

The 2010 US Department of Transportation

Small Community Air Service Development Grant Program

Guide To Filing A Successful Application

Prepared by



Aviation Consulting & Forecasting

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About This Guide

This Guide is prepared by Boyd Group International as a service to its clients.

The information herein is based on the firm's experience and expertise in assisting communities in developing successful SCASD applications. It is noted that political and airline industry realities are constantly evolving. As noted herein, some of the grant criteria that have been successful in the past today would not pass muster, simply because of changes in both policy at the DOT and in airline industry strategies.

The intent of this document is to illuminate where these changes have taken place, how they affect the SCASD decision-making, and how communities can make the most of the 2010 grant program. Because of the changing nature of the subject matter, there is no guarantee, explicit nor implied, regarding the potential success of any applicant's proposal for a SCASD grant based on information supplied herein or from any other source.

Founded in 1984, Boyd Group International is a multi-dimensional aviation and forecasting firm that assists airports, airlines, manufacturers and financial institutions with strategic and tactical planning. This depth of aviation expertise allows us to provide superior assistance to our air service clients. Our knowledge of airline strategies, fleet trends, and financial issues is invaluable in working with airports and communities as they develop plans for the future.

We would be honored to discuss the potential of working with your community and airport in developing a SCASD application, or in any other area of air service enhancement.

For more information, log on to www.AviationPlanning.com, or give Brian Siler a call at (303) 674-2000.

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Small Community Air Service Development Grant Program

General Outline of The Program

The DOT is expected to issue the docket concerning the 2010 Small Community Air Service Development Grant Program shortly. The complete docket can be pulled up on-line at Regulations.gov.

- Number of Awards: Maximum 40. No more than four in a single state. No requirement for DOT to award the full 40. Communities or consortiums of communities whose airport(s) were classified as a "small hub" or smaller by the DOT in 1997 (yes, over a decade ago) can apply. Further criteria: the community must convince the DOT that it has a demonstrable air service "deficiency" which can include higher than average fares, low service levels, or a clear market or destination deficiency.
- The program will probably award around \$6 million this year. DOT has no requirement to award all the funds. Furthermore, Federal agencies have been ordered by the White House to cut another 5% from their budgets. Whether that will affect SCASD is uncertain.
- There will still be the need to file the complicated Standard Form 424 and to register at Grants.Gov, which is not a particularly intuitive website. Clients of Boyd Group International have access to staff assistance in completing these tasks.

Overall Program Structure: The de facto award guidelines have shifted materially since the program's introduction, which are reviewed below.

- **Repeat Applications Are Okay – As Long As Not For Exactly The Same Objective.** In the past, the DOT had determined that a community which had received a grant in the past could not apply for another intended for the same purpose. That's gone. Grants for the same general purpose – say, risk-abatement for new service – will be considered, as long as it's not for the same exact service. If the prior grant was for new service to DFW, for example, another can be awarded if it's to another point, and to resolve a different specific service deficiency.
- **No More Grants For Any Service That Would Compete Directly With An Incumbent.** The DOT says you need a cogent reason to file for such a grant. In reality there is no such thing – so don't bother to apply if it involves supporting or incubating service in any route where there's already an airline flying. In past years, some communities have been taken for a ride on this one. Want low-fare service to ATL? SCASD grants won't be approved – take it to the bank - if Delta's already on the route. DOT does not want any more nastygrams from airline legal departments. Last year, some consultants tried to get around this with fast talk, to the detriment of their clients. Deal with it: if there's an airline already flying between your community and another city, do not bother with a grant application that involves getting or supporting another carrier. You are wasting your time and money.
- **SCASD Funds Down. Airline Requirements Up.** With \$75 oil, ATC constrictions, and the increasing retirement of regional jets, the days of a \$500,000 SCASD grant being a big incentive to the airline are over. Unless the airline knows it's a slam-dunk, even without grant funding, they are not going to give such market proposals the time of day. Keep in mind that many formerly-profitable regional feed routes are being eliminated. Tossing a \$500,000 SCASD, even with matching local funds, in front of an airline won't by itself get a phone

Since the inception of the program, over 25% of the total program dollars have been awarded to our clients

No consultant has been more successful in helping communities in gaining grant funds under this program.

