

# The Economic Impact of Tri-State Airport

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## Prepared for:

Tri-State Airport Authority



## Prepared by:

Center for Business and  
Economic Research  
Marshall University  
One John Marshall Drive  
Huntington, WV 25755

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# THE ECONOMIC IMPACT OF THE TRI-STATE AIRPORT

## EXECUTIVE SUMMARY

The Tri-State Airport is a key component of the region's transportation system and an important asset in the economic vitality and future development of the Tri-State area. The Marshall University Center for Business and Economic Research (CBER) conducted a two-part analysis of the impact of the airport and its related operations. This report quantifies the Tri-State Airport's contribution to the present and potential economic success of the region. The analysis calculates the impact on output, employment and tax revenue as a result of the Tri-State Airport's presence in the region.

Local airports are a vital access point in connecting the surrounding community to the rest of the State, country and even the world. Convenient access to air transportation is also crucial in the economic development and business growth in a region. Economic impact translates into quality of life. Without the Tri-State Airport, Huntington and the surrounding area would be considerably different and less prosperous than the region is today. There would be fewer jobs, fewer visitors to the area and millions of dollars in lost wages as well as revenue to local and State government in our regional economy. The information in this study is relevant to a broad range of consumers, not just those who use Tri-State Airport for personal or business air travel. Anyone who lives in the region benefits from the economic stimulus and quality of life advantages that this airport provides.

The economic impact of the Tri-State Airport can be summarized as follows:

**Table 1**  
**Summary Impacts of Tri-State Airport & Tenants**

<b>Output</b>	<b>\$50.4 million</b>
<b>Income</b>	<b>\$21.1 million</b>
<b>Jobs</b>	<b>803</b>
<b>State &amp; Local Tax Revenue</b>	<b>\$3.5 million</b>

The Tri-State Airport must be viewed as a major industry whose significant contribution would be lost or seriously diminished if it would cease to provide the services currently associated with its presence. Growth in the services it provides would only increase its value to the business, medical, educational and governmental entities in the area.

# THE ECONOMIC IMPACT OF THE TRI-STATE AIRPORT

## INTRODUCTION

### Importance of Regional Aviation

Aviation is unquestionably one of the most crucial industries in the nation's economy. When many people think of aviation, only the large international "hub" airports located in major metropolitan areas such as New York or Los Angeles come to mind. However, it is the smaller regional airports that provide the greatest impact for those living and working in the area they serve. The culture has become so accustomed to the services, products and other everyday conveniences that regional aviation brings those airports are often taken for granted.

The scope of regional airport contributions to the region's economy extend far beyond convenience for travelers. Regional airports are the first step from a community to the rest of the world. Whether for business or leisure travel, movement of cargo and mail, general aviation and training, medical transportation of patients and supplies, or law enforcement and the protection of citizens, air travel is essential. The economic benefits derived from aviation extend far beyond provision of these services.

### Tri-State Airport

The Tri-State Airport Authority is responsible for the operation of Tri-State Airport. The Tri-State Airport is located less than 10 miles west of the City of Huntington, at the western border of West Virginia in Wayne County. Huntington is a commerce and communications center for the Tri-State Area. Most of the city is in Cabell County, with a small part in Wayne County. As of the 2000 census, the city had a total population of 51,475 (47,341 in Cabell County, 4,134 in Wayne County). The airport, at an elevation of 828 feet, is approximately 56 miles from the state capital in Charleston, WV and within five miles of the borders of both Kentucky and Ohio. It is easily accessible from Interstate 64 via U.S. Route 52.

**Table 2**  
**Air Service at Huntington Tri-State Airport**

<b>Air Carrier</b>	<b>Daily Flights</b>	<b>Destination</b>
US Airways Express	4	Charlotte
Comair Delta Connection	4	Cincinnati

A regional metropolitan center for over twenty counties in the Tri-State Area, Huntington has the potential to prosper in the 21st century. St. Mary's Medical Center, Cabell-Huntington Hospital, King's Daughters Medical Center and Our Lady of Bellefonte Hospital provide health care for the region. Huntington is a medical community and a university town, both of which rely heavily on air transportation. The hospitals are four of the largest employers in the region. About 16,000 students are currently enrolled at Marshall University. Many of these students utilize air transportation not only for travel but also for recreational purposes.

