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Fact Sheet for the Chairman,
Subcommittee on Rural Economy and
Family Farming, Committee on Small
Business, U.S. Senate

May 1989

AIRLINE SERVICE

Changes at Major Montana Airports Since Deregulation





United States
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Resources, Community, and
Economic Development Division

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The Honorable Max Baucus
Chairman, Subcommittee on Rural
Economy and Family Farming
Committee on Small Business
United States Senate

Dear Mr. Chairman:

This fact sheet responds to your November 15, 1988, request that we provide data on changes in airline service at major airports in Montana since the airline industry was deregulated in 1978. As agreed with your office, we are providing comparative calendar year data for 1978 and 1988 for the seven largest airports in Montana¹ on the

- number of airline passengers carried,²
- number of aircraft departures,
- percentage of these departures on jet aircraft, and
- number of routes with direct service.³

¹These airports are Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula.

²Annual data on the number of airline passengers carried were not available for 1988. We therefore present passenger data for 1978 and 1987, the most recent annual data available. All other data are for 1978 and 1988.

³Direct service may require a stop but does not require a change of plane. Connecting service requires a change of plane.

The data indicate that, between 1978 and 1988, the number of airline passengers carried increased at two airports, decreased at two others, and remained about the same at three. For the seven airports as a group, the number of passengers carried increased by 15 percent. The number of aircraft departures increased at all seven airports during this period (by 94 percent for the group), but the percentage of those departures on jet aircraft decreased at all seven (by 62 percent as a group). The number of routes with direct service also decreased at all seven airports (by 24 percent as a group).

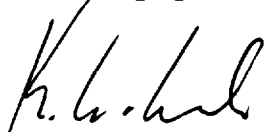
Section 1 of this fact sheet presents more detailed information on changes in Montana airline service between 1978 and 1988. Section 2 presents our objectives, scope, and methodology. The data are taken from published sources. We did not verify the reliability of these data, but they are commonly used within the airline industry.

In a related report being prepared for the Chairman of the Senate Committee on Commerce, Science, and Transportation, we will be examining fares from small and medium-sized communities across the country, including Billings, Montana.

As agreed with your office, we will provide copies of this fact sheet to interested parties upon request. If you have any questions concerning this fact sheet, please contact me at (202) 275-1000.

Major contributors to this fact sheet are listed in appendix I.

Sincerely yours,



Kenneth M. Mead
Director, Transportation Issues

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ABBREVIATIONS

ADA	Airline Deregulation Act of 1978
CAB	Civil Aeronautics Board
DOT	Department of Transportation
EAS	Essential Air Service

SECTION 1

CHANGES IN AIRLINE SERVICE AT MAJOR MONTANA AIRPORTS SINCE DEREGULATION

In 1978, the Airline Deregulation Act (ADA) was passed, providing for the gradual phasing-out of the regulation of airline fares and routes. For 40 years, from 1938 to 1978, the Civil Aeronautics Board (CAB) had prescribed the routes that airlines could fly and the fares they could charge. The deregulatory process prescribed by the ADA culminated on January 1, 1985, when the CAB was terminated.

Although the ADA deregulated the domestic airline industry, it was responsive to concerns that small communities would lose service because of deregulation. The act directed the CAB to ensure that eligible points¹ would have access to the nation's air transportation system at reasonable rates. The Essential Air Service (EAS) program was designed to preserve air service to eligible points as required by the ADA.

The EAS program provides subsidies to airlines to induce them to serve eligible airports that the airlines would not find profitable enough to serve voluntarily. The program specifies minimum standards for the frequency of flights and for the type of equipment that must be used. However, it does not require the use of jet aircraft. The EAS program implicitly establishes service standards for other eligible airports served voluntarily by the airlines, since an eligible airport whose service does not meet EAS standards would become eligible to receive EAS subsidies to raise the level of service to that specified by EAS standards. The seven airports covered by this fact sheet are all served voluntarily by airlines without EAS subsidy.

We gathered and compared data on the number of passenger enplanements (i.e., the number of passengers boarded on aircraft in scheduled service), the number of weekly departures, the percentage of jet departures, and the number of routes with direct service for the seven Montana airports served by large certificated route air carriers in 1987.² Our data for the seven airports--Billings,

¹An eligible point was defined by the ADA as a point receiving certificated airline service at the time of enactment of the ADA.

²These carriers hold Department of Transportation (DOT) Certificates of Public Convenience and Necessity authorizing them, under section 401 of the Federal Aviation Act, to engage in air transportation. These carriers operate aircraft with seating capacities of more than 60 seats or payload capacities of more than 18,000 lbs. At the time we did our audit work, the most recent annual data on airports served by these carriers were for 1987.

Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula--are presented in table 1.1.

The data show that passenger enplanements rose at two airports, fell at two airports, and remained about the same at three. The number of aircraft departures rose at each of the seven airports, but the percentage of those departures on jet aircraft fell at each airport. The number of routes with direct service also fell at each airport. For the seven airports as a group, passenger enplanements and aircraft departures rose, the percentage of jet departures fell, and the number of direct routes served fell.