Let us help you in 2010.

call returned from the Planning Department. That means hard, demonstrable, and factual traffic and revenue data must accompany both the SCASD application and any post-award approaches to the carrier. Boyd Group International's trend forecasts, air traffic forecasts, and its Aviation DataMiner system can help. If there is real potential, we can find it. If not, we will tell you up front.

Don't get misled. If the DOT "indicates" or "suggests" or even hints that a grant should be one way or another, take it to the bank: that's what they want.

Also, avoid any suggestions that the DOT will waive their policy on things such as no grants to support service where there's already flights.

They won't

- **Remember – Read Between The Lines.** As we advised our clients in the past, if the DOT "indicates" or "suggests" that a certain type of application will be at a "disadvantage" – read that to mean, don't do whatever they are referring to. Example, avoid any references to "travel banks" in your grant application. The wording in the Docket is very clear: unless you have a commitment (not a milquetoast "we'll certainly consider it" letter) from an airline to use the money, and you have a clear mechanism to show that the funds are already in a bank account, don't even think about "banks" or "pledges" or "trusts" or other buzzwords. This year, by the way, the DOT will NOT consider "travel banks" as anything but in-kind support, not hard local dollar support. Avoid the hassle: stay away from these things.
- **Final point:** Beware of consultants who may indignantly tell you, *"I called the DOT and they said they would consider such proposals."* That's true, they do consider all proposals, because they are dedicated and polite people. But awarding a grant is another matter. The wording in the Docket is pretty unambiguous about how DOT now views such grant applications.

Filing Requirements

The requirements are listed on the DOT Docket. Grant applications must be in the hands of the DOT via e-mail by close of business on the deadline date. No exceptions

There is a provision for keeping some data "confidential." In the past, this has generally been used in an attempt to conceal which airline is the target of the grant. In reality, this has not been really effective, because almost anybody with a basic knowledge of the airline industry can figure it out, either by reading between the lines, or just knowing the airlines that insist that their name be redacted. Such documents look like exhibits from the Nixon Watergate hearings, but are not very effective in concealing the carrier involved.

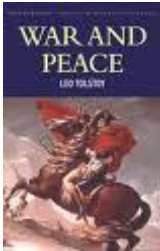
Format of Proposal

Historically, applications have run the gamut in terms of appearance and format. The DOT has made it clear that they want to have the following on the cover of the proposal: The term "Proposal Under the Small Community Air Service Development Program" and the docket number. They also want the applicant's DUNS number, and the name of the community applying as well as the name of the legal sponsor. The number of the community's congressional district must be noted on the cover.

As for a cover letter to the DOT Secretary, don't waste your time. The application won't get within three floors of LaHood's office. So skip the suck-up letter. It won't do anything to improve your chances. A good, tight and concise application is sufficient.

Application Strategy

Please, have some consideration for the DOT staff who have wallow through these applications. If you look at the filings on the Docket web, you'll find all kinds of rambling, vague, and unfocused applications. Make sure yours is tight and stands out in its brevity and clarity.



It's not a contest for a Pulitzer Prize.

Get to your deficiency, quantify it, outline the solution, state the grant amount needed, and how it will work.

Then close.

Register On-Line First. Applicants must verify that they have registered on www.grants.gov and have filed Standard Form 424.

Sequence: The Deficiency. The Effects. The Solution. How The Grant Will Facilitate The Solution. In the past the DOT has made it clear: "...*The more highly defined and focused the proposal, the more competitive it will be...*" Bluntly, if your application is more than roughly 25 - 30 pages (at most), you're wallowing in fluff.

So don't get caught in local color. It is a waste of time, and is offensive to the people trying to read all the applications. The DOT doesn't care if Lewis and Clark wandered through town in 1803. Get to the point. We suggest outlining the problem, and quantify it as best possible. Then outline the proposed solution. From that point, the application must clearly identify several areas, including the existing air service, historical traffic, identify the structure of the public/private partnership, a breakdown of the funding, and how the program will be monitored and administered.

