

Testimony of John Sullivan

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**Before the House Committee on Transportation and Infrastructure
Subcommittee on Aviation**

Hearing on Air Service to Small and Rural Communities

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Chairman LoBiondo, Ranking Member Larsen and Members of the Subcommittee, thank you for considering my written testimony on the topic of Air Service to Small and Rural Communities.

My name is John Sullivan and I am the Chairman, CEO and majority shareholder of Champlain Enterprises, Inc. (hereinafter "CEI"), doing business as "United Express". We conduct approximately 150 flights per day, using 37 and 50-seat aircraft, from small-medium size cities into United Airlines' hubs at Cleveland (Hopkins "CLE"), Newark (Liberty "EWR") and Washington (Dulles "IAD"). Overall, our current route system covers 27 cities in 12 states and 1 Canadian province. We have 500 employees.

Our company and its predecessor companies have been engaged in scheduled regional airline service in the Northeast since the 1960's, and I have been actively involved for almost 40 years. Following the Airline Deregulation Act of 1978, we received the first Essential Air Service contract and for many years thereafter provided critical air service to a number of small cities, with subsidy, where market viability did not exist. In addition to those EAS contracts, we explored and developed self-sustaining point-to-point routes, which allowed air commerce to flow between smaller, but important business centers in the region. We are presently engaged in providing connecting, or "feeder" service, directly from a multitude of smaller cities into major airline hubs.

Our endeavors, and those of our counterparts all over the U.S., have resulted in a regional airline sector that has become a crucial component of our nation's air transportation system. Regional airlines are now responsible for 50% of all domestic departures, and carry over 25% of all the passengers on those flights. Perhaps more important is the fact that 436 of the nation's 623 commercial airports – roughly 70% – are exclusively served by regional airlines.

Having spent my career devoted to the study and practice of regional airline service, I am pleased by the overall growth of our sector. However, most of that growth has occurred at the top end, and I am deeply concerned by the extent to which the small community aspect of our service has been eroded in the past 20 years. Regional airlines have acquired increasingly larger aircraft and currently fly much longer routes than in the past. Meanwhile, the number of participating carriers has shrunk by two-thirds. In 1982, Regional Airline Association membership totaled 245 carriers; today that number stands at 54. As the number of carriers diminished, so did the number of airports served, down from 817 to 623. Almost all of those losses were at small communities, and in particular, there has been a precipitous drop in the number of intra-regional, point-to-point (non-hub) flights. In my view, this has been caused by poorly focused regulation.

In 1996, many small carriers were either forced out of business, or forced to modify their business models away from small-community service, by a presumptive safety initiative which mandated an onerously expensive switch from FAR Part 135 to Part 121, for carriers wishing to operate aircraft with 10 or more seats. The ripple effect of this was the elimination of small community service over numerous point-to-point routes across the country. These were the type of flights that allowed air commerce to move easily between important cities in a region. In 1996, for example, cities like Allentown, Wilkes-Barre, Bangor, Burlington, Trenton, White Plains, Elmira, Ithaca, Portland, Binghamton, Utica and Greensboro all had non-stop service to Boston.....none of which exists today. The list of cancelled Boston service would be even longer, if not for the fact that the U.S. government is now subsidizing previously viable service to Boston from Albany, Plattsburgh, Bar Harbor and Islip.

Unfortunately, the extent and serious impact of this small community service loss is largely masked by statistics. Many of these cities actually show increases in departures and passengers flown; however, those increases simply reflect the accelerated flow of vacation and long-haul connecting traffic over major hubs, stimulated by the rise of the low-cost carriers like JetBlue, and by the fare transparency afforded by the internet. Thus, a city like Burlington, Vermont appears to have more service and more passengers flying now than in 1996, but if one asks its Chamber of Commerce, it will surely say that service has deteriorated, because the

number of non-stop links to other business points in New England and upstate New York has declined dramatically. Most of Burlington's traffic growth is large hub oriented, with passengers funneled over the New York metropolitan airports, bound for resort destinations like Florida, or other long-haul destinations. Meanwhile the more local point-to-point service – the life-blood of the local business community – has largely disappeared. For example, Burlington used to have over 20 daily non-stops to Boston and now it has none. One of its largest airport users – IBM Corporation – used to enjoy non-stop service to Poughkeepsie, White Plains and Binghamton, but those flights no longer exist. This same effect has unfolded all over the country, and the aggregate negative impact on small community service has been swift, dramatic and irreparably damaging.

It is about to get a lot worse. The regulators have been at it again, and the latest round of rule changes, once again promulgated under the banner of safety, with enthusiastic support from labor, will most certainly have the effect of eliminating service from a much larger group of city-pairs. The rules in question are the ones found in HR5900 and FAR 117, both implemented within the past eight months. These purport to raise the qualification level of our pilot work force, by requiring an advanced certification and more hours of experience, while mandating decreased duty times and increased rest requirements. The problem is that the regulators have, in my opinion, created these rules with too broad a brush; giving more credit to quantity over quality, and in the process they have abruptly disrupted the supply of pilots proceeding through the ranks of the industry. Furthermore, they have vastly underestimated the potential damage to our air transportation system.