More important is the ability of individuals from the medical centers and University to travel to meetings and for others to come and do business or attend meetings. Not to be overlooked is the demand for air transport by the other industries and businesses in the area. Access to air transportation often determines the difference in whether a region grows or stagnates and then declines.

Medical services and education are the foundations of the Tri-State economy followed by manufacturing. Dependent services such as federal, state and local government and retail trade round out the economic picture. Table 3 indicates the number of jobs in each sector. These businesses and government agencies create demand for air transportation and their expansion is at least partially dependent on having frequent air service, at convenient times with good connections. Currently, a significant portion of this potential traffic is siphoned off to other airports.

**Table 3**  
**Employment in Huntington-Ashland MSA**

<b>Education</b>	<b>Enrollment</b>	<b>Employment</b>
Marshall University	16,000	2,000
Morehead State	9,000	1,284
Ohio University Southern Campus	1,885	231
Rio Grande	2,900	231
Ashland Community and Technical College	2,500	204
<b>Medical</b>	<b>Beds</b>	<b>Employment</b>
King's Daughters Medical Center	366	3,000
St. Mary's Medical Center	440	2,000
Cabell Huntington Hospital	238	1,500
Our Lady of Bellefonte	194	1,200
<b>Manufacturing</b>		<b>Employment</b>
AK Steel		1,131
CSX, Huntington		1,100
Marathon Petroleum		1,050
Special Metals		975

\*Information above is most recent data compiled from various institution sources.

As important as passenger air travel is, that is not the major economic contribution of Tri-State Airport. Its greatest impact comes from the presence of FedEx and the Army National Guard's use of its facilities. Further development of auxiliary enterprises that need proximity to airports presents the most attractive development strategy for Tri-State Airport.

The challenges the Tri-State Airport faces include maintenance of existing runways, improvement of navigation aides, general aviation facilities and terminals, while continually improving existing service, and laying the foundation to attract new air traffic. As with most public airports, Tri-State must compete with other airports for business and for available public funding. In order for the Tri-State Airport Authority to accomplish these goals it must first demonstrate its vital importance to the local and statewide economy. This importance is demonstrated not only in the quantitative economic impacts, such as employment and business income, but also in the qualitative benefits, such as access to life-saving healthcare and to recreation, which cannot be measured.

### **Measuring the Economic Impact of Tri-State Airport**

This report presents the results of an economic impact study conducted by the Center for Business and Economic Research (CBER) at Marshall University for the Tri-State Airport Authority. The analysis calculates the impact using spending and employment in the region in 2005.

CBER utilized data on purchases made from West Virginia vendors and payroll data provided by the Tri-State Airport Authority and its auxiliary enterprises to conduct its analysis. Calculated spending impacts are economy-wide, and include indirect business impacts and induced household impacts. The IMPLAN regional modeling software<sup>1</sup> was utilized in the evaluation of these multiplier effects to allow industry-specific analysis. Categories of impacts are as follows:

1. **Wages/Employment Impact** This component of the analysis evaluates the expected impact on regional spending for goods and services by households earning their income from employment at the airport and its auxiliary enterprises.
2. **Spending Impact** This component of the analysis evaluates the impact of direct spending on regional goods and services in support of daily operations by all airport and on/off-site vendors.
3. **Tax Impact** This component of the analysis estimated the tax revenues the State of West Virginia receives from these wages and associated spending.

The CBER utilized a variety of resources to reach its conclusions which are based on the following:

- A review of the financial statements of the Tri-State Airport Authority
- US Department of Transportation Federal Aviation Administration (FAA) Forecast Analysis 2006-2017
- Wage and salary data from the U.S. Bureau of Labor Statistics
- The Tri-State Airport Master Plan (2003)

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<sup>1</sup> IMPLAN Professional Version 2.0 (1999) Minnesota IMPLAN Group, Stillwater MN.