Let Them Know What You've Done In The Past. They also want a clear discussion of what the community has done in the past five years regarding air service development – this, probably, because the DOT is reticent to fund schemes that haven't worked in the past, and want to see some track record to indicate that the community is not beyond any chance of regaining or improving air service.

Community Support Letters. The written application is your one and only shot. DOT will not meet with applicants to discuss things. But you can have the community write letters of support. But this is not a paper-chase contest. Form letters sent out separately by everyone from the Mayor to the local beautician probably don't have much impact.

Support letters should be individualized, brief, and outline a specific benefit of your application. And don't insult DOT with a flurry of one line letters, like "I support XYZ's application." It's really lame, and makes the community look like a sister city to Dogpatch. In the end, it just ties up the docket with a lot of wasted filings.

Support from your local congressman is great. Same with your senators, but remember senators must represent all communities in the state, including others that are vying for a grant. That's not necessarily a problem, in that the DOT can award up to four grants in a given state.

Finally, just remember that any communication in regard to your filing will likely end up on the Docket for all to see. So be very careful in regard to follow-up e-mails or any other missive sent to the DOT.

Community Contribution



The reality is that the community must have skin in the game.

Figure 20% of the grant request.

You don't need to show this money's in the bank. You just need to assure the DOT it will be there.

And we are talking cash match – not in-kind services or waiver of fees.

Those are separate.

The DOT has now made it clear that a substantial local match – in cash, not just in-kind – is essentially a requirement. The DOT wants to see a commitment from the community, and **past history indicates that 20% of the requested grant amount is about the minimum.** The DOT has been very flexible about this, however. In most cases, simply having a named-sponsor who is responsible for developing this local match is acceptable. The professionals at the DOT assume that the applicants are honorable – the word of the airport and the community sponsor has been sufficient in the past to prove that the local match can be arranged. This has been the case in virtually all of the successful grant awards experienced by clients of Boyd Group International.

The funds need not be in a bank account when the application is filed, and in fact, it need only be structured in a manner that it will be drawn upon if needed. That is also an issue that must be understood – the community entities that are responsible for the local match, whether it's the Chamber of Commerce, the EDC, or whoever, need to know that this is a match that's drawn on only if the grant is drawn down. Boyd Group International would note that there are examples among its successful grant clients where the local match has not been tapped or only partially tapped because the grant was not drawn down.

Noted again: avoid any use or references to "travel banks" or "travel pledges" – they will put your application at a disadvantage because the DOT does not trust them. This is the reason that they have made it clear that such mechanisms will be considered as "in-kind" not hard cash.

What You Can Do With A SCASD Grant

The grants can be used in a wide range of applications, as long as they are clearly aimed at improving air service.

That can take the form of using the dollars to underwrite additional air service, implement new marketing programs, engage in sales activities, or accomplish air service studies, among other things. As long as a compelling argument can be made that the proposal will result eventually in stronger local air service, it's fair game. However, you must be careful in how you word the application, as the DOT is now sticking to the letter of the document, not the intent.

Small projects have as much or more chance of being selected as large, grandiose ones. If all you're looking for is \$25,000 for an advertising campaign to recapture leakage, by all means don't hesitate to apply. The folks in charge of the SCASD program at the DOT are very knowledgeable about air service realities, and they are eager to help as many communities as possible with the very limited funds available.

Typical Grant Awards



The SCASD program was envisioned to fund new, innovative air service ideas.

But since 2002, they've pretty much all been tried, and we now know they won't work.

There simply weren't many rabbits in the SCASD hat.

There are many potential uses that fit the grant language, but remember the current regime at the DOT is increasingly insistent that what you ask for in the application is what you get. Vary too far from that, and they will refuse to fund your project after the grant is awarded.

That understood, there are many legitimate grant uses. Here are some examples of how we've helped our clients:

Upgrading Existing Service. Often, just tweaks can materially improve air service. In 2002, this was used very successfully at Rhinelander, where Northwest agreed to shift a couple of MSP frequencies to nonstop from one-stop. The SCASD funds covered the airline's risk. The improved service spiked traffic by over 20%.

