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Essential Air Service: A Lower Rung on the Pilot Shortage Food Chain?

Michael Peck

Embry-Riddle Aeronautical University, peckm@erau.edu

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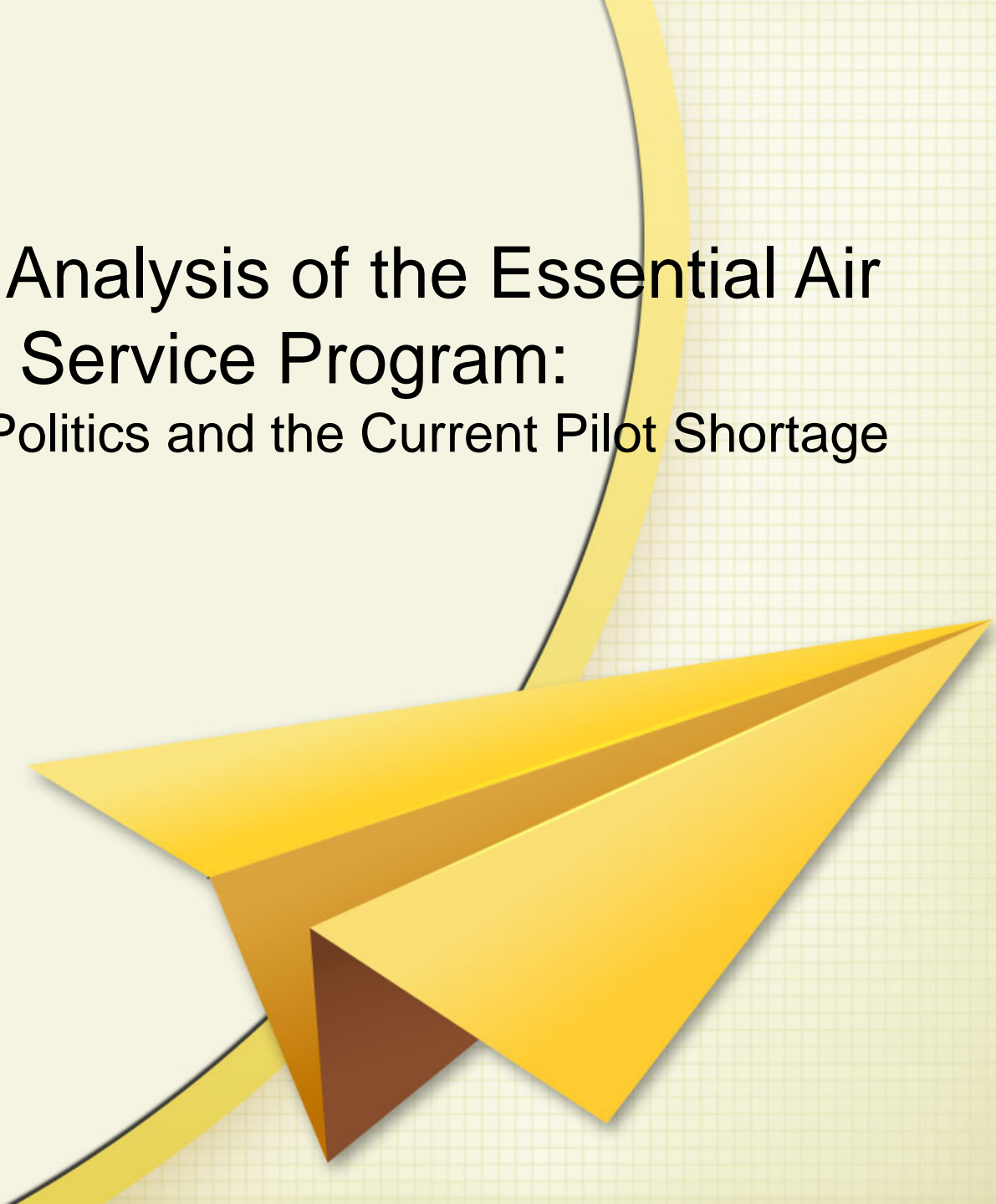
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A Critical Analysis of the Essential Air Service Program: Pork Barrel Politics and the Current Pilot Shortage

Michael P. Peck



Essential Air Service

(EAS)



Three Part Analysis

- A “*temporary*” government program???
- Economic theory underlying its continued existence
- Current pilot shortage exacerbates problems associated with EAS

First, a little history:



Unintended consequences of Airline Deregulation Act of 1978 (ADA)

1. Prior to ADA, Civil Aeronautics Board controlled routes
2. ADA allows deregulated airlines to focus on profit
3. Small isolated communities lose airline service
4. Economies in those communities suffer

Congress finds a solution!



