

## Air Service Development Frequently Asked Questions

### 1. How has air service grown over last five years?

Rhode Island T. F. Green International Airport now offers 25 non-stop routes provided by 11 different airlines, a non-stop route increase of 47% and airline increase of 57% compared to 2016 when the airport had 17 non-stop routes and just 7 airlines. Although no airport is able to sustain every route, Rhode Island is emerging from the COVID-19 pandemic on a stronger foundation than it had in 2016, before the pandemic.

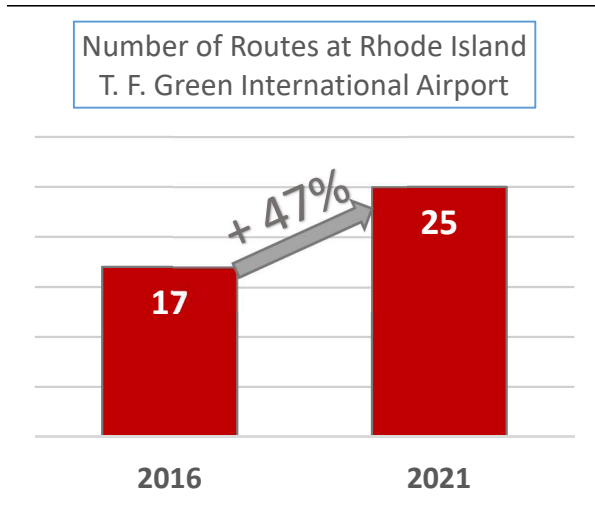


Figure 1: Number of Routes in 2016 and 2021

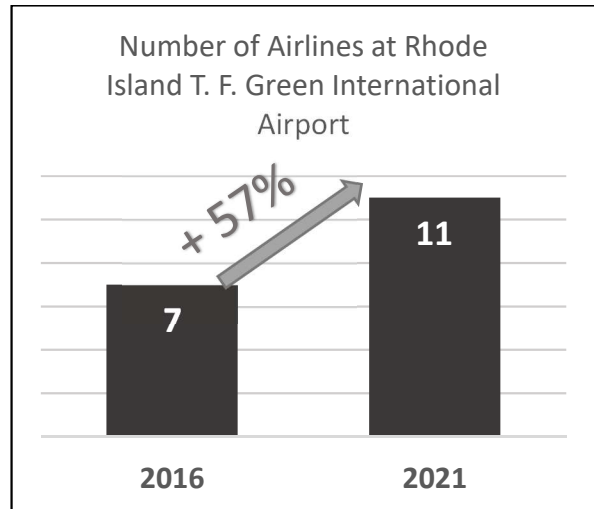


Figure 2: Number of Airlines in 2016 and 2021

### 2. How does Rhode Island compare with other neighboring states on per capita basis on number of destinations and diversity of airlines?

Rhode Island leads all nearby states with the highest number of direct routes and airlines per capita.

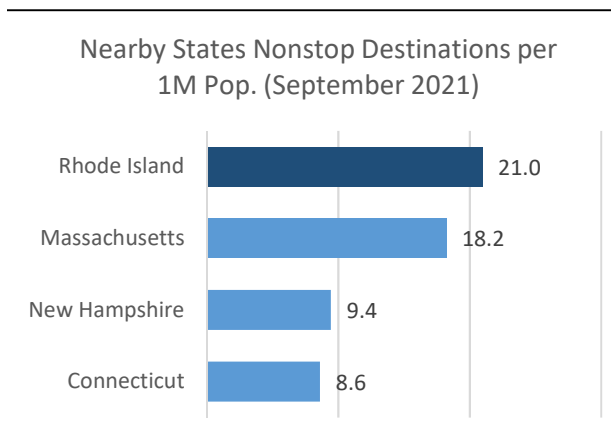


Figure 3: Number of Nonstop Destinations  
Source: Airline Schedules for September 2021

