

February 17, 1998

ST. MARYS MUNICIPAL AIRPORT PRESENTATION
ECONOMIC DEVELOPMENT OF PENNSYLVANIA AIRPORTS

There are numerous items to be considered when we discuss the economic development of PA. Airports. Airports rely heavily on the economic structure and the economic atmosphere in the area they surround. If the economic growth is positive the airport will grow, but it generally grows slower than the other entities. This is one of the problems, slow growth, and in the same breath if the economic growth has a downturn, the airport is the first to feel the repercussion.

As any other business, airports prosper in areas of large population. Because of the higher usage for airports in these areas, there will be some type of a commuter, major airline, or a substantial charter service. Because of numerous businesses and greater population there are many private aircraft that add to the economic structure of the airport in both fuel sales, ramp fees, hangar rental and related income items. Small airports in heavily populated areas also enjoy some of these same beneficial items.

Airports in rural areas have a much more difficult time of prospering. There is definitely a need for these airports but without the large population to draw from, it is almost impossible for an airport to stabilize its growth and even its existence without some type of help. Federal programs and State programs that are in place to help these airports with their growth are extremely important. The problem is with the matching funds that are necessary. Many times it is easier for airports in populated areas that have the local funds, to obtain these grants as opposed to the airports in the rural areas where funds are limited. Also, many of these grants do not allow airports to construct hangars or other buildings and facilities that would generate income to help the economic growth of the airport. Rural airports continue to try to grow to accommodate the growth of the areas around them but many times just trying to raise enough funds to even operate the airport makes it very difficult. I know that most airports have the same problem but I will speak specifically of the St. Marys Airport. We have a limited number of aircraft on the field and these aircraft are not owned by the wealthy. If costs go too high many of these individuals will not be able to continue to keep their aircraft at St. Marys. For example, our highest hangar rent for a

single engine aircraft is \$90.00 a month, in comparison to some airports in the Pittsburgh area, which ranges in the \$225.00 or \$250.00 a month range. It should be noted that construction costs for rural areas are the same as urban areas but income is what differs. This makes it very difficult for rural airports to survive. At St. Marys we have always felt our job is to accommodate aviation and to promote aviation, not to price it so that aviation declines in the area. As you are probably aware, it is very difficult to promote an airport to the general population of the community. Many feel that an airport is not necessary to the community, some of the community leaders feel that this is a lot of land in which no taxes are derived. It is difficult to put across the point of how necessary an airport is to an area. Industry leaders recognize the importance of an airport, but when you consider the general population they feel it is just a convenience for Industry, businesses and the select people who enjoy flying. Many times it is difficult to convey to local government and the local population that an airport is vital to an area and that it brings economic growth to an area. Small airports need some type of stabilization, Grants definitely help, but if there was some way for an airport to know that it would be guaranteed funds every year they could build on those funds. Airports could then make their five-year and twelve-year plans actually mean something instead of many of them just being a "Wish List". Agreed, not every airport can receive all the funds they need, but if an airport had a subsidy that they knew they would receive every year, they could set aside the funds for a few years and accomplish the larger projects. This would certainly make it easier for an airport to operate and plan for the future.

The aviation industry itself also jeopardizes the growth of airports. Everything associated with aviation is priced extremely high. Repair parts for aircraft are outrageous. We understand that in a time when manufacturers had to go through a lot of testing in order to have parts approved by FAA, that this would drive up the price. But surely by now these costs have been amortized and these parts should be reduced in price instead of continuing to increase. They make it very difficult for a private owner or even a charter operator to continue to operate with the high price of parts. Many times these parts are the same parts that would be used on automobiles such as an alternator and things of that nature but because they are for aircraft, the price increases five and sometimes ten fold, just because it requires the FAA approved stamp on it.

Many airports are developing non-aviation use of their land in order to keep the airport operating, and growing. Airport Authorities and operators realize the airport is necessary but also realize that just aviation activities may not support the airport that is so necessary. Many are resorting to using airport land for Industrial Parks or non aviation uses such as automobile races, Flea Markets or other activities in order to raise enough money to continue to operate. You try to raise enough money to operate the airport and hopefully raise sufficient money to help the airport grow and develop. The more the airport grows the more area communities' benefit both directly and indirectly. If money could be available to help airports in these non-aviation uses, when applicable, it would be a tremendous help. Grants, low interest or no interest loans that would require payback, only after income is generated, could be used for infrastructure to develop Industrial Parks on the airport. This would be extremely helpful to the airport as well as the local communities. Industrial Parks on an airport are ideal; usually the industries use the airport more than anyone else. There is normally not a noise or environmental problem with industry close to an airport, but airports need help to develop these areas. I don't believe airports should just receive free handouts, that's not what I'm saying, but if the money for such projects could be given up front with only minimal local money necessary this would be extremely helpful. After the projects are completed and when income is derived from these projects then the airport could put this money back into these funds so that the money would be available for future projects at the airport and other facilities. This would create economic growth and would continue to create a very favorable economic atmosphere, for the funds would then be replenished by the successes of this growth. Understandably, not all projects work as planned, but I believe if they are well planned and they are dealt with in a reasonable manner most projects can be screened to see which projects will be successful. I am not in any way saying that grants and other means of supporting airports both by the state of PA. and FAA have not been helpful and must continue, but in addition I think some of these other ideas would certainly help in the retention and economic growth of airports. This is especially true in rural areas where an airport is necessary but the population does not lend itself to develop numerous aviation activities.

