



Georgia Department of Transportation



2020 GEORGIA STATEWIDE AIR SERVICE STUDY

EXECUTIVE SUMMARY

DECEMBER 2020

INTRODUCTION

PURPOSE OF THE GEORGIA STATEWIDE AIR SERVICE STUDY

The Statewide Air Service Study was initiated to aid the Department in carrying out its statutory requirements in Title 6 of the Official Code of Georgia. This statute requires the Department to promote and encourage the use of the state's aviation facilities for air commerce. The study also provides a way to evaluate and document the health of the air carrier system in Georgia and identify any needed actions.

Recent national trends in the airline industry saw smaller communities across the country losing air service due to airline consolidation and changes in aircraft fleets where airlines were moving away from smaller jets. This study gauges the impact of the specific trends on our non-hub commercial service airports and evaluates potential mitigation strategies.



STUDY STEPS

- 1** Identify national and local trends and issues relative to air service, airline industry, fleet sizes, business models, airport systems, and passenger connectivity; identify how Georgia's nonhub airports could be impacted.
- 2** Conduct a passenger leakage analysis for select Georgia airports, which includes an analysis of passenger seats and load factor trends; an analysis of the number of origin and destination (O&D) passengers captured versus leaked to competing airports; top destinations for travelers within the catchment area; and airline service trends and plans.
- 3** Conduct a benchmarking analysis for select Georgia airports, which includes a comparison of demographic, economic, and performance indicators for the study airports compared to characteristics of similar, peer airports and the U.S. nonhub average.
- 4** Conduct a survey of state air service programs and activities; summarize the existing federal, state, and local programs that support air service.
- 5** Summarize overall study recommendations, findings, and conclusions.
- 6** Recommend initiatives and programs for the state of Georgia to help its commercial service airports preserve and improve air service for the citizens of the state.

The COVID-19 virus was significantly impacting airline services during the completion of this report. The information, findings, and conclusions reported herein are based on conditions that existed prior to any temporary contraction in the airline industry resulting from the virus.

THE U.S. AND GEORGIA'S COMMERCIAL AIRPORT SYSTEMS

Airports with passenger service in the **National Plan of Integrated Airport Systems (NPIAS)** are classified as either primary or nonprimary. Based on activity levels, primary airports are further grouped into four categories: large, medium, small, and nonhub.

Nonprimary airports with commercial air service and at least 2,500 annual passenger enplanements are also classified as nonhub airports.

| Commercial Airport Classification | FAA Hub Classification (# in US) | U.S. Annual Passenger Enplanements 2019 (934,381,048) |
|-----------------------------------|----------------------------------|---|
| Primary | Large (30) | ≥ 1.00% of total U.S. enplanements |
| | Medium (31) | ≥ 0.25% and < 1.00% |
| | Small (69) | ≥ 0.05% and < 0.25% |
| | Nonhub (266) | ≥ 10,000 and < 0.05% |
| Non Primary | Nonhub (123) | ≥ 2,500 and < 10,000 |



Source: FAA.gov, Federal Aviation Administration, https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/categories/.

THE FOLLOWING TABLE SUMMARIZES THE COMMERCIAL SERVICE AIRPORTS IN GEORGIA

| Airport | FAA Hub Classification | Passenger Growth 2014-2019 | Airlines | Airline Aircraft Size (Seats) | Avg. Daily Domestic Departures | 2019 Annual Passenger Enplanements |
|--|--|---|---|-------------------------------|--------------------------------|------------------------------------|
| Hartsfield-Jackson Atlanta International (ATL) | Large | 15% | 18 airlines (9 domestic/9 international) | Varies | 1,090 | 53,505,795 |
| Savannah/Hilton Head International (SAV) | Small | 57% | 8 airlines (7 domestic/1 international) | Varies | 52 | 1,461,360 |
| Augusta Regional (AGS) | Nonhub | 25% | 2 domestic airlines (Delta Air Lines and American Airlines) | Varies | 15 | 330,495 |
| Columbus (CSG) | Nonhub | 3% | 1 domestic airline (Delta Air Lines) | 50 | 3 | 52,351 |
| Valdosta Regional (VLD) | Nonhub | 24% | 1 domestic airline (Delta Air Lines) | 50 | 3 | 44,180 |
| Southwest Georgia Regional (Albany-ABY) | Nonhub | 32% | 1 domestic airline (Delta Air Lines) | 50 | 3 | 41,268 |
| Brunswick Golden Isles (BQK) | Nonhub | 25% | 1 domestic airline (Delta Air Lines) | 50 | 3 | 40,730 |
| Middle Georgia Regional (Macon-MCN) | Nonhub | Renewed federal Essential Air Service program subsidies in 2017 | 1 domestic airline (Contour Airlines) | 30 | 2 | 17,109 |
| Athens-Ben Epps (AHN) | General aviation airport which lost Essential Air Service in 2014. Received USDOT Small Community Air Service Development Program grant in 2020 to assist with reinstatement of air service. | | | | | |

Source: FAA.gov, Federal Aviation Administration, https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/