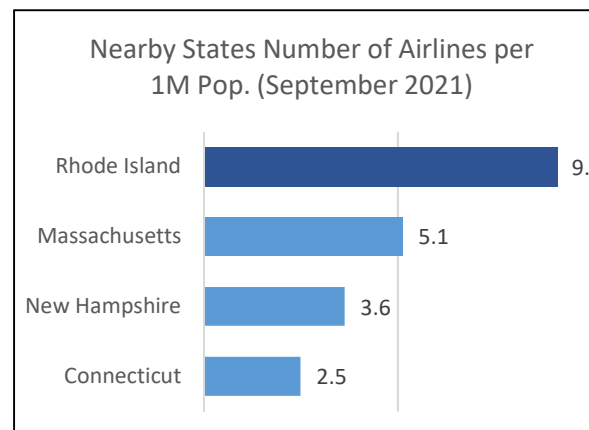


Figure 4: Number of Airlines  
Source: Airline Schedules for September 2021

### 3. What is Air Service Development?

Air Service Development seeks to foster airline route expansion and passenger growth to support our region's economic health by increasing the number of destinations and flight choices at Rhode Island T. F. Green International Airport and close gaps in unmet air service needs.

There is an erroneous perception that airports “choose” which airlines and routes to host. In reality, the airlines choose which airports and which routes they believe will be profitable and sustainable. Airports, states and communities can offer support through “Air Service Development programs” which provide marketing support to help promote and grow new routes.

#### 4. What is the total economic impact of aviation activity in Rhode Island?

Rhode Island’s airport system, including Rhode Island T. F. Green International Airport and five general aviation airports, are estimated to provide \$2,665,440,693 in annual economic impact according to the Federal Aviation Administration’s “The Economic Impact of Civil Aviation on the U.S. Economy.”

[https://www.faa.gov/about/plans\\_reports/media/2020\\_nov\\_economic\\_impact\\_report.pdf](https://www.faa.gov/about/plans_reports/media/2020_nov_economic_impact_report.pdf)

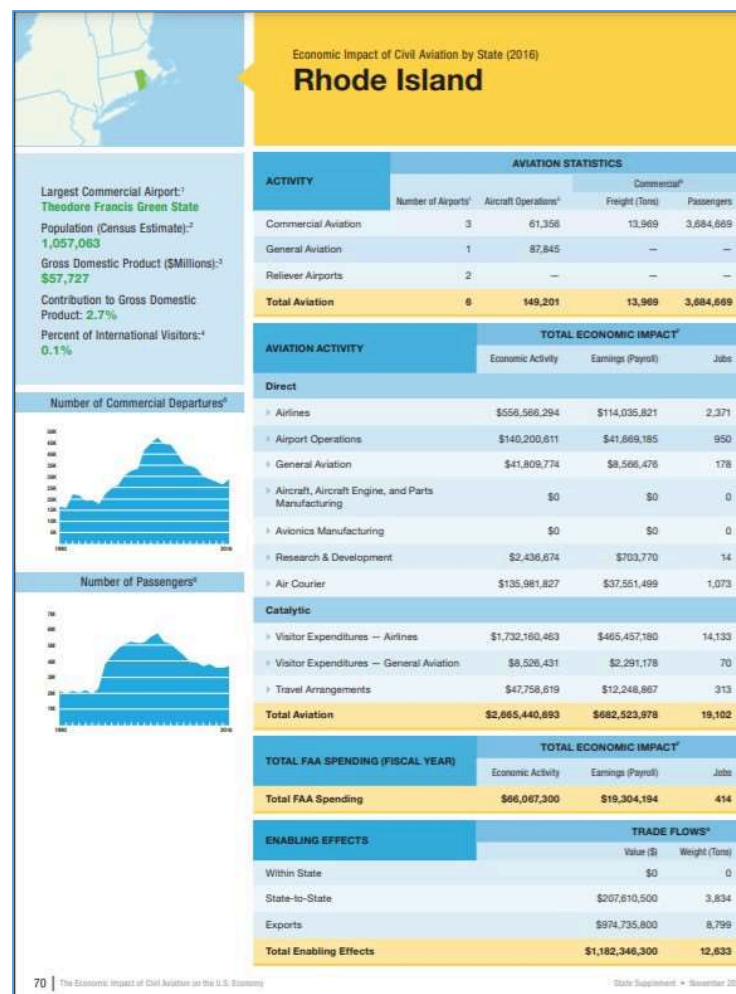


Figure 5: Economic Impact of Civil Aviation in Rhode Island (Source: FAA)

#### 5. How many jobs are associated with aviation activity in Rhode Island?

According to the Federal Aviation Administration’s “The Economic Impact of Civil Aviation on the U.S. Economy” Rhode Island’s aviation system supports 19,102 jobs in Rhode Island.