Specifically, passenger enplanements rose strongly at Bozeman (92 percent) and Missoula (72 percent). Enplanements fell at Butte (32 percent) and Helena (16 percent) and remained about the same at Billings (up 3 percent), Great Falls (up 2 percent), and Kalispell (down 1 percent). For the seven airports as a group, enplanements rose 15 percent.

Bozeman and Missoula also registered sharp increases in weekly departures (up 86 percent and 152 percent, respectively), as did Helena (283 percent), Kalispell (183 percent), and Great Falls (79 percent). Departures at Billings and Butte rose more moderately (47 percent and 39 percent, respectively). For the seven airports as a group, departures rose 94 percent.

At Butte and Helena, weekly departures rose while enplanements fell. This was probably due to the use of smaller aircraft by the airlines. Helena, for example, saw its enplanements fall by 16 percent between 1978 and 1988, while its departures rose by 283 percent. These contrasting changes in departures and enplanements are reflected in the service offered on particular routes. In 1978, for example, service from Helena to Billings was provided three times a day on Boeing 727 jet aircraft, which seated 134 passengers each (a total of 402 seats). In 1988, service from Helena to Billings was provided 11 times a day on 19-seat Swearingen Metro turboprop aircraft (a total of 209 seats). The number of seats available fell even though the number of departures increased.

The percentage of jet departures fell at all airports, but fell most sharply at those airports with the lowest numbers of enplanements, such as Helena (down 87 percent), Kalispell (down 86 percent), and Butte (down 82 percent). Missoula (down 72 percent), Bozeman (down 51 percent), Great Falls, and Billings (both down 44 percent) had smaller decreases. For the seven

Routes with direct service are routes served without a change of plane, although they may require one or more stops.

airports as a group, the percentage of jet departures fell 62 percent.

In both 1978 and 1988, the number of direct routes served was positively related to the number of enplanements, being highest for Billings, Great Falls, Missoula, and Bozeman and lowest for Butte, Helena, and Kalispell. For the seven airports as a group, the number of direct routes served fell by 24 percent.

Table 1.1

Airline Service
at Seven Montana Airports, 1978 and 1988

<u>Airport</u>	<u>Year</u>	<u>Passenger enplanements^a</u>	<u>Weekly departures</u>	<u>Percentage of jet departures</u>	<u>Routes with direct service</u>
Billings	1978	288,356	211	72.5	35
	1988	296,292	311	40.5	29
Bozeman	1978	61,918	69	100.0	20
	1988	118,626	128	49.1	15
Butte	1978	42,026	56	100.0	12
	1988	28,556	78	17.9	6
Great Falls	1978	142,158	96	87.5	21
	1988	145,178	172	49.0	18
Helena	1978	58,510	42	100.0	13
	1988	48,888	161	13.0	8
Kalispell	1978	45,522	35	100.0	14
	1988	44,878	99	14.1	10
Missoula	1978	85,554	69	100.0	21
	1988	146,801	174	28.2	17
Total	1978	724,044	578	87.9	136
	1988	829,219	1,123	33.0	103

^aData on passenger enplanements are for calendar years 1978 and 1987. Annual data on passenger enplanements for 1988 were not available at the time we did our audit work. All other data are for calendar years 1978 and 1988.

Source: See section 2.

SECTION 2

OBJECTIVES, SCOPE, AND METHODOLOGY

On November 15, 1988, Senator Baucus, Chairman of the Subcommittee on Rural Economy and Family Farming, Senate Committee on Small Business, requested that we provide data on changes in airline service to major Montana airports since the industry was deregulated in 1978. We agreed with the Senator's office to provide comparative data for 1978 and 1988 for the seven Montana airports served by large certificated route air carriers on the

- number of airline passengers carried,
- number of aircraft departures,
- percentage of these departures on jet aircraft, and
- number of routes with direct service.

Because we were interested in the percentage of jet service available, we present data on the seven airports in Montana that had jet service either in 1978 or in 1988. Data on enplanements by large certificated route air carriers at these airports were taken from DOT's Airport Activity Statistics of Certificated Route Air Carriers for the years 1978 and 1987. Data on enplanements for all of 1988 were not available at the time we did our audit work, so we present data on enplanements for 1987 rather than 1988. Additional data on commuter carrier enplanements were estimated from Schedule T-1 of DOT's Form 298-C, "Report of Revenue Traffic by On-Line Origin and Destination," for commuter carriers. The data shown in table 1.1 are the sum of the enplanements on these two types of carriers.

Data on departures are for weekly departures in 1978 and 1988. The data on weekly departures for 1978 were tabulated in a December 1984 report by the CAB entitled Airline Service, Fares, Traffic, Load Factors, and Market Shares. These data are derived from the Official Airline Guide. The departures data for 1988 were compiled from the Official Airline Guide (Electronic Edition) for us by I.P. Sharp Co. Data on the percentage of jet departures are from the same two sources.

Our data on the number of routes are for routes with direct service, i.e., those served without a change of plane, though they may require one or more stops. These data are from the May 15 edition of the Official Airline Guide for the years 1978 and 1988. Comparable data for 1978 and 1988 were not available for routes with connecting service.

While these sources are generally used within the airline industry, we did not verify the data to ensure their reliability.

We conducted our audit work between November 1988 and March 1989.

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