- Small Community Air Service Development Program Grant Application
- Tri-State Airport Market Analysis and Strategic Plan (2004)
- Survey data obtained from on-site vendors and tenants
- A comprehensive literature review of local airports with similar characteristics
- Use of the IMPLAN Input/Output model to calculate the impact of employment and spending from the Airport Authority and its tenants and vendors in the regional economy

## FINDINGS

### **Output, Income and Employment**

Output is the most important component of an economic impact study. Output measures the total spending resulting from the presence of a business or other organization in a given region. The Tri-State Airport Authority is in itself a great stimulus to the local economy. Direct spending for the 2005-2006 fiscal year is nearly \$2 million. Operations, construction, and salaries are the main categories for these expenditures. On site vendors, tenants and tertiary facilities contribute another \$31.5 million in annual spending. Salaries and wages constitute the majority of these expenditures. Incomes which are then spent by the employees of these operations for housing, goods, and services create the largest impact to the local economy. Impacts of this spending are measured in three ways: direct, indirect and induced.

1. **Direct economic impacts** are defined as the additional economic activities stimulated by direct expenditures associated with aviation related entities at Tri-State.
2. **Indirect impacts** expenditures include the increased economic activities of other businesses that service those directly involved in aviation activity.
3. **Induced economic impacts** are those increases in economic activity associated with the increased disposable income created by the increase in either aviation or related activities.

At current capacity, the Tri-State Airport Authority employs over 50 people. These jobs range from part-time parking lot attendants to full-time administrative positions. This direct employment results in an additional 42 indirect and 22 induced jobs equaling 117 total positions due to the airport management operation itself.

Tenants and vendors at the airport are responsible for additional jobs. When the tenants and tertiary businesses that operate at the airport are added, the benefits to the local economy are extraordinary. The benefits shown in Table 4 represent the sum of expenditures, earnings and employment of these operations, specifically due to the presence of the airport and its aviation activity.

**Table 4  
Impacts of Tri-State Airport & Tenants**

	Direct	Indirect	Induced	Total
<b>Output</b>	\$33.5 million	\$6.6 million	\$10.3 million	<b>\$50.4 million</b>
<b>Income</b>	\$15.4 million	\$2.2 million	\$3.5 million	<b>\$21.1 million</b>
<b>Jobs</b>	596	71	136	<b>803 FTE*</b>

\* FTE – Full Time Equivalent

**Employment**

The Tri-State Airport and its auxiliary enterprises provide employment to almost 1,300 full and part time employees. Due to pledges of confidentiality, employment cannot be released by employer, but Table 5 provides a summary.

**Table 5  
Sources of Employment\***

Category	Full-Time	Part-Time
Administration	48	5
Federal	104	954
Private	109	63
<b>Total</b>	<b>261</b>	<b>1,022</b>

\*Due to pressure of confidentiality, employment data for each entity is not available.

What does this economic impact of Tri-State Airport mean to Huntington and the surrounding community?

1. Employment
2. New business development
3. Expansion of tourism
4. Access to life-saving healthcare
5. Recreation
6. Aviation Training



**Table 6**  
**Direct Jobs Attributable to Aviation Activity at Tri-State Airport**

<b>Major Industry</b>	<b>Jobs</b>
Construction	9
Manufacturing	1
Transportation & Warehousing	171
Real Estate & Rental	28
Professional- Scientific & Tech Services	2
Administrative & Waste Services	54
Accommodation & Food Services	59
Government	274
<b>Total</b>	<b>596</b>

**Table 7**  
**Indirect / Induced Jobs Attributable to Aviation Activity at Tri-State Airport**

<b>Major Industry</b>	<b>Jobs</b>
Ag, Forestry, Fish & Hunting	3
Mining	1
Utilities	1
Construction	3
Manufacturing	4
Wholesale Trade	7
Transportation & Warehousing	12
Retail Trade	41
Information	5
Finance & Insurance	10
Real Estate & Rental	8
Professional- Scientific & Tech Services	13
Management of Companies	1
Administrative & Waste Services	18
Educational Services	1
Health & Social Services	29
Arts- Entertainment & Recreation	3
Accommodation & Food Services	23
Other Services	19
Government	4
<b>Total</b>	<b>207</b>