[https://www.faa.gov/about/plans\\_reports/media/2020\\_nov\\_economic\\_impact\\_report.pdf](https://www.faa.gov/about/plans_reports/media/2020_nov_economic_impact_report.pdf)

## 6. What is the “supply” and “demand” sides of air service?

The seat capacity that airlines offer by scheduling flights to various destinations and the fares at which those seats are being offered constitute the “supply” of air service. The “demand” for air service manifests itself by the rate at which consumers on either side of the city pairs are taking advantage of those offers.

Ticket sales (demand), and not airports, ultimately determine which direct routes (supply) continue to be available at any given airport. While airports are instrumental in making the case to airlines that certain routes can be lucrative and highlight unmet needs and local desires for certain destinations, in a post-COVID-19 era, airlines can be expected to be guided by customer demand and will not continue to offer routes with insufficient passenger volume.

## 7. What factors impact the demand for air service?

Demand for air service is a result of the population size and the disposable incomes that consumers are willing to spend on traveling by air. The demand of air service at our airport in particular is impacted by consumer choices between alternative airports, resident’s choices of outbound airport and visitor’s choices of inbound gateway airport. Distance to the airport, convenience of using the airport, different flight options, airline preferences, schedule suitability and fare differences all influence that choice.

Air travel typically falls into two broad categories – business or leisure. The COVID-19 pandemic has significantly impacted the current demand for business travel, and while there are signs business travel is slowly returning, experts expect it will take a long time. Some say it may never recover to pre-pandemic levels as many companies have adapted to a virtual workplace model.

Leisure travel, which includes vacation travel and people visiting friends and relatives, has experienced a more robust rebound. Rhode Island and other leisure destinations have the potential to benefit from the initial return of leisure travel. As more individuals become vaccinated and pandemic-related lockdowns, travel bans and quarantines have been lifted, vacationers are seeking travel opportunities. The degree to which leisure travel is able to expand and be sustained is dependent on vaccination levels and other health measures necessary to prevent the spread of more communicable COVID-19 variants.

## 8. What is destination marketing?

Destination marketing is the effort of attracting travelers to a specific destination by means of increasing awareness of the destination and its touristic offerings. It can be thought of as tourism/visitor/convention marketing to help boost travel to a state or community. Destination marketing involves many different actions towards the ultimate goal of increasing tourist interest and thus demand for the destination. It is seldom the task of a single entity; the greatest success comes when the best efforts of many partner organizations and individuals (stakeholders) are mustered to a common goal.

The Federal Aviation Administration prohibits airports from using airline-derived income to supplant expenditures, which are the responsibility of the state and other local public or private efforts, such as engaging in tourism promotion / destination marketing.

