

IMPROVED AIR SERVICE

IN

PENNSYLVANIA

**THE ECONOMIC
DIFFERENCE**

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Thank you for giving the Johnstown Cambria County Airport Authority the opportunity to speak at today's hearings.

There are distinct economic advantages to be gained to a community having viable air transportation facilities. Although these economic advantages are difficult to quantify, they are nevertheless important to the economic health and vitality of the community.

The Federal Aviation Administration (FAA) undertook a study on the economic relationship of general aviation primary airports and their surrounding communities. The results of the FAA study together with studies by the Aircraft Owners and Pilots Association, and other similar studies have concluded that:

- * AIRPORTS ARE PART OF THE COMMUNITY DEVELOPMENT PROGRAM
- * AIRPORT DEVELOPMENT IS A CATALYST FOR BUSINESS AND INDUSTRIAL GROWTH
- * AIRPORTS ATTRACT NEW INDUSTRY
- * AIRPORTS ARE A FACTOR IN RETAINING EXISTING INDUSTRY
- * AIRPORTS PROVIDE ACCESS TO THE NATIONAL TRANSPORTATION SYSTEM
- * AIRPORTS ARE A NUCLEUS FOR INDUSTRY
- * AIRPORTS ARE A BOON TO THE LOCAL ECONOMY

Airports generate "new" money in several ways: Airport related jobs, consumer spending by air travelers, airport revenues, and even the monies derived from the federal share of airport development projects bring prosperity to the local economy.

The Johnstown Cambria County Airport Authority holds the development responsibility for the Johnstown Airport. Our development program is primarily funded with federal, state, and local dollars. The federal Airport Improvement Program normally provides 90% of project costs and typically the state and local governments cover the remaining 10% share.

Project eligibility is determined in advance by federal and state authorities and once the project scope of work it is determined to be appropriate and justified, and therefore eligible for public funds, the Sponsor then proceeds with a financial aid application to the federal and state governments to secure project funding.

Under the federal Airport Improvement Program, the Sponsor of a project agrees to assume certain obligations pertaining to the operation, use, and maintenance of the airport. The obligations are covered in the project application as Sponsor's assurances and become a part of the Grant Agreement. Certain compliance issues such as non-exclusive rights, which prohibit the Sponsor from granting any special privilege or monopoly in the use of public airport facilities, are also covered under the guidelines of a typical Grant Agreement.

The Johnstown Airport Capital Improvement Program for 1998 includes the construction of a new passenger terminal (\$2.3 million), construction of a new crash/ fire/ rescue and snow removal equipment building (\$700,000), and the acquisition of a new airport fire truck (\$197,000). Additionally, the Pennsylvania Air National Guard is

constructing a new Air Traffic Control Tower (\$5.5 million), and the Pennsylvania State Armory Board is renovating and expanding the 876th Engineering Battalion Building (\$5.3 million). Total construction projects during 1998 will probably exceed \$15 million dollars. Furthermore, three additional airport development projects are being planned for the airport that will provide a significant impact to the local economy. A United States Marine Corps Reserve Center is planned for construction in 1999 (\$14 million). The State of Pennsylvania Department of Military and Veterans Affairs plans to construct an Organizational Maintenance Shop and Motor Vehicle Parking Complex (23 acres) and the Pennsylvania Air National Guard will be constructing an Air National Guard Training Center over the next two years. In only two years time, the airport will undergo over \$50 million dollars worth of capital improvements. All of these projects will primarily be funded with federal and state money.

This overview of Sponsor projects and related airport development projects at the Johnstown Airport covers the Sponsors responsibility for airport development. Since Sponsors lack sufficient funds to develop their airport, they have turned to the federal and state governments for financial assistance. In exchange, the Sponsor must develop their airport to the satisfaction of the federal and state governments; and in accordance with state and federal guidelines for airport development, and in compliance with federal law.

Progressive airports today can no longer limit themselves to the development of physical facilities, and expect to remain viable. Progressive airports recognize that they have become responsible for the development of air service in their communities.