**Table 8  
Direct Output by Aviation Activity at Tri-State Airport**

<b>Major Industry</b>	<b>Output in \$</b>
Construction	663,247
Manufacturing	2,497,248
Transportation & Warehousing	8,357,163
Real Estate & Rental	3,676,923
Administrative & Waste Services	4,102,738
Accommodation & Food Services	2,489,346
Government	11,746,041
<b>Total</b>	<b>33,532,705</b>

**Table 9  
Indirect / Induced Output Due to Aviation Activity at Tri-State Airport**

<b>Major Industry</b>	<b>Output in \$</b>
Ag, Forestry, Fish & Hunting	36,132
Mining	294,061
Utilities	479,014
Construction	235,844
Manufacturing	1,506,373
Wholesale Trade	812,601
Transportation & Warehousing	1,092,875
Retail Trade	1,748,771
Information	800,784
Finance & Insurance	1,199,733
Real Estate & Rental	735,766
Professional- Scientific & Tech Services	939,870
Management of Companies	141,190
Administrative & Waste Services	813,560
Educational Services	60,338
Health & Social Services	2,019,858
Arts- Entertainment & Recreation	173,138
Accommodation & Food Services	890,838
Other Services	848,716
Government	2,126,301
<b>Total</b>	<b>16,955,760</b>

## Importance of the National Guard Armory

A critical, but often overlooked, impact associated with the importance of the Tri-State Airport is the location of the National Guard Armory on the property adjacent to the airport as seen in Figure 1. The armory is an administrative and training base for three types of armed forces troops; Army National Guard, Army Reserves and Special Forces (Green Berets). The WV Army National Guard is an elite group of warriors who dedicate a portion of their time to serving their nation. Each state has its own National Guard as required by the U.S. Constitution; in fact, the National Guard is the only branch of the military whose existence is actually required by the Constitution.

**Figure 1: National Guard Armory**



The 2/19th Special Forces Battalion consists of three companies: a headquarters company; a line company with six Operational Detachment Alphas, or A-Teams, commonly known as the Green Berets; and a support company with mechanics, cooks and communication and intelligence specialists.<sup>2</sup> The troops receive unconventional method, reconnaissance, and extraction training. They are often used to enhance conventional forces in a deployment area.

The Guard plays a key role during floods, fires and other natural disaster. The National Guard State mission involves helping communities during natural disasters and civil emergencies. When not federalized, the Army National Guard has a federal obligation to

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<sup>2</sup> Cantley-Falk, Rebecca, "Kenova Guard unit prepares for call to duty," *The Herald Dispatch*, Dec 2001

maintain properly trained and equipped units, available for prompt mobilization for war, national emergency, or as otherwise needed. The location of the WV National Guard Armory at the airport is crucial for its training and mobilization needs.<sup>3</sup>

### **Generation of State Revenue**

The personal income originating from the aviation related activities at Tri-State Airport also generates tax revenue for the State. The following table represents the additional tax dollars attributable to the income from the direct, indirect and induced income produced as a result of Tri-State Airport.

**Table 10**  
**Tri-State Airport's Impact on State Tax Revenue\*\***  
**FY 2005**

<b>Tax</b>	<b>Direct</b>	<b>Total</b>
Personal Taxes	\$ 896,480	\$ 1,207,842
Consumer Sales & Use	\$ 814,528	\$ 1,097,426
Business Taxes **	\$ 568,653	\$ 766,155
Excise Taxes	\$ 268,020	\$ 361,108
Misc Fees & Transfers	\$ 12,045	\$ 16,229
<b>Total State</b>	<b>\$ 2,559,727</b>	<b>\$ 3,448,760</b>

\*\* Severance, Property Transfer, Racing Fees, Estate and Inheritance taxes are omitted.

### **Extent of Potential Service Area**

The Tri-State Airport is a non-hub airport and is classified by the Federal Aviation Administration (FAA) as a primary commercial service facility and by the WVASP as a short-haul facility.<sup>4</sup> The majority of passengers at Tri-State Airport either originate or terminate their travel in Huntington. In the Tri-State area, the airport serves a population of 122,000 within a 30 minute drive, 491,000 within a one hour drive and almost 1.4 million within a two hour drive. A population base of 350,000 is a representative estimate of the Tri- State Airport market area.