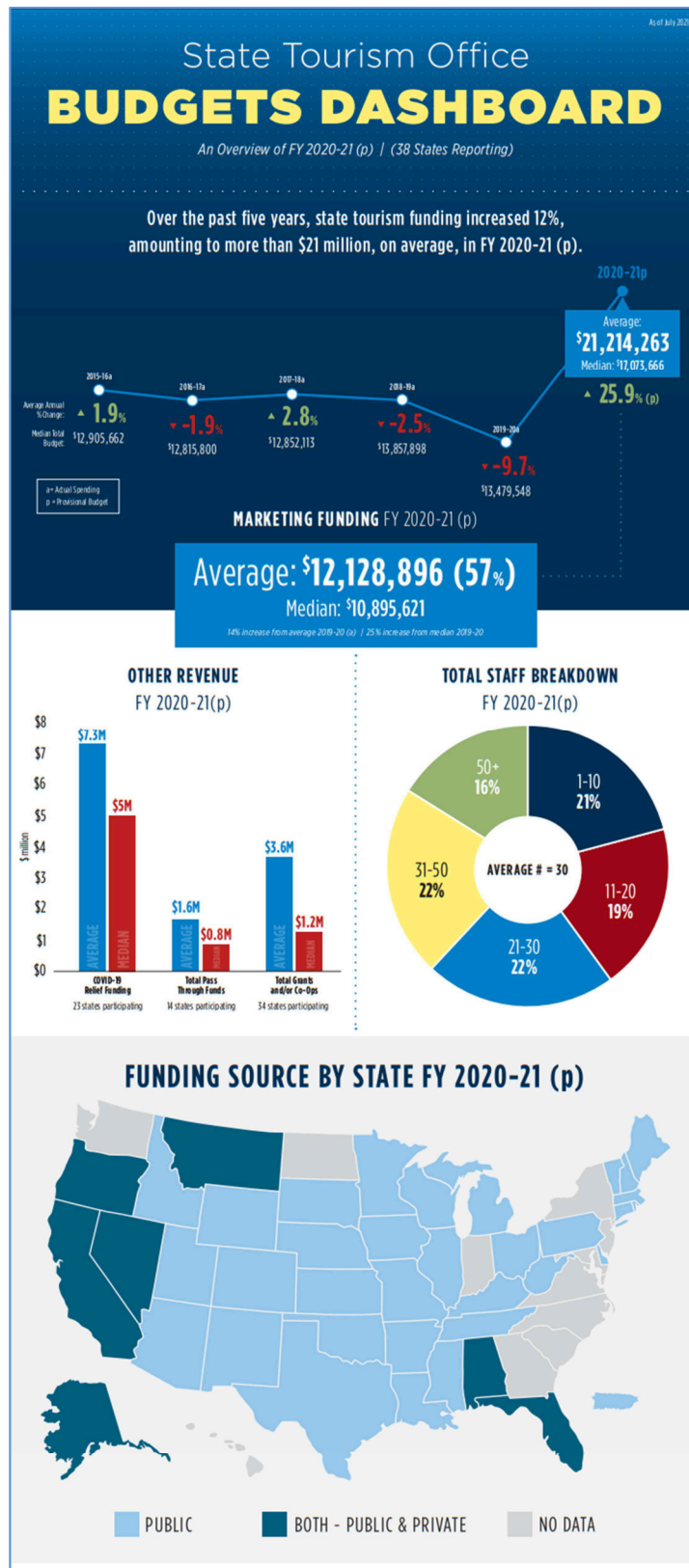


Figure 6: State Tourism Office Budgets and Marketing Funding.

Source: U.S. Travel Association, August 20, 2021

(<https://www.ustravel.org/research/state-tourism-office-budget-dashboard-fy-2020-21>)

9. How does destination marketing impact demand for air service?

It is important to remember that when it comes to air travel, “demand” is a two-way “street.” In order for a route to remain sustainable, it must be popular with visitors coming to the region as well as locals traveling to the destination. Attracting travelers to Rhode Island not only helps maintain routes; visitors support the state tourism and hospitality industries that employ thousands in our community.

In essence, supply and demand boils down to the need to have both a “push” and a “pull” to maintain sustainable air service at any given airport. Air service marketing plays the role of “pushing” local awareness of available routes to destinations outside of the state, while “destination marketing” performed by non-airport entities plays the role of “pulling” visitors to the state. Both measures support airline routes and contribute to the local economy.

Airports are prohibited from engaging in tourism marketing. They can only engage in air service marketing, promoting the air service (the routes, schedules, airlines) itself.

While 45 states find that their own investments in tourism or destination marketing provide significant return on investment to help drive local hospitality economies, Rhode Island is one of five states that does not have an established statewide destination marketing campaign. This is placing the state at a disadvantage when it comes to air route retention and support for air-related tourism.

