

Agency of Commerce and Community Development

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To: Senate Committee on Economic Development, Housing, and General Affairs
Senate Committee on Transportation
House Committee on Commerce and Economic Development
House Committee on Transportation

From: Secretary Michael Schirling, Agency of Commerce & Community Development
Secretary Joe Flynn, Agency of Transportation

Re: Airport / Aviation Economic Development and Marketing - Act 108 Report

Date: January 10, 2019

INTRODUCTION

Pursuant to Act 108 of the 2017-2018 legislative session, work was undertaken to explore additions to state economic development marketing strategy to add detail about how state-owned airports could be marketed. In operationalizing this work, we embraced a larger scope of exploration and included basic assessments of economic development beyond only marketing. That larger scope of exploration was done to leverage the engagement process for best results. The format presented is designed to be easily digestible and enable use by a variety of stakeholders.

Contents of this report will be included in the Statewide Economic Development Strategy and the State's Economic Development Market plan.

BACKGROUND – THE STATE-OWNED AIRPORT SYSTEM

The Agency of Transportation maintains an airport system throughout Vermont as one of our key transportation infrastructures. The Aviation Program promotes a vibrant air transportation system in Vermont by assuring a safe, well-maintained system of public use airports, while also promoting aviation to develop sustainability in Vermont's aviation industry and at our airports. Additional detail about the system can be found at this Agency of Transportation link <https://vtrans.vermont.gov/aviation>.

As this report was being crafted the statewide airport system plan was simultaneously being updated. This extensive project, completed by a consulting firm engaged by the Agency of Transportation will be available in mid-2019 and will contain significant additional detail about the future plans for State airports as well as the economic impact of aviation in Vermont.

ENGAGEMENT PROCESS

Over the past few months the Agency of Commerce & Community Development (ACCD) in partnership with the Agency of Transportation worked to update the comprehensive statewide economic development strategy to include State owned airports (and consider other aviation and airport assets in Vermont). The engagement process included but was not limited to:

- Email solicitations for feedback (with an accompanying introductory letter) to:



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- Fixed base operators and airport-based businesses
- Regional Development Corporations and Regional Planning Commissions
- Towns with State owned airports
- Pilots and airport users
- Airport Committees
- Meetings with both FBOs, stakeholders, and the public at large exploring economic development hosted by VTrans staff in conjunction with the statewide airport system plan update.
- Meetings with stakeholders and Agency of Commerce staff held regionally in Highgate, Middlebury, and Springfield.
- Meetings and discussion with Regional Development Corporation Directors.
- Engagement with and outreach to the Aircraft Owners and Pilot's Association and Experimental Aircraft Association.
- Discussion and planning with the Department of Tourism and Marketing and the State's Chief Marketing Officer. This exploration included an interactive discussion with airport stakeholders specifically about marketing strategies.

Engagement was designed to develop a section of the economic development plan and marketing strategy that dovetails into the VTrans Airport System Plan. The focus was not commercial air traffic, rather, general economic development strategies and those for expansion of airport use for a variety of activities that would be positive to local and state economies. Among the ideas provided to stakeholders to generate conversation and further exploration were enhancing or expanding:

- Pilot, crew, or aircraft airframe and power plant (A&P) training
- Aviation and aerospace business development, including emerging technologies
- Event-based economic development / tourism and aviation
- FBO business support / expansion including maintenance, repair and overhaul / A&P service expansion
- General expansion of facilities including such assets as runways, taxiways, and hangars
- General ideas about how our airports and aviation-related businesses could grow, attract other businesses and economic opportunities, bolster good paying jobs, and align with their surrounding communities
- Any specific suggestions or ideas related to the feasibility of:
 - the installation of electric vehicle charging stations at the airport;
 - the installation of electric aircraft charging stations at the airport; and
 - the siting of one or more renewable energy generating plants at the airports.

GOALS ARTICULATED BY STAKEHOLDERS

While not exhaustive, the following list of goals was articulated by a variety of stakeholders in the process.