Progressive airports no longer accept their current air service at face value but instead evaluate those services to determine if they actually meet the needs of the community.

Progressive Airport Managers also recognize that their primary efforts must be devoted towards developing and maintaining quality airline service that meets the needs of the community.

A significant percentage of the current economic benefit attributable to the Johnstown Airport is related to the scheduled commercial air service provided at the airport. Many businesses in the Johnstown Airport market area have expressed a strong correlation between their economic activities and the availability of scheduled commercial airline service at the Johnstown Airport. In today's highly competitive environment, many communities are examining local operating subsidies as a way to attract new air service.

Historically, Johnstown's scheduled regional/ commuter service has been to the Pittsburgh hub. This type of service pattern is prevalent for almost all cities in Western Pennsylvania that are served by a regional/ commuter air carrier. With the exception of the University Park Airport at State College, all regional commuter markets in Western Pennsylvania have air service only to Pittsburgh. The US Department of Transportation maintains a database for origin and destination travel patterns. This database reflects that whenever a traveler has a destination East of Johnstown these travelers regularly leave the market and begin their travel from another airport. To be more specific, they leave the state to depart from an airport in another state such as Maryland or Virginia. In other instances, a very high percentage of travelers choose another mode of transportation. Our airport has long recognized that it is capturing only a small percentage of the total volume of passengers that are associated with our market area. By allowing air travelers to regularly leave the market area, to choose another mode of transportation, and to capture

only a small percentage of the passengers in the market area, the Johnstown Airport and other Western Pennsylvania airports, are not developing and maintaining quality air service that meets the needs of their communities. Air travelers that need to depart or access the State of Pennsylvania should be able to originate their trip at a Pennsylvania airport and should be able to use any primary airport in Pennsylvania as a final air travel destination when required.

The US Department of Transportation sponsors a national Essential Air Service (EAS) Program. This program provides financial assistance to air carriers that agree to serve certain cities that have no current scheduled air service. The air carrier provides the Department of Transportation with the appropriate financial data that reflects the actual costs of operating their aircraft between two cities. The government agrees to subsidize the new air service at a pro-rated cost which allows the new carrier to start operating with the appropriate finances. As the air carrier revenue rises, the amount of federal subsidy goes down until the air carrier is at a self-sustaining level.

The State of Pennsylvania needs to consider the establishment of a Pennsylvania Essential Air Service (PEAS) Program. As covered in the text earlier, the Johnstown Airport will undergo over \$50 million dollars in capital improvements over the next two years for facility development; however, air service at the airport has seen little or no improvements for the past 25 years.

If a Pennsylvania Essential Air Service Program was established, it could essentially be managed similar to the US Department of Transportation Essential Air Service Program. The major difference for consideration would be that the participating airport would be a third party to the Agreement. As with both the current federal and

state Grant Agreements, the sponsor would be responsible for the local share of funds. Additionally, appropriate grant assurances and compliance requirements would be part of the Agreement. Federal grants reflect a 90% federal share and the 10% balance are covered with state and Sponsor funds. A typical Pennsylvania Essential Air Service Grant would reflect certain financial percentages for each of the three participating parties. As with the DOT EAS, when the air carrier profit margin rises, the subsidy amount is lowered. The program could be structured for a two or three-year period based on certain grant eligibility criteria.

The establishment of Pennsylvania Essential Air Service Program would provide a funding vehicle for communities that desire to develop and/ or improve the quality of air service in their community. Furthermore, it would encourage air carriers to approach the State of Pennsylvania with new air service proposals that would enhance the Statewide Aviation System Plan.

Our proposed Pennsylvania Essential Air Service Program would require major legislative changes. If the Johnstown Airport had a program in place today such as the proposed PEAS, we could have another scheduled air carrier operating into eastern cities within 45 days.

The Johnstown Cambria County Airport Authority submits this Pennsylvania Essential Air Service proposal for formal consideration. It can make Pennsylvania a better place to do business.

Thank You.