## 10. How is more air service beneficial for a state or a region?

States with more air service bring more travelers to their state or region. According to a study conducted for the Rhode Island Commerce Corporation, visitors to Rhode Island spent \$4.7 billion across a wide range of sectors in 2019. Visitors spent \$1.2 billion on food and beverages, \$1.1 billion on recreation (including other travel services), \$1.0 billion on lodging, \$776 million in retail, and \$678 million on transportation, including air transport, in 2019. This return on investment to local jobs and the economy more than offsets the amounts of money airports use for air service marketing and the investments in destination marketing made by public and private entities.

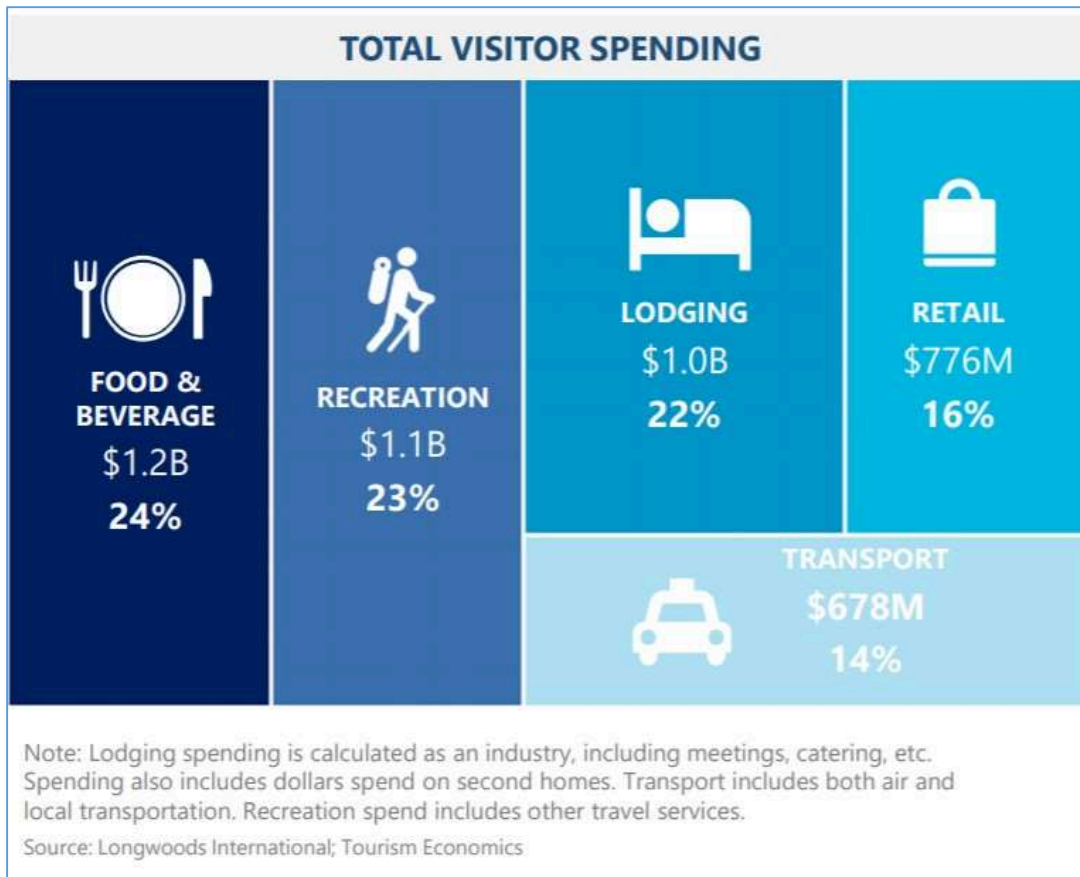


Figure 7: Visitor Spending in Rhode Island

[https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/rhodeisland/Rhode\\_Island\\_Tourism\\_Economic\\_Impact\\_2019\\_0b890993-fb26-4eaf-96bf-ccc625db0bd5.pdf](https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/rhodeisland/Rhode_Island_Tourism_Economic_Impact_2019_0b890993-fb26-4eaf-96bf-ccc625db0bd5.pdf)

The accessibility of a location via convenient nonstop flights is a major factor in consumer's choice of a destination for vacations and as a host of conventions, conferences and trade shows. More air service brought by a strong inbound demand also benefits local consumers. It gives them more flight options for their own travels. Businesses establish or expand their operations preferably in locations that have plentiful and affordable air service options.