- Accelerate development at airports by streamlining plans and permitting
- Workforce growth (aviation and other sectors)
- Workforce training
- Maximize and support state aviation assets
- Business recruitment



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- Expansion of the mission and vision for aviation and aerospace cluster
- Attract supporting industries for F35 basing in Vermont
- Attract and expand business to operate at airports (transport, goods, research)
- Preserve airport and aviation legacies, stories, and histories
- Leverage each airport's strength
 - e.g. CBP clearance at northern airports to connect more fully to Canadian businesses
 - Leverage foreign trade zones (e.g. at Coventry)
- Plans for 3 "tiers" (sizes) of airports

GENERAL OBSERVATIONS AND RECOMMENDATIONS FOR AIRPORT ECONOMIC DEVELOPMENT

It should be noted that each of the State's airport / aviation assets are different and may have differing challenges and opportunities. This list of general recommendations should be viewed as a starting point for planning and implementation. Detailed strategies for each recommendation will vary by location.

- Airports need continual growth and attention, like all transportation assets
 - Ensure that staff assigned to aviation and airports have the expertise to specialize in aviation infrastructure development
 - Consider enhancing the aviation brand by doing such things as:
 - Regular and consistent interface with airport businesses, Committees and Commissions, airport host communities and local/regional economic development organizations to promote planned growth outlined in airport Master Plans
 - Facilitate hangar space expansion through the promotion of public private partnerships
- Maintenance and ongoing facility upgrades. Runway maintenance, runway expansion, taxiway expansions and upgrades, and additional hangar space are the most pressing needs expressed by stakeholders
 - Due to limited available land, the State should consider investments in hangar infrastructure through public private partnerships that can be scaled up or down for a variety of uses. For example, building one large hangar that can accommodate many general aviation aircraft OR a smaller number of larger commercial aircraft. Building with construction, maintenance, and other potential aviation uses in mind provides greater long-term flexibility as opportunities arise and uses evolve. Available parcels at each airport should be assessed to ensure highest and best use.
 - Lighting and instrument landing systems, such as modern GPS approaches, are needed at some airports to enable additional traffic.
 - Improved cosmetics to fixed-based operator and terminal lobbies, fencing, facades, gates, etc. to create a welcoming atmosphere for visitors arriving by air.
 - Explore partnerships with local Chamber of Commerce, businesses, municipalities, and others to fund upgrades that lead to the best possible presentation of our airports



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- Explore options for ground transportation to and from airports. Options range from arrangements with transportation companies, partnerships with businesses, colleges, or others, and courtesy cars common at many general aviation fields.
- Promote economic development, expansion, and basing of aviation-related businesses and innovators.
 - Consider having the State facilitate obtaining master permits for development on airport grounds to attract development and deployment of assets as swiftly as possible. Explore streamlined permitting process for development on State airports including such things as: pre-permitted, reproducible hangar designs, and master permits for development.
 - Ensure a statewide inventory of existing buildings and land available for development on airports is available and up-to-date.
 - Make supportive infrastructure improvements at and around airports including natural gas, underground electrical system upgrades, fiber optic telecommunications, etc.
 - Encourage and promote restaurants and food truck events on airport facilities.
 - Actively recruit new airport-based businesses and promote expansion of existing aviation-related businesses.
 - Re-purpose any underutilized structures.
 - Conduct outreach to aviation businesses and innovators.
 - Ensure that programs like VEGI, VTP and others are well publicized during outreach.
 - Explore below-market-rate leases or other incentives for companies who create new jobs.
 - Evaluate and provide technical assistance to companies developing aviation business plans.
- Expand the number and services provided by fixed base operators (FBOs) and the number of civil aviation aircraft based and operated in Vermont
 - Encourage FBOs to enhance hours and days of operation
 - Encourage FBOs to enhance basic services from fueling to hangar space
 - Seek to expand the number of avionics shops
 - Ensure that contract terms between the State and FBOs are of sufficient length as to promote investment by the FBO in equipment and services. Consider performance-based contracts to mitigate risk to the State for FBOs who do not meet safety or performance standards.
 - Ensure awareness by all parties that the profit margins for FBO operation are not robust
- Consider the operational “imperative” for airports. More directly stated, the economic benefits to the State of airport operations should likely be based on the the growth of businesses, jobs, technology, and commerce rather than trying to make the airport assets themselves profitable. Operation of State-owned airports should be done with the stated goal of maintaining them as transportation assets and economic drivers rather than profitable enterprises unto themselves.
- Ensure that rental rates for commercial spaces on airport property are set correctly and competitively to ensure the assets can be maintained, while also attracting and retaining use.