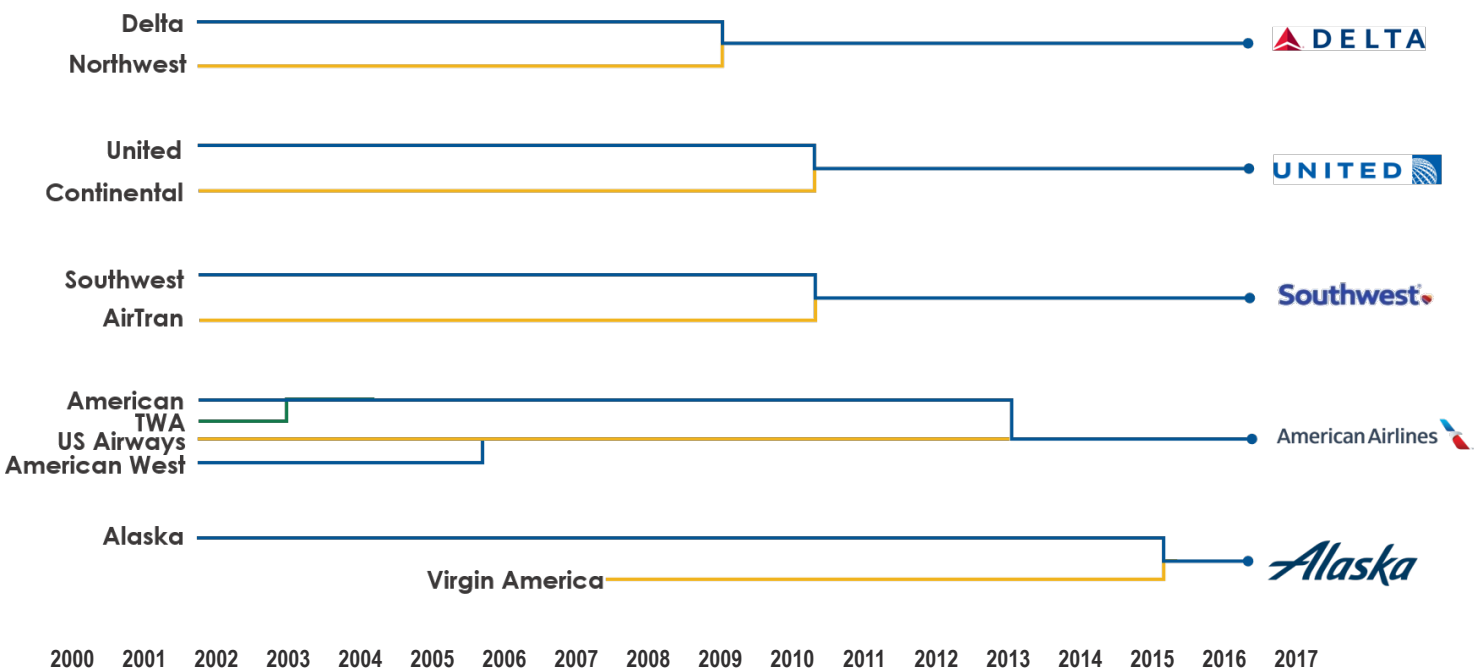
AN EVOLVING BUSINESS MODEL FOR U.S. AIRLINES

After industry deregulation in 1978, U.S. airlines aggressively added seats to the system to expand service and grow market share. The events of 9/11 in 2001 and a subsequent rise in fuel prices in the early 2000s, however, made this model unprofitable and unsustainable. They shifted their focus to maximizing earnings through growth discipline. Airlines actively reduced seat capacity even as increased passenger enplanements persisted. A growing demand for seats, coupled with restricted supply, led to even higher airline revenues. Today, the rate of seat growth (Available Seat Miles or ASMs) is more in line with the U.S. economy (gross domestic product or GDP) than it was prior to 2000. As a result, U.S. air carriers have been highly profitable in recent years, until the negative impacts of the COVID-19 pandemic in 2020.

Airline and airport/community interests diverged as the industry evolved and matured. As airlines sought out cities where they could concentrate service to grow their market share in a city-pair (origin and destination city), business development in the chosen communities followed the available air service, which acted as a utility to the community. By the early 2000s, most airlines had moved away from point-to-point service toward a hub-and-spoke model, where flights from smaller airports connect passengers through larger hub airports (although, a few low-cost and ultra-low-cost carriers have been able to find a niche in offering point-to-point service). Today, airlines seek out strong, already established local economies that can support air service to these hubs and therefore maximize the airlines' revenue. Airports still want growth, while airlines are much less aggressive.

With competition for air service in virtually every region of the U.S., communities must be assertive in their air service development strategies or risk losing to another market. Air service provides business and leisure travel opportunities for a community and also brings passengers who stimulate the local economy by spending money on hotels, meals, and rental cars.

IN 2000, ELEVEN MAINLINE CARRIERS WERE OPERATING IN THE UNITED STATES. TODAY, AFTER SEVEN MAJOR AIRLINE CONSOLIDATIONS, ONLY FIVE MAINLINE CARRIERS REMAIN



Source: Delta Airport Consultants, Inc.

AIR SERVICE TRENDS AND ISSUES

Other trends in the U.S. airline industry that have impacted air service at smaller U.S. airports are discussed below. As the study was being finalized in summer 2020, the impacts of the COVID-19 pandemic to the commercial air service industry were still being assessed.



