Site visits:**

1. Bristol, TN
2. Fort Wayne, IN
3. Hailey, ID
4. Lynchburg, VA

Teleconferences:

1. Abilene, TX
2. Akron/Canton, OH
3. Binghamton, NY
4. Charleston, WV
5. Daytona Beach, FL
6. Dothan, AL
7. Dickinson/Williston, ND
8. Erie, PA
9. Fort Smith, AR
10. Gainesville, FL
11. Gunnison/Crested Butte, CO
12. Huntsville, AL
13. Lake Havasu City, AZ
14. Manhattan, KS
15. Moab, UT
16. Muskegon, MI
17. Presque Isle, ME
18. Rhinelander, WI
19. Scottsbluff, NE
20. Victoria, TX

EXHIBIT E. MAJOR CONTRIBUTORS TO THIS REPORT

Name	Title
David Tornquist	Assistant Inspector General for Rail and Maritime Program Audits and Economic Analysis
Mitchell Behm	Program Director
Marshall Jackson	Project Manager
Jay Borwankar	Senior Financial Analyst
Meredith McDaniel	Analyst
Michael Broadus	Analyst
Darlisa Crawford	Writer - Editor

APPENDIX. AGENCY COMMENTS



U.S. Department of
Transportation
Office of the Secretary
of Transportation

Memorandum

Subject: OIG Draft Report: Audit of the Small Community Air Service Development Program Date: May 9, 2008

From: Michael W. Reynolds, Acting Assistant Secretary for Aviation and International Affairs, X1 Reply to Aloha Ley, X-55
Attn. of: Ext. 62347

To: David Tornquist, Assistant Inspector General for Rail and Maritime Program Audits and Economic Analysis

Thank you for providing us with the opportunity to review and comment on the subject draft report concerning the Small Community Air Service Development Program (Small Community Program). We appreciate your responsiveness to our request for the Office of the Inspector General (OIG) to review the Small Community Program and recommend actions to strengthen its operation.

While the report of necessity focuses on a limited number of community projects, primarily from the pilot years of the program, its findings generally comport with our experience in administrating the Small Community Program. The discussion (pp. 9-12) on the process communities can follow to increase the likelihood of project success is especially helpful.

As explained below, we concur with all of the OIG recommendations and have acted to implement each of them. These actions stem in large measure from discussions with your staff during the course of the review.

OIG Recommendation 1: Give priority to participate in the program to those communities whose grant applications: (a) include an in-depth market analysis (except when inapplicable, such as feasibility studies), and (b) involve substantive levels of financial and non-financial community participation.

OST Response: Concur. With respect to market analysis, our recently issued order soliciting Small Community Program proposals for 2008, Order 2008-3-8,

(1) emphasizes that a thorough understanding of the target market is essential for the ultimate success of new or expanded air service and (2) specifically encourages communities requesting funds for a revenue guarantee or other type of financial incentive to include in their proposals an in-depth analysis evidencing close familiarity with their target markets. These provisions were included based on the OIG review.

With respect to local funding and non-financial community participation, we recognize that the report findings suggest a positive relationship between the level of community support and the success of local projects. This supports our efforts to treat locally based financial and non-financial participation as a key component of a community's commitment to the success of its proposal, and as a factor to be considered when evaluating the merits of competing proposals. In fact, the statute treats as priority considerations both community contribution toward the project and public-private partnership in project implementation. Our long-standing emphasis on local participation is continued in our 2008 Order, which clearly states that communities that contribute from local sources (other than airport revenues) are accorded priority consideration during the grant selection process.

OIG Recommendation 2: Require communities requesting non-marketing grants to use a part of the funding awarded to them to implement a marketing program that complements their overall grant strategy.

OST Response: Concur. We agree that grant projects that incorporate marketing have a greater likelihood of success. For this reason, our 2008 Order (1) states that the chances that a new or expanded air service will become self-sustaining are enhanced when its implementation is supported by a well-designed marketing campaign, and (2) encourages communities to designate in their grant proposals a portion of the funds for the development and implementation of a marketing plan in support of the service sought. These provisions were incorporated into the 2008 Order based on the OIG review.

OIG Recommendation 3: Evaluate the impact of the same project limitation on the effectiveness of the program and seek legislative changes, if necessary.