Easing the Transition

1. Subsidize airlines flying to EAS communities for 10 years
2. After that, air service to those communities should be able to stand on its own (*in your dreams*)

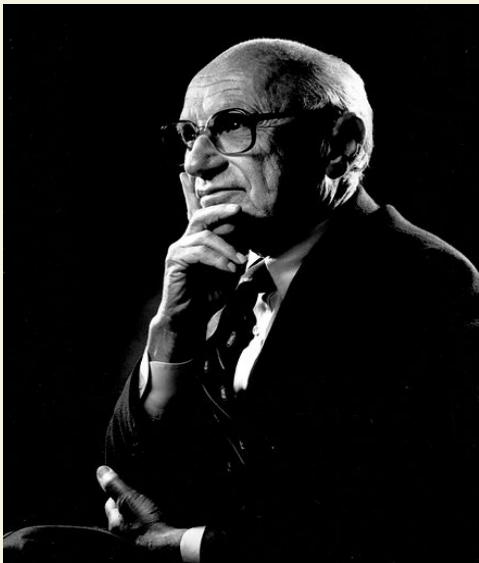
EAS Criteria was initially stringent:



- Community had service on October 24, 1978
- Specific aircraft types
- Carrier made at least 2 trips per day to airport with unsubsidized service
- Carrier demonstrated that it would incur a loss without subsidy

Reflect, for a moment, on these wise words:

*“There is nothing so permanent as
a temporary government program.”*



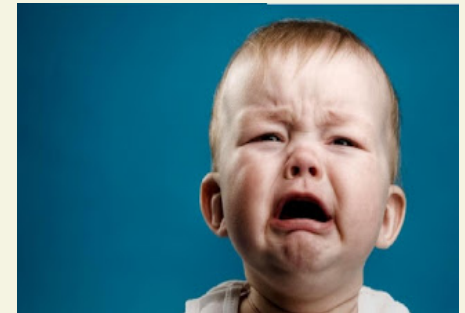
Milton Friedman
University of Chicago

So what happened?




The EAS plan was to give people something for free and then later take it away.

That always works, doesn't it?




Consider these developments:



- 1984 – Enplanements in some communities had declined by 50%
- 1987 – Congress decides to strengthen the criteria (making the program more costly for airlines); fewer communities are served
- 2000 – Even more restrictions -- but, but, but . . . *waivers from DOT are possible!!!*

Number of communities reduced



- 2004 – Vision 100 offered grants to communities (not airlines) to explore non-EAS options
- 2011 – Non-waivable ceiling of \$1,000/pax
- 2012 – Further reduced and effectively capped the number of eligible communities
- 2018 – 112 participating communities

What happened to costs?



- Costs increased 600% since 1996 and 132% since 2008

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Discretionary Appropriation	\$143	\$135	\$149	\$155	\$175	\$175
Overflight Fee Collections	\$50	\$98	\$119	\$108	\$108	\$113
Total Funding	\$193	\$233	\$268	\$263	\$283	\$288

Source: U.S. Department of Transportation



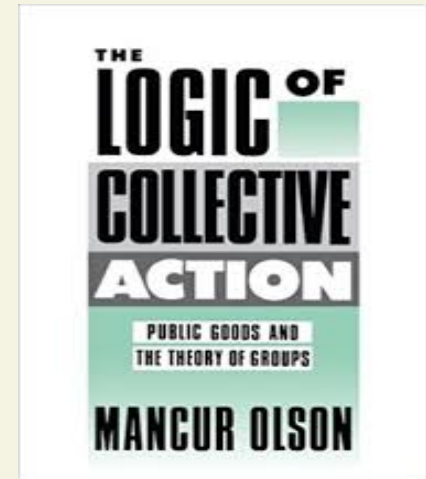
How does a program like this continue year after year?

Consider the economic theory of
concentrated benefits and disbursed costs.



Mancur Olson

“The Logic of Collective Action” (1965)



This is this Holy Grail for lobbyists.

Impact of pilot shortage



- Pilot shortage seems to impact lower rungs of professional ladder the hardest
- EAS suffers accordingly



EAS carrier problems



- 2008 – liquidation of Air Midwest, Big Sky Airlines and Skyways Airlines
- 2016-2018 – Cape Air canceled flights due to pilot shortage
- 2017 – Great Lakes Airlines canceled flights in New Mexico, Wyoming and other locations (ceased most operations in 2018)

EAS carrier problems (cont.)



- 2017-2018 – Boutique Air had operational problems in Minnesota and Colorado reportedly due to pilot shortage
- 2017-2018 – Southern Airways Express cancelled flights in Mississippi and Pennsylvania)
- 2017-2018 – PenAir cancelled flights in Maine and New York



But, but, but . . .



Some EAS carriers have instituted innovative recruiting measures



Southern Airways Express – recruits from the small communities it serves; pilot development program with Mesa Airlines

Cape Air – Cape Air/JetBlue University Gateway Program targeted at undergraduates

Should we keep EAS?



- EAS is an expensive, difficult-to-control program
- EAS benefits only a few
- EAS service is increasingly unreliable

Conclusion



It is time, 30 years after its original expiration date, to abolish the Essential Air Service program in the continental United States and reallocate the related monetary and human resources.





Thank you for your attention.