St. Marys is a highly industrialized area and it's Industries support both the City of St. Marys and many of the surrounding communities both in jobs directly and also indirectly in job related industries that have branched out into some of the surrounding communities. The industry in St. Marys

surpasses cities many times its' size. The airport has been a factor in the growth and the location of many of these industries. The industry leaders in the area support the airport but more is needed. Industry believes in supporting the airport, but they also believe that with the economic developments they have created, that airports such as any other means of transportation should be there to service and assist them. We do not expect our industry to generate income for any of our roads or anything of that nature and we should not expect industry to do any more for airports. Airports are a means of transportation just like our roadways and waterways and should be supported by state, local and federal governments. Airports, like our highways, benefit all individuals. The benefit may not be as direct as highways because everyone has a car and drives on the highway; not everyone has an airplane and flies. The usage of airports, by industry, by commuter and by charter services, contributes to and are related to many of the other services to a community. People don't realize this but, indirectly, everyone benefits by having an airport in the area. I would also like to note that the City of St. Marys contributes \$35,000.00 a year in operating costs to the airport. Also, Industry contributes some \$25,000.00 a year for capital improvements. Our budget is in the \$170,000.00 range.

I am not an expert on airports, but I have been associated with the St. Marys airport for the past 25 years and have seen it grow, I have seen it stumble, and I have seen it struggle. I definitively feel airports need assistance, especially the rural airports to stabilize their operation and give them a chance to grow. An investment in the area that has continued to grow with its industry can do nothing but reap benefits for everyone concerned.

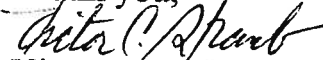
In summary, I feel all the airports we have in Pennsylvania are necessary and would hate to loose any of them. I realize that there are many airports on the verge of being lost, both for economic reasons and because land developers and local government see a more prosperous use of the land without realizing the long term effect of not having an airport in the area. The effect is negative and in time will impact the area in a negative way. Lack of an airport may stop industry from moving into the area and the general economic growth and stability of the area declines. Airports need help, I do not know the situation of the larger airports, but I know the smaller airports like the airports in our area, St. Marys, DuBois, Bradford, Clarion, definitively need help for they are barely surviving. Airports are struggling to survive. There has to be some help to stabilize these airports and help them grow along with the area that surround them.


There are probably more questions than answers but everyone realizes what it takes for economic growth. Everyone must realize that airports are important and we have to find some way to continue to have these airports to operate, grow and develop to the potential of their area.

REVIEW OF RECENT AND CURRENT PROJECTS AS WELL AS FUTURE PROJECTS AT ST. MARYS AIRPORT:

- In the fall of 1996, we updated our snow removal equipment to the tune of \$150,000.00. The funds were obtained from both a Federal and a State Grant and our local share came from the sale of old equipment.
- In the fall of 1997 we installed an AWOS system. We had a difficult time obtaining the local share which was 25% (\$19,000.00) of the total project cost of the State Grant Project (\$75,000.00). The local share was finally obtained from the Stackpole Hall Foundation for they felt it was a necessary safety system for the Community, useful and necessary for Life Flight operations from Pittsburgh, Erie and other major hospitals.
- This year we are re-constructing and resurfacing our runway with a \$1.08 million. FAA Grant, \$60,000.00 State Share and \$60,000.00 local share. The local share is being obtained from local Industry \$22,000.00, State Economic Development Fund, and from the City of St. Marys. It is important, no it is imperative, that Economic Development Act 47 be available to cover the local share of necessary and important projects.
- Future Projects at the Airport include:
 - 700' extension to the 4300' long runway
 - Building one additional Corporate Hangar
 - Building an additional T-Hangar (4 on site now)
 - Update our Airport Master Plan

Thank you,


Victor C. Straub
Authority Chairman


Joe Bologna
Airport Manager