OST Response: Concur. Congress amended the Small Community Program in 2003 and added the provision excluding communities from receiving additional funds for the same project. Congress took this action to exclude follow-on grants and prevent the Small Community Program from becoming another Essential Air Service program. As currently written, the statute gives the Small Community Program latitude in determining what is a "same project" and we presently foresee no need to seek a legislative change. In our 2008 Order, we provided further

guidance to grant applicants regarding how we determine whether a project proposed by a former grantee is sufficiently different to constitute a new project. Specifically, we stated that in assessing whether a previous grantee's current proposal represents a new project, we would look particularly at the goals and objectives of the earlier grant, as well as the key components of the means by which those goals and objectives are to be achieved, in comparison to the current proposal.

The following pages contain textual versions of the charts and graphs found in this document. These pages were not in the original document, but have been added here to accommodate assistive technology.

**Audit of the Small Community Air Service Development Program
Section 508 Compliant Presentation**

Figure 1. SCASDP Grant Outcomes

<i>Grant Outcomes</i>	<i>Number of Grants</i>	<i>Percent of Grants Reviewed</i>
<i>Success</i>	12	30.0%
<i>Failed</i>	20	50.0%
<i>Partial Success</i>	3	7.5%
<i>Terminated</i>	5	12.5%
<i>Total</i>	40	100.0%

Figure 2. Outcome by Grant Objective

Grant Objective	Success	Partial	Failed	Terminated	Total
<i>Marketing (Existing Service)</i>	12%	12%	63%	12%	16
<i>Marketing (New Service)</i>	40%	20%	20%	20%	5
<i>Revenue Guarantee (Existing Service)</i>	33%	0%	56%	11%	9
<i>Revenue Guarantee (New Service)</i>	56%	0%	22%	22%	9
<i>Cost Subsidy and Start-Up Cost Support</i>	0%	0%	100%	0%	4
<i>Other</i>	0%	0%	100%	0%	1
<i>Total</i>					44

Note 1: Four grants under review had multiple grant objectives. The success or failure was assessed independently of the others.

Note 2: Percentages may not add up to 100% due to rounding.

Figure 3. Grant Success Rate by Level of Community Participation

Level of Community Participation	Success	Partial	Failed	Terminated	Total
<i>0% thru 10%</i>	1	1	5	0	7
<i>11% thru 25%</i>	7	1	8	0	16
<i>26% thru 50%</i>	2	0	5	2	9
<i>51% thru 75%</i>	2	0	2	1	5
<i>76% thru 100%</i>	0	1	0	2	3
Total	12	20	3	5	40

Figure 5. Grant Reviewed by Year of Issue

Year of Grant Issue	Percent of Grants Reviewed
2002	67%
2003	25%
2004	8%
Total	100.0%

Figure 6. Grants Reviewed by Objective

Grant Objectives	Percent of Grants Reviewed
<i>Marketing (Existing Service)</i>	36%
<i>Marketing (New Service)</i>	11%
<i>Revenue Guarantee (Existing Service)</i>	20%
<i>Revenue Guarantee (New Service)</i>	22%
<i>Expense Subsidy and Start-Up Cost Support</i>	9%
<i>Other</i>	2%
Total	100.0%

Figure 7. Successful Case Study – Passenger Enplanement Data

<i>Quarter</i>	<i>Passengers Enplaned</i>
<i>1st Quarter 2000</i>	11,799
<i>2nd Quarter 2000</i>	15,732
<i>3rd Quarter 2000</i>	14,793
<i>4th Quarter 2000</i>	16,109
<i>1st Quarter 2001</i>	13,553
<i>2nd Quarter 2001</i>	14,882
<i>3rd Quarter 2001</i>	13,071
<i>4th Quarter 2001</i>	12,085
<i>1st Quarter 2002</i>	10,414
<i>2nd Quarter 2002</i>	11,760
<i>3rd Quarter 2002</i>	11,187
<i>4th Quarter 2002</i>	12,670
<i>1st Quarter 2003</i>	10,197
<i>2nd Quarter 2003</i>	10,351
<i>3rd Quarter 2003</i>	12,948
<i>4th Quarter 2003</i>	18,516
<i>1st Quarter 2004</i>	14,850
<i>2nd Quarter 2004</i>	17,498
<i>3rd Quarter 2004</i>	16,966
<i>4th Quarter 2004</i>	18,440
<i>1st Quarter 2005</i>	16,312
<i>2nd Quarter 2005</i>	20,816
<i>3rd Quarter 2005</i>	19,846
<i>4th Quarter 2005</i>	20,834
<i>1st Quarter 2006</i>	18,955
<i>2nd Quarter 2006</i>	23,237
<i>3rd Quarter 2006</i>	23,710
<i>4th Quarter 2006</i>	24,378
<i>1st Quarter 2007</i>	20,417
<i>2nd Quarter 2007</i>	22,898

- Enplanements from the airport increased by approximately 77% during the grant period, i.e. between the 3rd Quarter 2002 and the 3rd Quarter 2005.
- Enplanements continued to increase by approximately 16% between the 3rd Quarter of 2005 and the 2nd Quarter of 2007 suggesting that grants benefits were sustained.