PILOT SHORTAGE: In 2013, the Federal Aviation Administration increased the qualification requirements for first officers from 250 hours to 1,500 hours of flight time. The impact is felt at the regional airline level, due to a decline in qualified entry-level pilots. A lack of qualified pilots is a challenge for airports to retain their service and to attract new service. The decline in travelers as a result of the COVID-19 pandemic has temporarily alleviated the shortage; however, if passenger demand for air travel returns and the number of qualified pilots continues to decrease ***the weakest performing routes may be the first to lose air service, especially if an alternative airport is within a reasonable driving distance.***



FLEET EVOLUTION: There is a national trend among airlines moving from using smaller (50-seat) aircraft to larger (70-90 seat) aircraft. ***This trend is especially impactful to nonhub airports, which historically rely on small, regional jets.***



AIRPORT INFRASTRUCTURE AND CONNECTIVITY CONSTRAINTS: Access to large and medium hub airports is critical for nonhub airports to allow passengers to “connect” to another flight to reach their final air travel destination. Some large/busy airports lack available gates to absorb more flights, which can constrain airlines wishing to expand service. These constraints have made it more difficult for airlines to establish or expand service at some large or medium hub airports. ***This, in turn, can restrict service expansion opportunities for smaller, nonhub airports.***



THE RISE OF HUB ALTERNATIVES FOR LEISURE MARKETS: Air service from most mainline carriers employs the efficient “hub-and-spoke” model, in which flights from smaller airports are routed through larger hub airports where passengers make connections to another flight to their eventual destination. In early 2020, plans were announced for two new airlines that would use the “point-to-point” model similar to that used by some low-cost and ultra-low-cost carriers to offer nonstop service to vacation spots such as Florida and Las Vegas. ***These plans suggest that the airline industry believes there is room for new airlines that could exploit holes in the established, hub-and-spoke market structure by providing point-to-point service to leisure destinations and large markets.***



“OPEN SKIES” AGREEMENTS (OSAs): OSAs minimize governmental regulation on air transport between two countries and can enhance international travel by lifting restrictions on the destinations that foreign airlines can access and removing barriers such as regulations and tariffs. ***While OSAs do not currently impact Georgia nonhub markets and most likely will not increase opportunities for small Georgia airports, OSAs encourage competition, allowing airlines to expand to new markets and lower the cost of doing business.***



VOLATILITY OF OIL PRICES: Price unpredictability has made it difficult for airlines to maintain consistent profitability because they cannot guarantee the cost to provide service. A weakening global economy causes airlines to reduce service from their respective hubs, diminishing connectivity levels at nonhub airports. ***Reduced connectivity could adversely impact Georgia’s six nonhub airports.***



THE U.S. ECONOMY, GLOBAL TRADE TENSIONS, AND WALL STREET: The airline industry is susceptible to economic disruptions occurring on the national and world stage. Sluggish macroeconomic indicators (such as GDP and unemployment rates), pandemics, international trade disputes, and little appetite from Wall Street investors for growth in airline service have put additional performance pressure on the airline industry. The effects trickle down to the smallest markets. Many small and nonhub airports competitively provide air service incentives as a cost of entry for new service. ***Significant airline disruptions and reduction in service can adversely impact Georgia’s nonhub airports.***

PASSENGER LEAKAGE ANALYSIS

As part of the Statewide Air Service Study, GDOT prepared a leakage analysis for five of its nonhub airports with scheduled commercial air service to:

- Gauge the total potential demand of each airport's catchment area
- Quantify the number of passengers the market loses to other airports
- Identify the alternative airports that lost passengers are using

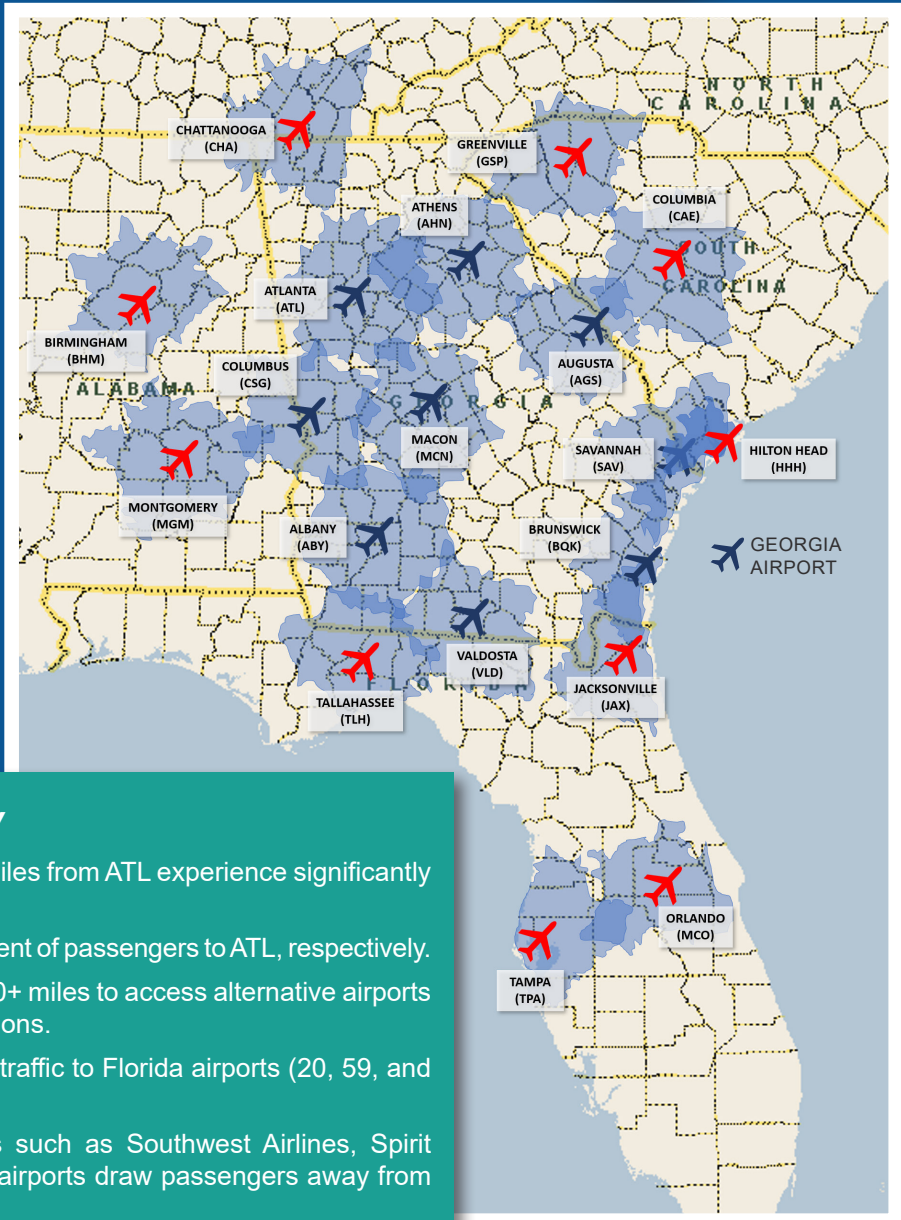
A smaller-scale estimate of potential market size was completed for the two Georgia airports with either limited or no commercial air service, Middle Georgia Regional Airport and Athens-Ben Epps Airport.