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- Continue to work with the federal delegation to expand U.S. Customs availability at more airports to enable additional Canadian business and tourism traffic.
- Enhance focus on Pilot and Airframe & Power Plant Mechanic training. The number of pilots and mechanics required to keep pace with commercial airline growth is a national area of focus. Vermont should continue to find ways to expand flight schools and flight training options to help address impending national pilot shortage as well as training for mechanics. Among the strategies that could be embraced are:
 - Support for Vermont Technical College, technical high schools, and other established training entities to expand training options statewide.
 - Promote the Burlington Technical Center’s aviation maintenance programs
 - Support for educational programs provided by local pilot groups, Young Eagles, Civil Air Patrol, and others.
 - Find innovative ways to utilize Vermont Training Program funding to facilitate training avionics, airframe and power plant technicians

EXAMPLES OF SPECIFIC, LARGER SCALE INITIATIVES

While there are many opportunities for large scale initiatives in aviation and aerospace, three common threads emerged from this preliminary exploration. This report is not designed to fully explore each in depth. Rather, they are placeholders for further exploration and engagement. However, pursuit of testbed infrastructure for electrified aviation is a time sensitive endeavor that the agencies of Commerce and Transportation will be actively pursuing.

First, like many other industries, aviation and aerospace are in the midst of technological evolution – in some cases revolution. Innovation in aviation is occurring in a variety of arenas including aircraft design, propulsion systems, and arguably most prominently avionics and aircraft electrification.

Vermont is fortunate to be home to at least one cutting edge aviation company who, in part, is specializing in aircraft electrification. This company is working in multiple market segments and is poised to deploy infrastructure for electrified aircraft testing and operation. That work, coupled with a general acceleration of interest, research, and development in the area of aircraft electrification could allow Vermont to position itself as a testbed for electric aviation. Vermont’s airport system would be a logical testbed for a variety of reasons including; the varied geography, topography, and seasonal changes; distance to each airport (within range of

existing battery technology); and rural nature. If a system of electric aircraft charging facilities was deployed at State airports (it should be noted that a prototype is under construction at Burlington International as of the date of this report) our operating environment could attract a variety of key early players in electric aviation to the testbed. These include such companies as Boeing, Sikorsky, Bell, Bombardier, Tesla and others.



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On the broader topic of electric generation, vehicles, and charging stations, attached to this report is a Feasibility Evaluation that relates to electric vehicles prepared by the Agency of Transportation.

Next, incentives. Acknowledging immediately that Vermont is often averse to tax or other incentives, this is an area where incentives to attract startups and small companies in aviation innovation and research and development could have significant benefit to communities that host Vermont's airports. Aviation and aerospace innovation require intensive investment of capital and human resources. Jobs created are concentrated in technology, engineering, and advanced manufacturing – all of which have wage scales significantly higher than median wages in most areas of Vermont. At this early stage, with increasing opportunities for disruptive technology in aviation, Vermont should strongly consider incentives – such as tax-free zones - for innovative companies and startups who choose to grow their workforce and investment on State airports. Additionally, identify airports within New Market Tax Credit or Opportunity Zones and use those designations as additional marketing tools.