Figure 8. Successful Case Study – Flight Activity Data

<i>Quarter</i>	<i>Flights</i>
<i>1st Quarter 2000</i>	803
<i>2nd Quarter 2000</i>	979
<i>3rd Quarter 2000</i>	979
<i>4th Quarter 2000</i>	968
<i>1st Quarter 2001</i>	941
<i>2nd Quarter 2001</i>	902
<i>3rd Quarter 2001</i>	838
<i>4th Quarter 2001</i>	675
<i>1st Quarter 2002</i>	604
<i>2nd Quarter 2002</i>	611
<i>3rd Quarter 2002</i>	616
<i>4th Quarter 2002</i>	617
<i>1st Quarter 2003</i>	595
<i>2nd Quarter 2003</i>	576
<i>3rd Quarter 2003</i>	615
<i>4th Quarter 2003</i>	775
<i>1st Quarter 2004</i>	780
<i>2nd Quarter 2004</i>	777
<i>3rd Quarter 2004</i>	768
<i>4th Quarter 2004</i>	765
<i>1st Quarter 2005</i>	781
<i>2nd Quarter 2005</i>	869
<i>3rd Quarter 2005</i>	899
<i>4th Quarter 2005</i>	948
<i>1st Quarter 2006</i>	970
<i>2nd Quarter 2006</i>	953
<i>3rd Quarter 2006</i>	956
<i>4th Quarter 2006</i>	932
<i>1st Quarter 2007</i>	963
<i>2nd Quarter 2007</i>	935

- Flight activity from the airport increased by approximately 50% during the grant period, i.e. between the September 2002 and September 2006.
- Flight activity continued to increase by approximately 8% between the September 2005 and July 2007 suggesting that grants benefits were sustained.

Figure 9. Failed Case Study – Flight Activity Data

Month	Flights
<i>September 2003</i>	0
<i>October 2003</i>	40
<i>November 2003</i>	36
<i>December 2003</i>	44
<i>January 2004</i>	42
<i>February 2004</i>	40
<i>March 2004</i>	0

- Community was successful in using its grants to commence new air service in October 2003, however, this service was not sustainable resulting in flight activity having to be suspended at the beginning of March 2004.

Figure 10. Partial Success Case Study – Passenger Enplanement Data

Quarter	Passengers Enplaned
<i>1st Quarter 2000</i>	21,849
<i>2nd Quarter 2000</i>	26,903
<i>3rd Quarter 2000</i>	26,236
<i>4th Quarter 2000</i>	24,458
<i>1st Quarter 2001</i>	21,111
<i>2nd Quarter 2001</i>	26,848
<i>3rd Quarter 2001</i>	23,044
<i>4th Quarter 2001</i>	19,270
<i>1st Quarter 2002</i>	17,582
<i>2nd Quarter 2002</i>	22,777
<i>3rd Quarter 2002</i>	22,197
<i>4th Quarter 2002</i>	22,676
<i>1st Quarter 2003</i>	18,803
<i>2nd Quarter 2003</i>	23,608
<i>3rd Quarter 2003</i>	24,344
<i>4th Quarter 2003</i>	23,093
<i>1st Quarter 2004</i>	19,311
<i>2nd Quarter 2004</i>	23,429
<i>3rd Quarter 2004</i>	23,848
<i>4th Quarter 2004</i>	23,993
<i>1st Quarter 2005</i>	21,946
<i>2nd Quarter 2005</i>	27,520

<i>3rd Quarter 2005</i>	26,084
<i>4th Quarter 2005</i>	24,676
<i>1st Quarter 2006</i>	21,591
<i>2nd Quarter 2006</i>	25,230
<i>3rd Quarter 2006</i>	23,962
<i>4th Quarter 2006</i>	22,994
<i>1st Quarter 2007</i>	19,499
<i>2nd Quarter 2007</i>	25,497

- Enplanements from the airport increased by approximately 5% during the grant period, i.e. between the 3rd Quarter 2002 and the 3rd Quarter 2004.
- Enplanements continued to increase by approximately 8% between the 3rd Quarter of 2005 and the 3rd Quarter of 2006 suggesting that grants benefits were sustained.
- Community introduced new air service in the 2nd Quarter of 2003, this flight was discontinued in the 1st Quarter of 2005.
- Community upgraded its existing air service to regional jet service in the 3rd Quarter of 2003.