AN AIRPORT'S CATCHMENT AREA IS GENERALLY UNDERSTOOD TO BE THE AREA FROM WHICH ITS PASSENGERS ARE DRAWN

For this analysis, each airport's catchment area was composed of zip codes falling within a 60-mile radius of, or roughly a 60-minute drive from, the study airport.

The 60-mile catchment areas of Georgia's commercial service airports, as well as the catchment areas of select commercial service airports in adjacent states, are depicted to the right. Catchment area overlaps exist today across Georgia's system of commercial air service airports and across the catchment areas of airports in adjacent states.

As the map here shows, Georgia air travelers have choices as to which airport they use to start their commercial airline trip. Study research has shown that price sensitive travelers are sometime willing to drive hundreds of miles to a departure airport, if they can save on the airline fare. Smaller nonhub airports in Georgia compete for passenger demand in their catchment areas. Often larger airports, both within and beyond the state, attract passengers from the catchment areas of the nonhub airports.



MAJOR FINDINGS OF LEAKAGE STUDY

- Georgia's nonhub airports located less than 100 miles from ATL experience significantly high levels of passenger leakage to ATL:
 - CSG and MCN lose 90.4 percent and 97.3 percent of passengers to ATL, respectively.
- Passengers demonstrate a willingness to drive 200+ miles to access alternative airports with lower fares and more airline or departure options.
 - ABY, BQK, and VLD lose significant levels of traffic to Florida airports (20, 59, and 58 percent, respectively).
 - Low-cost carriers and ultra-low-cost carriers such as Southwest Airlines, Spirit Airlines, and Frontier Airlines serving Florida airports draw passengers away from Georgia's nonhub airports.
- Delta Air Lines captures 52.2 percent of all passenger traffic origination within the catchment areas of Georgia's nonhub airports. American captures 16.6 percent, Southwest 12.5 percent, and United 5.5 percent. Several other airlines capture four percent or less.

DATA FINDINGS FROM THE PASSENGER LEAKAGE ANALYSIS

| Airport | Percent of Catchment Area "Captured" | Airports Capturing "Lost" Passengers* | Top Destinations of Passengers within Catchment Area | Key Takeaway |
|----------------------------------|--------------------------------------|--|--|---|
| Augusta Regional (AGS) | 41.4% (out of 1,355,692) | <ul style="list-style-type: none"> • ATL (35.6%) • CLT (10.1%) • CAE (8.1%) | <ul style="list-style-type: none"> • New York LaGuardia (LGA) • Boston (BOS) • Chicago O'Hare (ORD) • Los Angeles (LAX) • New York Newark (EWR) | Half of the top ten destination markets for lost passengers were located in the central and western half of the U.S., suggesting a strong demand within the AGS catchment area for service to western destinations. |
| Brunswick Golden Isles (BQK) | 4.8% (out of 1,576,103) | <ul style="list-style-type: none"> • JAX (50.7%) • SAV (27.3%) • MCO (6.8%) • ATL (5.9%) | <ul style="list-style-type: none"> • New York Kennedy (JFK) • New York Newark (EWR) • Boston (BOS) • Chicago O'Hare (ORD) • Philadelphia (PHL) | JAX is the primary source of passenger loss for BQK, with many passengers within the catchment area flying to and from airports in New York. |
| Columbus (CSG) | 8.9% (out of 1,007,391) | <ul style="list-style-type: none"> • ATL (90.4%) | <ul style="list-style-type: none"> • New York LaGuardia (LGA) • Orlando (MCO) • Boston (BOS) • Fort Lauderdale (FLL) • Chicago O'Hare (ORD) | Proximity to ATL (94 miles) is a factor impacting air service utilization. |
| Southwest Georgia Regional (ABY) | 16.3% (out of 468,670) | <ul style="list-style-type: none"> • ATL (61.6%) • MCO (7.6%) • JAX (4.1%) • TLH (3.3%) • TPA (2.8%) | <ul style="list-style-type: none"> • New York LaGuardia (LGA) • Boston (BOS) • Chicago O'Hare (ORD) • Los Angeles (LAX) • New York Newark (EWR) | The loss of passengers from its catchment area underscores how far people will drive to find the cheapest airfare. For example, MCO and TPA are over 300 miles from ABY, and JAX is over 200 miles away. |
| Valdosta Regional (VLD) | 10.9% (out of 758,275) | <ul style="list-style-type: none"> • ATL (28.9%) • MCO (17.2%) • TLH (14.6%) • JAX (13.2%) • TPA (8.2%) | <ul style="list-style-type: none"> • New York LaGuardia (LGA) • Las Vegas (LAS) • Washington National (DCA) • Los Angeles (LAX) • Boston (BOS) | Nearly 60 percent of catchment area passengers are using an alternative airport located in Florida. The closest Florida airport to VLD is TLH (93 miles); TPA is 235 miles away. |
| Middle Georgia Regional (MCN) | 1.1% (out of 873,775) | <ul style="list-style-type: none"> • ATL (97.3%) | <ul style="list-style-type: none"> • New York LaGuardia (LGA) • Orlando (MCO) • Boston (BOS) • Fort Lauderdale (FLL) • Chicago O'Hare (ORD) | Proximity to ATL (92 miles) is a factor impacting air service utilization. |
| Athens-Ben Epps (AHN) | Currently does not have air service | <ul style="list-style-type: none"> • ATL (96.7%) | <ul style="list-style-type: none"> • New York LaGuardia (LGA) • Orlando (MCO) • Boston (BOS) • Fort Lauderdale (FLL) • Chicago O'Hare (ORD) | Proximity to ATL (84 miles) and the amount of catchment area overlap between the two airports are factors that impact potential air service. |