<sup>3</sup> The Army National Guard's Official Web Site <http://www.1800goguard.com/>

<sup>4</sup> Master Plan Update (2003)

**Figure 2: Geographic Service Area<sup>5</sup>**

Half-Hour Drive Zone	Population:	121,791
One-Hour Drive Zone	Population:	490,621
Two-Hour Drive Zone	Population:	1,368,800



**Scope of Study**

The following are the entities from which data was collected during the course of this impact study.

- **Tri-State Airport Authority**  
 Tri-State Airport / Milton J. Ferguson Field is owned and operated by the Tri-State Airport Authority. Fourteen members are appointed to the Authority representing the following.<sup>6</sup>

<sup>5</sup> Huntington Tri-State Airport, Proposal Under the Small Community Air Service Development Program. April 22, 2005.

<sup>6</sup> <http://www.tristateairport.com/airporthistory.html>

City of Ashland, Kentucky	(1) member
City of Huntington, West Virginia	(2) members
City of Kenova, West Virginia	(1) member
City of Ceredo, West Virginia	(1) member
Boyd County Commission (KY)	(1) member
Cabell County Commission (WV)	(2) members
Wayne County Commission (WV)	(2) members
Huntington Area Development Corporation (WV)	(1) member
Ashland Alliance (KY)	(1) member
Huntington Regional Chamber of Commerce (WV)	(1) member
Greater Lawrence County Area Chamber of Commerce &	(1) member

- **FedEx Air Base**

FedEx provides access to a growing global marketplace through a network of supply chain, transportation, business and related information services. FedEx Express is the world's largest express transportation company, providing fast and reliable delivery to every U.S. address and to more than 220 countries and territories. FedEx Express uses a global air-and-ground network to speed delivery of time-sensitive shipments, usually in one to two business days with the delivery time guaranteed.<sup>7</sup> FedEx Air operations at Tri-State Airport handle shipments delivered by 1 large and 3 smaller regional jets per day 6 days a week.

- **FedEx Ground Base**

FedEx Ground began in 1985 as RPS (Roadway Package System), a division of Roadway Services, which became Caliber System Inc. in 1996. RPS revolutionized the small-package ground shipping market. It was the first in the ground business to use bar coding and automated sorting, providing customers with relevant information about their packages. In 1993, RPS exceeded \$1 billion in annual revenue, just nine years after its creation, to record the fastest growth of any ground transportation company. Today, FedEx Ground is the only small-package ground carrier operating a network of automated facilities and ships more than 2.6 million packages every business day.<sup>8</sup>

- **Delta Connection**

Delta Air Lines is one of the world's fastest growing international carriers with more than 50 new international routes announced in the last year. Delta offers flights to 447 destinations in 96 countries on Delta, Delta Shuttle®, the Delta Connection® carriers, and other worldwide partners.<sup>9</sup>

Tri-State Airport is served by Comair Delta Connection with daily departures to and arrivals from Cincinnati (CVG) aboard Canadair Regional Jet 200 which accommodates 40 passengers.

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<sup>7</sup> Available from <http://www.fedex.com/us/about/today/companies/express/?link=4>

<sup>8</sup> Available from <http://www.fedex.com/us/about/today/companies/ground/?link=2>

<sup>9</sup> Available from [http://www.delta.com/about\\_delta/index.jsp](http://www.delta.com/about_delta/index.jsp)