Finally, the most prevalent theme that emerged was the need to unlock development at airports to enable growth. Some of our airports have existing master permits for development while many do not. Creating a master plan and master permit will help accelerate development. Because operational margins for FBOs and other airport businesses are so small, we suggest that a State entity such as the Agency of Commerce & Community Development or Department of Buildings & General Services obtain the permits. Further, because of such narrow operating margins, we suggest that permit fees for development on State airports be waived in their entirety.

MARKETING STRATEGIES

Our first step to economic growth in aviation and at State airports is to continue to accelerate development of physical spaces at airports to accommodate growth. From there, marketing the State's aviation and aerospace assets will flow. Across the State, one of the primary observations from stakeholders regarding marketing is that assistance is needed from the State to better market airports and general aviation in order to expand airport use, grow and attract new aviation and aerospace businesses, and enhance commercial services.

Among the questions for marketing aviation, aerospace, and airports, the primary one is who is the target market? While the target market differs by airport, the initial array of target markets includes:

- Canadian market travelers interested in business, foreign direct investment, and recreation/tourism, including many Canadian general aviation travelers who land at northern VT airports and drive to Canada.
- New businesses, including but not limited to those in warehousing, light manufacturing, and intermodal transport.
- MA, NY, CT travelers – including “Epic Pass” ski travelers, as well as mountain, food, and craft beverage tourism.
 - Strategies could include mapping attractions relative to airport location.
 - CT Aerospace recruitments - corporate travelers (UTC - Rockwell Collins)
- Prospective second home owners interested in property investment.
- Students interested in aviation and aerospace careers ranging from flight training, to aircraft maintenance to aerospace engineering.



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- Corporate aviation operators.
- Aerospace manufacturers - supply chain hub work
- A general aviation awareness campaign for Vermonters illuminating the history, assets, economic benefits, and future possibilities in aviation. This effort should include events at airports to introduce Vermonters to their local facilities.

Specific marketing strategies that could be deployed include:

- Cross promotion with tourism assets, resorts, welcome centers, etc (including lobby information, displays, etc) about airport availability to create awareness
- Craft and deploy articles, blog posts, etc. about Vermont aviation in industry, tourism, and aviation magazines, websites, etc.
- Better maps on VT sites about airport options - VermontVacation.com, etc
- Promote airports through aviation specific events such as fly-ins, hosting general aviation clubs, model clubs (such as the International Cessna 170 club – coming to Vermont) to meet at Vermont airports. Consider cross-promoting other tourism and community assets as part of the “package” of activities that could occur during these events.
- Direct engagement with aerospace companies based in Vermont and in the corridor from Quebec to Connecticut about their needs and opportunities
- An initiative, possibly an extension of the “did you know” segments on thinkvermont.com about airports, aviation, and aerospace in Vermont. This would include general messaging about airports, what happens there, open houses, outreach to community groups including youth groups such as scouting organizations, schools, etc.
 - Consider re-establishing the “Airport Passport Program” which encourages visits to airports
- Digital and print guides to available spaces, assets, and infrastructure for each airport in the system.
- Digital marketing campaign targeted to specific audiences, e.g. New England business travelers.
- Ensure that airports are marketed to the Canadian catchment area.
- Ensure communities are mindful of airports as possible locations for community events (that will not adversely impact airport grounds and maintenance or overly interfere with operations).
- Attendance at key eastern region (and some national) general aviation events and trade shows to explore expansion opportunities, business recruitment, and to develop other innovative strategies to expand aerospace and aviation opportunities at State airports. Consider bringing small delegations from our existing aviation ecosystem.

FINAL THOUGHTS

While this report should not be considered exhaustive and additional detail will be available when the systems plan is released later this year. It is clear that there are a variety of opportunities for economic and community development using State airports as a centerpiece. With development and continued infrastructure improvements, State airports could continue to attract and retain business, enhance workforce development, spearhead crucial technology advancements, and grow commerce essential to Vermont’s future.