Source: Delta Airport Consultants, Inc.

*Airports capturing lost passengers does not add up to 100% as there are other airports with much smaller percentages.

BENCHMARKING ANALYSIS: COMPARING GEORGIA'S NONHUB AIRPORTS TO U.S. NONHUB AVERAGES

ECONOMIC AND DEMOGRAPHIC INDICATORS

Georgia's nonhub airports generally compare favorably with the U.S. nonhub average with respect to the economic and demographic metrics of population, employment, and GDP. However, the **average income per capita** for Georgia nonhub communities (\$37,418)¹ is significantly less than the U.S. average for nonhub airports (\$45,036)¹. This indicates there is less discretionary income in Georgia nonhub communities and may be one reason passengers drive to alternative airports to seek less expensive fares.

Price is one of the most important determinants for the consumer choosing which airport to use. Fares from Georgia's nonhub airports exceed those from alternative airports with service to top markets such as New York, Boston, and Los Angeles by an average of 49 percent. Alternative airports are those that Georgia passengers use in lieu of their local airport. These differ for each Georgia nonhub but collectively include: ATL, MCO, JAX, SAV, CAE, TLH.

| Destination | New York | Boston | Chicago | Los Angeles | Washington, D.C. |
|-------------------------------------|----------|--------|---------|-------------|------------------|
| Georgia Nonhub Airport Average Fare | \$229 | \$226 | \$225 | \$320 | \$253 |
| Alternative Airport Fare | \$153 | \$142 | \$159 | \$233 | \$147 |

Source: 2019 U.S. Department of Transportation, Airline Origin and Destination Survey (DB1B)

KEY PERFORMANCE INDICATORS

Georgia's nonhub airports were also compared to peer airports (nonhub airport in similar proximity to a large hub airport) using key indicators to measure performance related to demand, supply, and connectivity.

- Average O&D Passenger Traffic per Outbound Seat:** The average O&D passenger traffic per outbound seat is the total number of O&D trips (arrivals and departures) divided by the number of outbound seats available. The average for the five Georgia nonhub airports with network carrier service is 1.60 and exceeds the U.S. nonhub average of 1.31. When including MCN with its 30-seat regional jet service, Georgia's average drops to 1.41 but still exceeds the national average. *This indicates a strong demand for the service that is provided at Georgia nonhub airports.*
- Average O&D Passenger Revenue per Aircraft Departure:** This indicator measures the revenue associated with an aircraft departure. It is calculated by multiplying the number of O&D passengers with the average one-way fare in each respective city-pair. The Georgia nonhub average has remained above the U.S. nonhub average from 2014 to 2019. *The strength in generating passenger revenue should be attractive to airlines.*

| Average O&D Passenger Revenue per Aircraft Departure, 2014-2019 | | |
|---|----------|----------|
| | 2014 | 2019 |
| Georgia Nonhub Average | \$12,426 | \$14,386 |
| U.S. Nonhub Average | \$12,000 | \$12,760 |

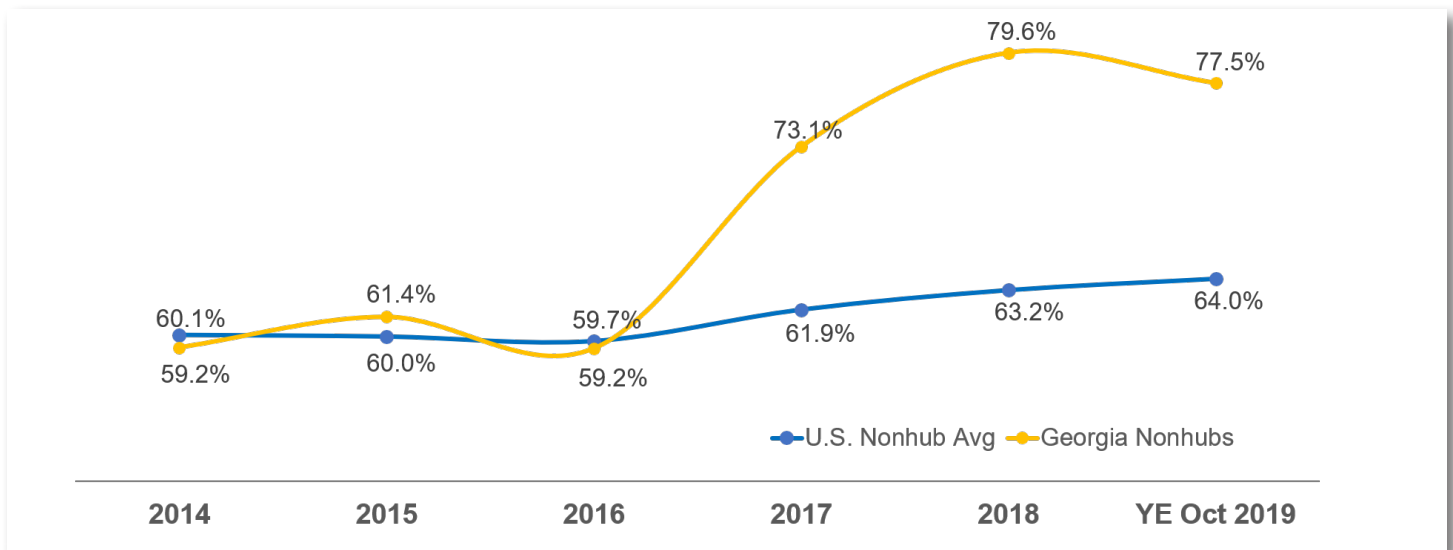
Note: O&D = "Origin & Destination"