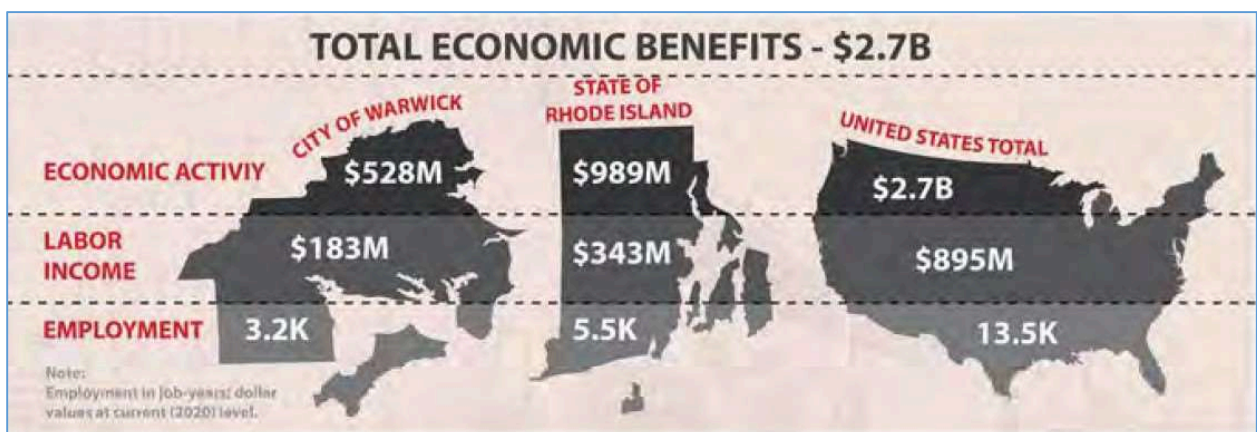


Figure 8: Economic benefits from Tourism in Rhode Island

11. Can the Rhode Island Airport Corporation pay for destination marketing?

Airports, and airport corporations such as the Rhode Island Airport Corporation, are prohibited from using federal, airport or airline derived funding to supplant what are intended to be state or community investments in destination marketing.

In order to retain the airline routes secured by the Rhode Island Airport Corporation in partnership with airlines, non-airport entities, including cities, states (on both ends of the route), communities, chambers of commerce, visitors bureaus and other public and private entities, must make adequate investments in destination marketing to provide the “pull” of passenger volume to the state.

## 12. What marketing incentives does the Rhode Island Airport Corporation offer to airlines and how are they different from other airports?

Under federal law, the Rhode Island Airport Corporation is able to re-invest airport or airline-derived funding into air service marketing to help establish new routes. Federal law caps the amounts and sets a limit of two years for air service marketing support for any route.

The marketing support by the Rhode Island Airport Corporation is limited to new entrant airlines or previously unserved routes and is based on formulas that take into account the frequency of newly established routes. In order to receive marketing expense reimbursements by the Rhode Island Airport Corporation, the airline has to provide documentation of marketing activities taken and proof of out-of-pocket expenses incurred for those activities. Airlines do not have any federal limits on marketing spending on their part. They are able to make their own investments into air service marketing in addition to airport-supported air service marketing.

## 13. Does the Rhode Island Airport Corporation offer revenue guarantees to the airlines?

The Rhode Island Airport Corporation does not offer revenue or profit guarantees to airlines. Federal law prohibits such. Some states, such as Connecticut, have provided airlines with revenue guarantees that supplement the air service development and marketing investments airports make. It is important to recognize that “air service marketing” differs from “revenue guarantees” in that air service marketing is invested into efforts to promote new routes, while “revenue guarantees” for airlines are just that – guaranteed revenue which need not be spent by airlines on their marketing efforts.