Bringing Lower Fares. Boyd Group International assisted Sarasota-Bradenton in winning a \$1.5 million grant (the second-highest in the history of the SCASD program) that attracted new low-fare service provided by AirTran. The airport has seen an increase of over 600,000 annual passengers as a result of the service incubated by this grant. Note that the DOT is no longer awarding grants that would support new service in markets where there are already scheduled flights. However, there are a number of communities where any additional service can bring more fare discipline to the market.

Studies To Gain New Insights To The Region's Air Service Potential. The grants can be used for market studies and marketing efforts. Boyd Group International has assisted a range of clients in this regard. For example, the massive expansion of auto manufacturing in the Deep South has shaped whole new traffic flow demands, both domestic and internationally. As another example, an analysis conducted by Boyd Group International found potentially strong future increases in travel interest between Mississippi on one hand, and the Northwest. Specific-company investments in the region showed emerging communities of interest in the truck-building industry.

There are lots of "submarine" business demand flows at many communities. These take hard professional economic analysis to determine. This where Boyd Group International's unique forecast expertise comes into play. We don't just look at historical data yanked off a government website. We're the leader in aviation traffic and trend analysis – and that gives our clients the competitive planning edge.

One scheme, however, to avoid: on-line internet "surveys" - where the public (from anywhere in the world) can randomly log on and list places they want to fly from the local airport. Even if it's funded, it's a project that provides entirely unscientific data that's useless to an airline. It's one of the latest consultant scams that get foisted on unwary airports.



The Boyd Group has assisted a number of communities in grants that have resulted in new access to a carrier's hubsite.

SCASD Application Killers – Traps To Avoid & Concepts Doomed To Failure

With Boyd Group International, you are engaging aviation professionals that have earned the respect of airlines, airports, aircraft manufacturers and the aviation media. We're the best at what we do, and therefore we guide our clients away from wasting money and time on proposals that just won't fly in today's air service environment. The goal is not to get the grant. The goal is to get the grant and use it to a productive end. There are millions in un-spent SCASD grant awards simply because the objective was not viable in the first place.



There are a number of schemes that should be avoided, mainly because past grants for such purposes have resulted in outright failures. Regardless of how *avant-garde* they may seem, stay away from any of the following. They've all been tried in one form or another, whether with SCASD support or otherwise, and they've all failed miserably to bring any permanent air service improvements:

- **Proposals to start airlines.** Independent airlines don't work. Starting one is a great way to lose a lot of money.
- **"Community-Backed" Air Service Scams.** It's new. It's very trendy. And it's doomed to failure. This year, there will probably be several applications with a new twist - "community-supported" air service. This is where a community guarantees the cost of a small lift provider (a.k.a. regional airline) flying one of its (excess) RJs to a specific hubsite, with the ridiculous promise that the community and the operator will share the profits. (?) It might appear attractive to unsuspecting communities, but it's an amateur and cockamamie scheme that won't work and should be avoided. Think about it: if the market were profitable, the airline system would be there, and wouldn't be sharing any of the alleged profits. A grant from the feds won't change this. Even if the grant is awarded, at best it'll keep an otherwise dormant RJ flying for a while – at your expense, and with no strong likelihood of any air service improvement.
- **Proposals to underwrite air-taxi or VLJ operations.** The DOT may look favorably on proposals for air-taxi operations. Nevertheless, air taxi economics and operational realities don't attract general air travel consumers, nor do they contribute to improving rural air service. A 2002 SCASD grant for this type of service in the Dakotas was a predicable flop. Rural air service and high-seat cost air-taxi service are not compatible. Besides, the VLJ revolution died with the failure of Eclipse and Adam Aircraft.
- **Proposals to implement air service at traditionally un-served points.** Regardless of good intentions, in most instances if historically there's been no service at a given city, SCASD funds won't change it. On the other hand, at points that may have lost service in the past decade due to changes in the hub system, then SCASD money could make a difference. Also, if there's been new investment in the region, particularly international investment that has boosted employment and population, then by all means apply. But at rural points that haven't had service since the Truman Administration, and where there's been no material change in the economic base (like, say a new auto factory), it's very unlikely a SCASD grant will attract airline service.
- **Proposals to subsidize air fares.** Schemes to offer below-rate airfares to consumers and use grant funds to make up the difference with a check to the carrier do nothing to incubate increased long-term ridership. Negotiating lower published fares with a revenue-guarantee is an OK concept, as long as there's reasonable analysis done ahead of time to indicate that the reduced prices will generate a corresponding increase in ridership and total revenue. But a program to artificially pay an airline – or reimburse passengers - to keep fares low has no real chance of long-term results.
- **The Bundled-Airport Consortium Trap.** The DOT notes, "... *in the past, several communities in a state have filed a single application as a 'consortium' while in effect the application is a collection of individual community requests that involve different projects. We do not view this as a consortium...*" Beyond that, however, the very few "consortium" applications that have won grants have almost universally failed to produce any meaningful results.