Sources: U.S. Department of Transportation, Airline Origin and Destination Survey (DB1B); Airline Data, Inc., Airline schedule data

¹Source: Woods & Poole Economics

Key Supply Performance Indicators (associated with the number of seats available and percentage of use)

- **Average Number of Outbound Seats per Aircraft Departure:** The average number of outbound seats per aircraft departure for Georgia's nonhub airports is 61.0 and exceeds the U.S. nonhub average of 53.6. *The ability of Georgia's nonhub airports to support larger aircraft signals that demand is strong for Georgia's nonhub markets.*
- **Average Passenger Load Factor:** Load factor is the percentage of available seats that are filled with passengers and is a measure of passenger utilization. *Passenger load factors have been higher for Georgia's nonhub airports than the U.S. nonhub average in 2017, 2018, and 2019, which reflects the strength of the air service demand being provided by these airports.*



AVERAGE LOAD FACTOR - GEORGIA'S NONHUB AIRPORTS VERSUS U.S. NONHUB AIRPORTS, 2014-2019

Note: YE = Year End
 Source: U.S. Department of Transportation, Air Carrier Statistics Database (T-100).

Key Market Output and Connectivity Indicators (relates to the passengers associated with the airport's market utilizing the local airport)

- **Average O&D Passenger Traffic per Capita:** Also known as "propensity to fly," this is the average number of annual trips taken by those who live in the airport's immediate market or metropolitan area (O&D passenger traffic divided by the population within the market). The average for Georgia's nonhubs (0.49) is considerably lower than the U.S. nonhub average (1.49). *This reflects significant passenger leakage to other, competing airports, largely from the strong draw of ATL.*
- **Total Market Connectivity:** A nonhub airport's connectivity to large and medium hub airports in the system often determines a passenger's decision to use the local airport or select an alternative airport with a higher level of connectivity. *The average number of flights from U.S. nonhub airports to larger airports exceeded two in 2019 (see table). The average connectivity for Georgia's nonhub airports is lower, partly because most of them have flights to only one large hub airport (ATL).*

| Average Access to Large Hub Airports from U.S. Nonhub Airports | | |
|--|------|------|
| | 2014 | 2019 |
| Georgia Nonhub Average | 1.83 | 1.67 |
| U.S. Nonhub Average | 1.91 | 2.13 |

Source: Airline Data, Inc., Airline schedule data.

A REVIEW OF OTHER STATE PROGRAMS

A survey of all U.S. states indicates that 14 states have an air service development program. Of these, nine are statewide programs that include multiple commercial service airports:

- Iowa
- Michigan
- Minnesota
- Mississippi
- Missouri
- Montana
- New Mexico
- Virginia
- Wyoming

Five other states (Indiana, Ohio, Nevada, Maryland and Rhode Island) have established programs and are currently developing guidelines or only focus on a single airport or specific routes.

The goals of state programs include retaining and/or adding air service, increasing service frequency, reducing fares, increasing competition, and improving service reliability. These state programs also recognize that quality air service is essential to supporting a community's economic vitality, and that a coordinated state and local effort to support air service is needed.



STATE AIR SERVICE DEVELOPMENT PROGRAMS- ACTIVITIES

| Activity | IN | IA | MD | MI | MN | MS | MO | MT | NV | NM | OH | RI | VA | WY |
|--|----------------|----------------|----|----------------|----|----|----|----|----------------|----|----------------|----|----|----|
| Marketing (11) | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ |
| Rent Abatement/ Reduction (3) | | | ✓ | | | ✓ | | | | | | | | ✓ |
| Min. Revenue Guarantee/ Operating Subsidy (3) | ✓ | | | ✓ | | | | | | | | | | ✓ |
| Advertising (8) | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | ✓ | ✓ |
| Ground Handling (3) | | ✓ | | ✓ | | | | | | | | | | ✓ |
| Ground Equipment (4) | | ✓ | | ✓ | ✓ | | | | | | | | | ✓ |
| Infrastructure (1) | | | | ✓ | | | | | | | | | | |
| Other (5) | ✓ ¹ | ✓ ² | | ✓ ³ | | | | | ✓ ⁴ | | ✓ ⁴ | | | |

¹Incentives for number of passengers

²Studies, presentations, data

³Aircraft Rescue and Firefighting (ARFF) training

⁴Activities and guidelines to be determined

Source: Georgia Statewide Air Service Study Survey, Georgia Department of Transportation



