

City of Lebanon



51 North Park Street
Lebanon, New Hampshire 03766

March 17, 2011

Senator Jeanne Shaheen
520 Hart SOB
Washington, DC 20510

RE: Senate Bill 223 – Elimination of Funding for Essential Air Service

Dear Senator Shaheen:

I am writing to you today to ask that you not support Senate Bill 223 when it comes to a vote.

As it stands, if the Senate version of the bill is passed it will eliminate EAS Funding for airports that are either within 90 miles of a "Medium Hub" Airport, or airports that average less than 10 enplanements per day.

- **The Lebanon Airport is 75 miles from Manchester Airport. Currently Manchester is a "Small Hub." Should the number of enplanements at Manchester sufficiently increase relative to the US as a whole, Manchester Airport could change to a "Medium Hub," which it was as recently as 2008. If this happens, Lebanon would lose its EAS Subsidy.**
- **Lebanon is serviced by one commercial airline. Daily enplanements currently average 23. If Lebanon does not lose its subsidy and can continue to increase enplanements, this would not be an issue. If Lebanon loses its subsidy, it will not be able to remain competitive and our commercial air service will cease.**

If the House version of the bill is passed it will reduce funding over the next three years and then eliminate the program after 2013, except for communities in Alaska and Hawaii.

- **Lebanon Airport is currently serviced Cape Air, its one and only commercial airline. Decreasing the EAS subsidy would either cause Cape Air to end service; to decrease the number of flights (frequencies/destinations); and/or to increase fares. The fewer flights, fewer destinations, and/or higher fares would all serve to decrease Lebanon's advantage and make competing airports/modes of transportation more attractive.**
 - **Currently, the Order by the United States Department of Transportation (USDOT) compels Cape Air to provide four daily round trips to Boston and two daily round trips to New York based on an annual subsidy of approximately \$2.3M. USDOT providing the \$2.3M of annual subsidy is "based on the availability of funds". Therefore, if EAS funding is reduced, Lebanon's subsidy gets reduced. When this happens, Cape Air is no longer obligated to provide the same (existing) levels of service.**

Currently Lebanon Airport is not self-sufficient, (although deficits have greatly reduced in recent years due to severe cost cutting.) It is partially subsidized by the City's General Fund which is primarily supported through property taxation. Revenue is generated through leases, rentals, landing fees, and advertising. The local portion of capital expenditures (a total of 2.5%) is funded through our Passenger Facility Charge (\$4.50 per most departing passengers). If SB 223 comes to pass and there are no longer commercial flights leaving Lebanon Municipal Airport, there would be no need for TSA, and both rental car companies would probably relocate from the Airport. There would be no landing fees, no terminal space rent, no parking lot rent, and no advertising revenue. Passenger Facility Charges would drop accordingly. Lost revenue could equal more than \$416,000 which would need to be paid by Lebanon taxpayers.

The Federal Aviation Administration has confirmed that the City would still have to maintain the airport at its current level (airfield and parking/access snow removal, obstruction removal, airfield/obstruction lighting, crack sealing, airfield painting, equipment repair, etc.) Existing standard FAA grant assurances require the City to keep the airport open and operate it in a safe manner until at least 2029. Four Hundred Sixteen Thousand Dollars (\$416,000) per year, for the next 18 years equals \$7,488,000. Lebanon taxpayers would be required to invest this \$7,488,000 in an airport that is no longer commercially viable.

Lebanon Airport is currently classified as "Commercial Service - Primary," which requires at least 10,000 annual enplanements. The airport did not reach 10,000 annual enplanements in 2008, 2009, or 2010. Even so, the FAA has confirmed that the airport will maintain this classification until it has expended its available FAA Airport Improvement Program entitlement funds. As Lebanon did not reach the 10,000 mark, annual entitlements for 2010, 2011, and 2012 will decrease to \$150,000. When annual enplanements increase to at least 10,000 (expected in 2011) annual entitlement will increase from \$150,000 to \$1,000,000.

If Lebanon were to lose scheduled air service, it would no longer be classified as Commercial Service, but General Aviation. As such, our annual entitlement would decrease from \$1,000,000 to \$0. This would result in a corresponding decrease in revenue and jobs generated in New Hampshire. The only source of FAA Airport Improvement Project (AIP) funding would be "discretionary" where we would be competing for funding (based on a priority system) with other General Aviation airports such as Concord, Berlin, Laconia, etc. This could serve to further postpone, delay, or reduce our airport improvement program.

FAA funding for Airport Improvement Projects (land, pavement, equipment buildings, equipment, studies, mitigation, etc.) is 95% FAA, 2.5% State, and 2.5% City. The City's share is reimbursed 100% (four to five years later) from Passenger Facility Charge revenue. Again, without that revenue, the cost must be borne by the taxpayers.

- Currently, there are 12 airport improvement projects where the City's share (a total of \$106,356) has been assumed to be reimbursed through PFC revenue.

NH law requires a property tax assessment of all leased municipally-owned property. If there was no EAS subsidy and airline service, TSA, and rental car operations left the airport, there would be reduction of approximately \$11,582 in airport-generated property tax revenue (approximately 37% of which

Letter to Senator Jeanne Shaheen
Essential Air Service Funding
March 17, 2011
Page 3

would go back into the City's General Fund and 43% of which would go toward Lebanon's share of Grafton County property taxes and Lebanon and NH school portion for property taxes.)

Lebanon's Non-Federal Air Traffic Control Tower is currently paid 100% by the Federal government. A key input to that determination is Benefit / Cost Ratio. The number of scheduled airline operations (of any aircraft size) carries the most weight in determining retention and Federal funding of the facility. Without scheduled airline operations, the City may have to pick up a share of the annual costs, or close the Tower. The City's control tower is a competitive advantage, as it is only one of four in the State (Manchester, Pease, Nashua, and Lebanon.)

The cumulative negative revenue effect will require the City to seriously consider the benefits of continuing operation.

Senator Ben Cardin (D) Maryland will be circulating a letter to Senator Jay Rockefeller (D) Maryland, Chairman of the U.S. Senate Committee on Commerce, Science, and Transportation, and Senator Maria Cantwell (D) Washington, Chairman of the Subcommittee on Aviation Operations, Safety, and Security to solicit support for returning to the status quo in regards to Essential Air Service. Attached, please find an advance copy of Senator Cardin's letter. I would ask you to have one of your Legislative Assistants contact Joshua R. Klein, Legislative Assistant to Senator Cardin on this issue for further information. Lastly, I would urge you to support Senator Cardin's position expressed in his letter, or at the very least, support removal of any "distance to Medium or Large Hub airport" provision more than 75 miles, in any EAS legislation.

The City will be contacting your Legislative Staffer shortly to schedule a meeting at your Manchester office so we may impress upon you the importance of this issue to the City and Upper Valley area of New Hampshire. We are looking very forward to getting both your input and perspective.

Thank you in advance for your consideration of this matter and please do not hesitate to contact me should you have any questions.

Sincerely,



Gregory D. Lewis
Lebanon City Manager

cc: Lebanon City Council