Don't Even Think About It.

- **The Intra-Rural Air Service Trap.** In general, the goal should be to enhance the community's access to the national transportation system. Therefore, the "we need intra-state air service" grant requests not only go in the wrong direction, but history has proven that running turboprops between rural airports simply won't work. This approach might look good in junior college term papers, but it's financially disastrous in the real world. It's been expensively proven time and again.
- **The Access To Hubs-That-Aren't Trap.** Write this down: *if it isn't an airport that is the site of an airline-operated connecting hub, it isn't a "hub."* So proposals to gain service to FAA-defined "hubs" such as Albuquerque, Omaha, or Kansas City will at best only result in delivering a few passengers to the baggage claim area, not to connecting to the rest of the nation.
- **The Single-Engine Trap.** If you're a community anywhere south of the Canadian Yukon, don't waste your time proposing single-engined air service. On-paper, the Cessna Caravan and the PC-12 may have attractive economics, but unless you're in the Alaskan bush and nowhere near a paved road, they are best relegated to hauling FedEx packages. Consumers just won't get on them in the Lower 48. While it's still being tried in some EAS markets – major carriers are reluctant to do ticketing and baggage agreements with single-engine operations. This has been proven beyond doubt in the past. Unfortunately, a number of communities have been misled into funding these types of schemes, with zero long-term results.
- **The Connect-To-Southwest Flim-Flam.** Another red flag: any suggestion to fund independent-commuter operations to a larger airport where *"passengers can connect to Southwest."* – or to any other low cost airline for that matter. First, Southwest doesn't want to inter-connect with other airlines, and even if they changed this policy, the raw economics of commuter-to-LCC connections don't mix well. The hard fact is that air service is defined as running airplanes in a way that consumers will use the flights, and it must also provide real connectivity to the rest of the air transportation system.

We can help define a clear SCASD strategy.

If the concept has the potential of working, we're in.

If in our professional opinion the idea isn't really possible, we tell our clients up front not to file.

Boyd Group International has guided more airports to SCASD success than any other consulting firm.

It's not just getting the award. It's making sure that it actually will work.

Professional Assistance From Boyd Group International

It all sounds somewhat daunting, and it can be. Of course, Boyd Group International can assist in making the whole process a lot easier. We guide our SCASD clients every step of the way.

Naturally, we'd be honored to assist in your efforts to submit a successful application. Some points you may want to consider: *Since the inception of the grant program, over 22% of the funds have been awarded to our clients.* In 2006 alone, 32% of the funds went to communities that chose Boyd Group International to assist them.

That's more than any other consultant. The reason is that we craft professional grant applications that propose real-world, workable solutions that the DOT can easily see are productive uses of the scarce dollars available.

A Turn-Key Approach From Boyd Group International

Boyd Group International works with you from crafting the application, filing it, and working to achieve maximum results once the grant is awarded.

Our approach – which is validated by the results we've achieved – is very straight forward:

We start with a clear strategy. We help you define your key objectives. We go over how the grant money will be administered, and how the program will be monitored.