MARKETING AND ADVERTISING ARE THE MOST POPULAR ACTIVITIES FUNDED BY STATE PROGRAMS



GRANTS RANGE FROM \$25,000 TO \$100,000



STATE FUNDING SHARES VARY FROM 50 PERCENT TO 90 PERCENT

Key points learned from the statewide survey and a review of state programs include:

- As depicted in the table on page 9, states undertake varied activities that support air service. These include various forms of grants for marketing and advertising of air service for their airports. State grants are provided directly to airport sponsors and include funding for the development and execution of air service awareness/marketing/advertising plans.
- Eligible costs associated with state air service promotion grants include consultant services, data procurement, meetings with airlines, and direct advertising through various media such as local radio, television, billboards, pamphlets, digital, etc. Similar to airport development grants, these marketing/advertising grants are normally administered by state aviation organizations and funding comes from state aviation/transportation trust funds.
- Although there is no specific metric for measuring their success, airport sponsors have indicated that these promotion grants help the local community become better aware of local air service and directly help to sustain and increase air service. Several state aviation directors indicate that passenger traffic at their nonhub airports has increased as a result of these efforts.
- Grant amounts for air service promotion vary by state and airport activity and range from \$25,000 to \$100,000 (average \$44,000 per grant per year). State funding shares vary from 50 to 90 percent, with the remainder provided by the airport sponsor.
- Select state air service development programs provide financial subsidies to guarantee a certain amount of revenue for an airline and specific routes. Several of these programs were reported to be unsustainable without local demand for the service. State-funded airline subsidies generally come from a state’s general fund or specific tax revenues such as toll roads, hotel taxes, and mineral royalties. State subsidy programs are administered by state economic agencies not subject to FAA revenue use policies, rather than state offices of aviation. One example of a state-funded airline subsidy is Indiana’s incentive program offered to Delta Air Lines for direct subsidy for Indianapolis-Paris service, administered by the Indiana Economic Development Corporation and funded with Indiana Toll Road fees for heavy vehicles.
- The Wyoming legislature approved a one-time \$15 million appropriation to fund a Wyoming Commercial Air Service Improvement Account. This account enables the state to enter into a public/private partnership between the state and an independent airline to purchase air service capacity (departing seats) for participating communities. In 2019, the state contracted with SkyWest Airlines to provide twice-daily service from four remote Wyoming communities to Denver.
- Only a few states provide funding to airports for equipment and infrastructure associated directly with an airline start-up service. These investments are lost if the service is discontinued.

FINDINGS

Local economic growth and market demand are the factors most likely to influence airline decision-making. There is little connection between air service growth and population growth; however, there is a stronger connection between air service growth and regional employment.

Existing conditions in Georgia demonstrate that, in general, its nonhub airports have enjoyed strong performance in recent years and are able to support existing and pre-COVID proposed air service.



- Georgia's nonhub airports exceed the U.S. nonhub airport average in both Average O&D traffic per outbound seat and Average O&D Passenger Revenue per Aircraft Departure. This indicates **strong demand for service** and strength in generating passenger revenue.
- Georgia's nonhub airports also exceed the U.S. nonhub average in Average Number of Outbound Seats per Aircraft Departure and Average Passenger Load Factor, further indicating the **strength of air service demand** being provided by these airports.
- However, Georgia's nonhub airports lag behind the U.S. nonhub average in Average O&D Passenger Traffic per Capita ("propensity to fly"), and Total Market Connectivity. The lower average "propensity to fly" indicator reflects **significant passenger leakage to other competing airports** such as ATL and larger airports in Florida.
- One explanation for the passenger leakage is the **higher average fares** offered by Georgia's nonhub airports. While Georgia's nonhub airports perform competitively with their peers in economic and demographic indicators, their catchment areas report a lower per capita income, which can translate to fewer discretionary dollars to spend on air travel and encourage travelers to seek out larger airports with lower fares.
- **A significant number of passengers choose an alternative airport to begin their journey rather than use the local nonhub airport.** Hartsfield-Jackson Atlanta International Airport remains a formidable competitor to nonhub airports in the state, each of which lose a significant number of passengers to this large hub.

Recent national trends, including airline consolidations, fleet changes to larger aircraft, evolving airline business models, and pilot shortages, have made it difficult for many U.S. nonhub airports to maintain air service levels, but in general, Georgia's nonhub airports have not been significantly impacted.

CONCLUSIONS

Prior to COVID-19, the strong performance of Georgia's nonhub airports attracted new air service and announced, proposed additional service. The two American Airlines flights from Augusta Regional Airport have been suspended due to the COVID-19 virus, and the future of the additional Delta Air Lines' service to ATL from four nonhub airports is unclear. **Despite the current uncertainty, it is important that community and airport leadership continue to demonstrate to airlines the economic strengths that have contributed to strong air service performance in recent years.**



The underlying economic base of Georgia's airport communities is strong enough to support air service without state subsidies to airlines. However, due to the significant amount of passenger traffic that is leaked from Georgia's nonhub airport catchment areas to larger airports (e.g. ATL and Florida airports), **a state program, similar to other states, to increase public awareness, and marketing and advertising to promote local air travel, could help Georgia's nonhub airports increase their passenger levels.** This, in turn, could increase airline revenues, strengthening the community's relationship with the airlines; help communities to retain/increase air service; and further local economic development goals.

Factors that could impact Georgia’s commercial air service system in the short and long term include:

1

The COVID-19 Pandemic

It is unknown what long-term economic impacts the pandemic will have on Georgia’s commercial service airports and their air service offerings. If economic conditions result in the reduction or loss of specific routes, several recommendations are included in Factor 5, below. In the event of an airport’s total loss of air service, it is anticipated that the demand for ground shuttle service to ATL similar to what currently exists for CSG, MCN, AHN, and AGS will increase and broaden to other airports. Some airports may also seek point-to-point service options through a low-cost/ultra-low-cost carrier or seek to improve air charter service capabilities for their communities.