The centerpiece of this poorly-aimed regulatory imposition is a requirement for pilots to have 1,500 hours of experience before they can take a position at a Part 121 air carrier. Pilot supply was already a major concern for the industry, owing to a lower number of applications for pilot's licenses, a diminished number of pilots feeding into the industry from the military, the lack of pilot tuition loan guarantee programs and the bubble of age-65 retirements beginning to take place at the major airlines. When the rule was implemented in August of last year, it exacerbated this problem immediately, by rendering every pilot in the U.S. who has fewer than 1,500 flight hours effectively unemployable by the airlines, putting them in the unemployment lines and limiting their pathways to gain the requisite flight time. It also took previously qualified pilots away from the ranks of the

airlines, and wasted all the money that was spent by those airlines in training them. Following only a few months later, the rules reducing flight and duty times and increasing pilot rest times caused an immediate increase in the number of pilots required at the airlines, putting even more pressure on pilot supply. Collectively, these new regulations have put many of us in the position of having to park airplanes, cut flights and eliminate cities.

In the final versions of these rules, the regulators have apparently succumbed to the notion that quantity is preferable to quality. Let me just say that I would rather have a 700-hour pilot who was trained in an airline-oriented program, using cockpit resource management techniques and the latest software and simulator technology, than someone who has built the newly-prescribed 1,500 hours towing banners over Miami Beach. In his March 2012 Senate committee testimony, William Voss, then President and CEO of the Flight Safety Foundation said, "Mandating an arbitrary number of hours experience required to be in a cockpit makes the dangerous assumption that specific knowledge will be obtained simply due to hours in the air. This leaves too much to chance". He went on to say, "...a structured training program can allow this (1500 hour) requirement to be reduced". Even the Airline Pilots Association said, in its Nov 2010 FastRead, "...the military, which gives its pilots extensive aviation-related academic and leadership training.....has proven that pilots with many fewer hours than 1,500 are fully capable of operating high speed, very complex aircraft in demanding airspace".

The additional pressure on the current and near-term pilot supply, caused by these new rules, will translate into far more damage to small community service, and that was apparently not given proper consideration when the rules were enacted. It will soon be felt throughout the country. The major airlines get their pilots from the regional airlines, and those major airlines are starting to grow again, following the recession. There is a significant bubble of age-65 retirements coming at the majors, and they are going to need more pilots over the next several years than currently exist in the entire regional airline sector. If you recall the earlier statistic above, that 70% percent of the commercial airports in the U.S. are currently flown exclusively by the regional airlines, you must conclude that, unless immediate action is taken, there is a risk that the lights will go out at hundreds more airports.

If anyone has doubts that this unintended result is already underway, consider the fact that United Airlines recently announced a significant cutback in regional flying at its Cleveland station, citing the new rules as a contributing factor. There have also been numerous route closure announcements made by regional airlines and a significant number of regional aircraft have already been parked - for lack of pilots - since so many previously qualified pilots were rendered "unfit" by the implementation of the new rules.

What can be done? It is my belief that an immediate, multi-faceted effort is required, from both industry and government, in order to avoid the financial catastrophe that will undoubtedly result from this threatened loss of air service at so many dependent communities.

The regional carriers are already applying considerable effort and scarce resources to implement all of the new rules. We have absorbed the additional costs associated with adding crews, when we can find and train them, to make up for the newly-restricted flight and duty times; and we have absorbed the losses from parking aircraft when those crews couldn't be found. We have suffered the tripling or quadrupling of training expense as replacements were required for no-longer-qualified flight crews, and to pay for the extra ATP certification for existing copilots. We have redoubled our recruiting efforts, increased pilot pay scales and enhanced "quality of life" policies in an attempt to attract new pilot candidates.

The government can help by recognizing the problem and acting quickly to help us remove this threat from the nation's air transportation system.

- The FAA should use its broad mandate to expand the flight hour credits for graduates of structured, airline-oriented training programs, in order to speed up the pilot career pathway to 1,500 hours.
- The federal government should create special financial assistance for would-be pilots by implementing a focused program of grants and loan guarantees, designed to attract enough additional candidates into the industry to avert an economic disaster.
- The FAA and DOT should lift the 9-seat cap on Part 135 operations, to provide a financially viable way for smaller airlines to utilize slightly larger aircraft. Coupled with the expanded flight-hour credits, this

would quickly result in the restoration of service to small communities. The last time it was lifted (in 1972), the number of communities served rose by 27% in just a few years. Given the recent decline in small-community air service, the result should be even more dramatic this time around. At the time, the Civil Aeronautics Board said that the cap was “an unnecessarily severe and overly rigid instrument” which had “unduly curtailed the development of the third-level industry”. A side benefit of this would be the simultaneous replacement of a now-missing link in the career experience pathway for commercial, multi-engine, instrument-rated pilots to get their hours as they work their way up to the major airlines, thus directly addressing the pilot supply issue.

I applaud the work of this committee, and especially its attention to these currently critical issues. Thank you very much for the opportunity to submit my testimony.