## 14. Does the Rhode Island Airport Corporation get the same revenue from fuel taxes as other 47 states in the United States? How does that impact the Rhode Island Airport Corporation’s ability to develop business or infrastructure?

Airline and airport-derived revenues can include fuel taxes and other fees incurred by airlines and pilots at local airports. However, no such fuel tax exists in Rhode Island, eliminating the opportunity to use those tax revenues for air service development and route retention. This limitation on resources available to the Rhode Island Airport Corporation for reinvestment into state airports makes the public and private role of destination marketing that much more important to Rhode Island’s efforts to attract and sustain airline routes.



Figure 9: Fuel Tax Revenues in Massachusetts, Connecticut and Rhode Island in 2019

**15. What can be done to increase air service in Rhode Island?**

While the Rhode Island Airport Corporation remains active in its efforts to attract new routes to Rhode Island, the sustainability of those routes will continue to depend on the investments of the State of Rhode Island or other public/private entities designed to “pull” more inbound visitors to Rhode Island.

**16. What is the “use it or lose it” concept of air service development?**

The Rhode Island Airport Corporation has had a tremendously successful track record of attracting new airlines and new routes. Unfortunately, not all routes have proven popular enough with travelers to and from the state to be retained. While consumer demand will ultimately determine which routes are maintained, that demand can be influenced by what states do or do not do related to destination marketing.

Ultimately if travelers to and from the state do not “use” direct air service, it should be expected that the airlines will repurpose aircraft to serve more popular and sustainable routes elsewhere.

**17. Is the Rhode Island Airport Corporation responsible for creating demand for air service?**

Airports and airport corporations have a responsibility to market their routes, seeking to promote the use of the airport and available destinations. However, airports are not able to purchase tickets themselves, and thus, cannot independently create the demand for air service. They remain dependent on the state and other partners to play the role that is critical in retaining air service to and from the state.

**18. Does the Rhode Island Airport Corporation market the services offered at the Rhode Island T. F. Green International Airport in the region?**



The Rhode Island Airport Corporation engages in air service marketing in an effort to “pull” local travelers to use Rhode Island T. F. Green International Airport for their travels and support existing routes and connections. Consumers in our catchment area have a choice of multiple airports and their collective choices either grow or shrink the air service that airlines can offer from our airport.

Market research has shown that the ease and convenience of travel through Rhode Island T. F. Green International Airport is a significant factor in consumer preference. Our marketing efforts have sought to accentuate such benefits to travelers as having significant value that can prompt travelers to choose to fly out of Rhode Island, even in cases when other regional airports further away may have lower-priced fares or more flight options.

### 19. Who is responsible for keeping the service at an airport?

Ultimately, the communities create the passengers on both ends of the routes.

States and cities have an important role as well by conducting destination marketing to attract new visitors who would use the flights available at our airport. States and cities could also increase business activity through public policies, which in turn generates demand for travel. Business recruitment through relocation incentives by states and cities also support passenger enplanements at the local airports.

The Rhode Island legislature acted this year and eliminated one particular weakness. Previously the airport did not have a geographically identifiable name; the new name identifies our airport with the state it serves.

### 20. Can we blame the airport for a loss of service?

No. Airports control neither the supply side of air traffic (that comes from the airlines’ flights, fare setting and scheduling) nor the demand side (buying tickets). Blaming the airport for a loss of service is misplacing the responsibility, confuses the situation and ultimately harms the community’s interest by avoiding the dialogue that needs to take place about the support of the tourism economy in the region.

Airports have a role to play. They supply the airlines with information about economic opportunities that would be beneficial to their community with the goal of attracting and growing the available air service by adding new airlines, new routes and new options on existing routes. They also apply targeted incentives within the permissible range set by federal regulation. The airports should take responsibility if they are not engaging with its airlines and advocating for more service. It is in the hands of all other stakeholders what happens once the new service has been announced.