We Have Aviation DataMiner™ - the most accurate and advanced system of air traffic information and forecasting in the world - is used to build our SCASD applications. We don't just regurgitate BTS data, we refine it to filter out errors and allocate traffic to the right carrier. Our forecast expertise is brought to bear, and it's the best in the industry – relied upon by airports, airlines, financial institutions and labor groups.

Our proposal format: ruthlessly direct. We help our clients to submit proposals that outline the problem(s) and get to the solution quickly. We use informative illustrations where necessary, but we refuse to pad the document with extraneous information that has nothing to do with air service. The staff at the DOT don't have a lot of time, so we make sure our clients' proposals concentrate on "effective brevity."

We provide futurist, cutting-edge support data. Boyd Group International has Aviation DataMiner™, the most advanced traffic and revenue forecast models available anywhere. Many other consultants insist on accessorizing proposals by regurgitating the DOT's own tables and data right back to the DOT. We don't. Instead, we provide them with projections and new insights that fit within the context of the future.



The impending retirement of SF-340s from the Delta/Northwest system represents real challenges to several regions of the nation: there are no viable replacements in the pipeline. Applications to help support service upgrades are entirely appropriate to the SCASD program.

We concentrate on win-win for both the client and the DOT. This means having an objective that will make the best use of SCASD dollars, one that provides long-term improvements to air service. It also means convincing the DOT that the administration of the program will be as easy as possible for them to monitor, with clear milestones and performance triggers.

No Boilerplate. Instead, Unique Applications, Built And Tailored To Each Client. What you won't find on the DOT website are a dozen other applications that, golly gee, look exactly like yours. Boyd Group International knows your community is unique, and that's how we do your application. Clean-sheet and designed for your community Unlike some consultants, we don't cut corners by using cookie-cutter application formats. The goal is to showcase you, not the consultant that did the application.

We guide you through every step of the process. From developing your strategic SCASD plan, to developing cutting-edge data to support the application, to carefully crafting the application itself and filing it, Boyd Group International is with you all the way. And after you win your award, we're there to assist in turning it into results.

SCASD Grants Turned Into Air Service Results

Winning a grant is one thing. Translating it into meaningful air service improvements is the real challenge. Here again, no other consulting firm can even come close to our track record. Some of the clients we've helped include:

Boyd Group International is the leader in identifying future air service needs.

This is one reason that we've been more successful than any other consultant in not only helping clients win grant funding, but also in translating it into real air service improvements.

Boyd Group International understands that successful grant proposals are not just about getting the money, but in making sure it leads to long-term, sustainable results.

Sarasota-Bradenton, FL successfully recruited low-fare service from AirTran, facilitated by a \$1.5 million grant from the 2004 program. The result has been massive increases in low-fare service and a near 20% increase in enplanements.

Charleston, WV today has nonstop service to Houston, meeting the needs of the petrochemical industry in West Virginia, as well as opening an additional western gateway for the region.

Latrobe, PA, lost all air service as a result of the US Airways cutbacks at Pittsburgh. Boyd Group International crafted a SCASD application that won funding to support daily flights to Northwest's DTW hub. That represents service and global connectivity superior to any previously offered by US Airways.

Lynchburg, VA was able to upgrade to jet service to Atlanta with the help of the grant funds we helped them win in 2002.

Binghamton, NY has increased hub access to the west, incubated by the grant they received in 2002.

Erie, PA successfully recruited access to two additional hubsite gateways, with the help of a 2003 grant.

Rhineland, WI is a poster child for what the SCASD program is intended to accomplish. With air service improvements made possible by a SCASD grant, enplanements are up over 20%. We assisted Rhineland win a second SCASD award in 2007 to conduct a comprehensive study of small community air service dynamics.

These are just some of the communities we've assisted in not only getting their share of SCASD funds, but in translating it into real air service improvements.



The Boyd Group assisted SRQ in winning a grant that successfully recruited low-fare AirTran, resulting in a "cascading" effect in attracting additional new service that has made SRQ one of the fastest growth airports in the nation.

Give Us A Call To Get Your Proposal Started - Or E-Mail Brian Siler at Brian@AviationPlanning.com



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