2

Increased Seat Capacity and Fleet Size Reconfiguration

The national trend toward larger aircraft is a particular threat to small airports who depend on the small regional jet.

3

Loss of Passengers to Competing Airports

Larger airports are often able to attract passengers from other airports’ catchment areas by offering lower fares or more frequent departures. Georgia’s nonhub airports’ catchment areas have lower per capita incomes, which can translate to fewer discretionary dollars to spend on air travel. This could help explain some of the loss of potential traffic to larger airports in Georgia and Florida.

4

The Presence of ATL

This large hub is both an asset to Georgia’s nonhub airports, providing connectivity to the larger airspace system, and a formidable competitor, attracting travelers from their catchment areas who desire lower fares and more departure options.

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Limited Connectivity

Four of Georgia’s nonhub airports (ABY, BQK, CSG, and VLD) have service by one airline to one destination (Delta Air Lines to ATL). Although this provides excellent connections to U.S. locations, it does make these Georgia communities vulnerable to airline economic conditions. If this service were reduced or terminated, these airports may wish to pursue connectivity through Charlotte, NC, another large hub similar to ATL with many flight connections and schedule options through American Airlines. If current services are not reduced, they could also pursue service to Charlotte as an alternative choice for their community. BQK has a strong demand for passenger service to/from New York and a direct flight there appears to be a possibility.



RECOMMENDED STATE INITIATIVES AND PROGRAMS

Based on the findings of the Statewide Air Service Study, certain statewide initiatives and programs could help Georgia's commercial service airports maintain and improve air service conditions. The following goals were identified through discussions with airport management:

- **Promote economic development**
- **Retain existing air service**
- **Add air service routes or carriers**
- **Increase frequency of service**
- **Reduce fares**
- **Increase competition**
- **Improve service reliability**
- **Increase aircraft size**
- **Reduce passenger leakage**
- **Increase demand**
- **Enhance public confidence in a safe and healthy airport system during the COVID pandemic**

RECOMMENDED STATEWIDE INITIATIVES

The following initiatives should be considered to support Georgia's commercial service airports in meeting the goals identified above:

- **Increase Passenger Confidence.** Adopt a state sponsored campaign to promote confidence to the traveling public that Georgia's commercial service airports are safe and healthy environments to begin or end air travel. Specifically, the state could help educate the travel consumer about safety and health precautions being taken by airlines and airports during the COVID pandemic.
- **State Promotion of Georgia's Commercial Service Airports.** Engage with the Georgia Department of Economic Development and Tourism to promote Georgia's offerings relative to economic development, tourism, and the state's commercial air service system. This initiative could be adopted as a "Fly Georgia" campaign to help minimize passenger leakage to airports in other states.
- **Increase Stakeholder Outreach.** Provide leadership in facilitating data and information sharing among commercial service airports in the state. In particular, group meetings with representatives from Hartsfield-Jackson Atlanta International Airport and airlines could be productive for the statewide system of airports.

EAS & SCASDP Programs

Existing federal programs available for air service development include the U.S. Department of Transportation (USDOT) Essential Air Service (EAS) program and the Small Community Air Service Development Program (SCASDP).

- **EAS Program.** As a result of the 1978 deregulation of the airline industry, USDOT provides direct subsidies to airlines to make commercial air service available to communities that airlines would not otherwise serve. Macon is the only Georgia community that is eligible for and receives EAS subsidies. AHN had EAS service but lost it in 2014 because the average passenger level declined below the EAS minimum requirement of 10 passengers per service day.
- **The SCASDP** provides assistance to communities to attract and retain commercial air service. All of Georgia's commercial service airports (other than ATL) have received SCASDP grants over the past 20 years with a goal to improve air service for their respective communities. Athens obtained a SCASDP grant in 2020 to assist with efforts to regain commercial air service at AHN. The community's goal, as stated in the grant, is to obtain service by American Airlines to Charlotte, North Carolina.

RECOMMENDED STATEWIDE PROGRAM

The following statewide program could be adopted to help airports with air service promotion and support statewide development goals. An Air Service Support Grant Program would support planning, studies, education, and marketing activities related to air service promotion and development. The success of Georgia’s program could be determined based on how well the participating airports meet objectives to increase passenger levels, frequency of service, and seat capacity.

Recommended Guidelines for the State Air Service Support Grant Program:

- **All Georgia commercial nonhub and small hub airports would be eligible. Those airports pursuing commercial service would be eligible, as approved on a case-by-case basis.**
- **General grant amount recommendations are \$40,000 annually for a nonhub airport and \$75,000 for small hub.**

Airports would be eligible to seek state **funding for various types of air service-related activities** such as:

- **Advertising and Promotion.** Items eligible under this program could include, but are not limited to:
 - fly local campaign efforts;
 - air time on radio, television, and digital services;
 - billboards, banners, print and digital media, and promotional signs;
 - brochures, flyers, and other airport promotional items; and
 - promotional videos.
- **Planning Studies.** Items eligible under this program could include, but are not limited to:
 - air service-related data procurement;
 - market research services, such as surveys and data analysis;
 - air service-related planning studies such as leakage and benchmarking studies;
 - marketing plans;
 - air service-related consultant services; and
 - development of business, strategic, and marketing plans.
- **Matching Federal Grants.** Help airports match federal grants offered through the Small Community Air Service Improvement Program:
 - Provide up to 50% of the local matching share for this type of federal grant.





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