- **US Airways Express**  
 US Airways Express is a network of nine regional airlines operating under a code share and service agreement with US Airways. This service offers travelers frequent, well-timed flights to US Airways' hub airports and cities throughout the U.S., Canada and the Bahamas.<sup>10</sup> Daily flights between Huntington, WV and Charlotte, NC are offered on 37 seat DeHavilland Dash 8-100 aircraft.
- **Hertz**  
 Hertz is the largest car rental company in the world. Car rental is the largest and best known of Hertz' activities. This 80 year business is conducted from approximately 3,100 locations in the United States and 4,600 international locations. Hertz offers a wide variety of current-model cars on a short-term rental basis -- daily, weekly or monthly -- at airports, in downtown and suburban business centers, and in residential areas and resort locales. Today, Hertz' Worldwide Reservations Centers handle approximately 40 million phone calls and deliver approximately 30 million reservations annually.
- **Avis**  
 Avis Rent A Car System, LLC. and its subsidiaries operate the world's second largest general-use car rental business, providing business and leisure customers with a wide range of services at more than 1,700 locations in the United States, Canada, Australia, New Zealand and the Latin American/Caribbean region. Avis is recognized as the industry leader in applying new technologies and is one of the world's top brands for customer loyalty. The company is a wholly owned subsidiary of Cendant Corporation (NYSE:CD) and has marketing agreements with Avis Europe Plc, a separately owned UK-based company owning or franchising an additional 3,050 Avis locations in Europe, the Middle East and Africa.
- **Enterprise**  
 Enterprise is the largest car rental company in North America. This rapidly growing company is headquartered in St. Louis, Missouri with more than 6,500 offices worldwide. Service includes picking up customers at no extra cost. They have the distinction of having an office within 15 miles of 90 percent of the U.S. population.<sup>11</sup>
- **Transportation Security Administration**  
 The Transportation Security Administration (TSA) was created in response to the terrorist attacks of September 11, 2001 as part of the Aviation and Transportation Security Act signed into law by President George W. Bush on November 19, 2001. TSA was originally in the Department of Transportation but was moved to the Department of Homeland Security in March 2003. TSA's mission is to protect the nation's transportation systems by ensuring the freedom of movement for people and commerce. In February 2002, TSA assumed responsibility for security at the nation's airports and by the end of the year had deployed a federal work force to meet challenging Congressional deadlines for screening all passengers and baggage.

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<sup>10</sup> Available at <http://www.usairways.com/about/corporate/express>

<sup>11</sup> Available at <http://aboutus.enterprise.com/>

- **Federal Aviation Administration (FAA) Tower**  
The primary service of the FAA Air Traffic Organization is to move air traffic safely and efficiently. Customers include commercial and private aviation and the military. FAA employees are the service providers – the 38,000 controllers, technicians, engineers, and support personnel whose daily efforts keep the airplanes moving.<sup>12</sup>
- **Federal Aviation Administration Ground Operations**  
FAA Ground operations handle the lighting and maintenance of the runways.
- **The Landing**  
The Landing is the on-site food and drink establishment located in the main terminal building of Tri-State Airport. The Landing is a full service restaurant and gift shop. Banquet room facilities are also available for meetings or large gatherings with catering service available.
- **General Aviation**  
This category encompasses all non-commercial flights and operations. As well as commercial flights by legacy carriers Delta Airlines and US Airways Express, Tri-State Airport also provides general aviation services for both recreational and business flyers. General aviation (GA) is defined as all aviation other than scheduled commercial airlines and military aviation. It is one of the nation's most important and dynamic industries, carrying 166 million passengers annually. More than 5,000 communities rely on GA for their air transportation needs (scheduled airlines serve about 500). Nearly 70 percent of the hours flown by GA are for business purposes.<sup>13</sup>

### **General Aviation Industry Facts & Statistics**

- General aviation (GA) is defined as all aviation other than scheduled commercial airlines and military aviation.
- General aviation directly contributes more than \$41 billion (\$102 billion indirectly) to the U.S. economy annually.
- In the U.S., general aviation aircraft fly over 27 million hours (nearly two times the airline flight hours), and carry 166 million passengers annually.
- General aviation is responsible for 540,000 jobs.
- There are more than 5,000 paved general aviation airports open to the public in the U.S. By contrast, scheduled airlines serve less than 500 airports.
- Nearly two-thirds of all the hours flown by general aviation aircraft are for business purposes.
- General aviation is the primary training ground of most commercial airline pilots.
- There were 34 general aviation aircraft based at Tri-State Airport during 2005.

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<sup>12</sup>Available at <http://faa.gov>

<sup>13</sup> General Aviation Manufacturers Association

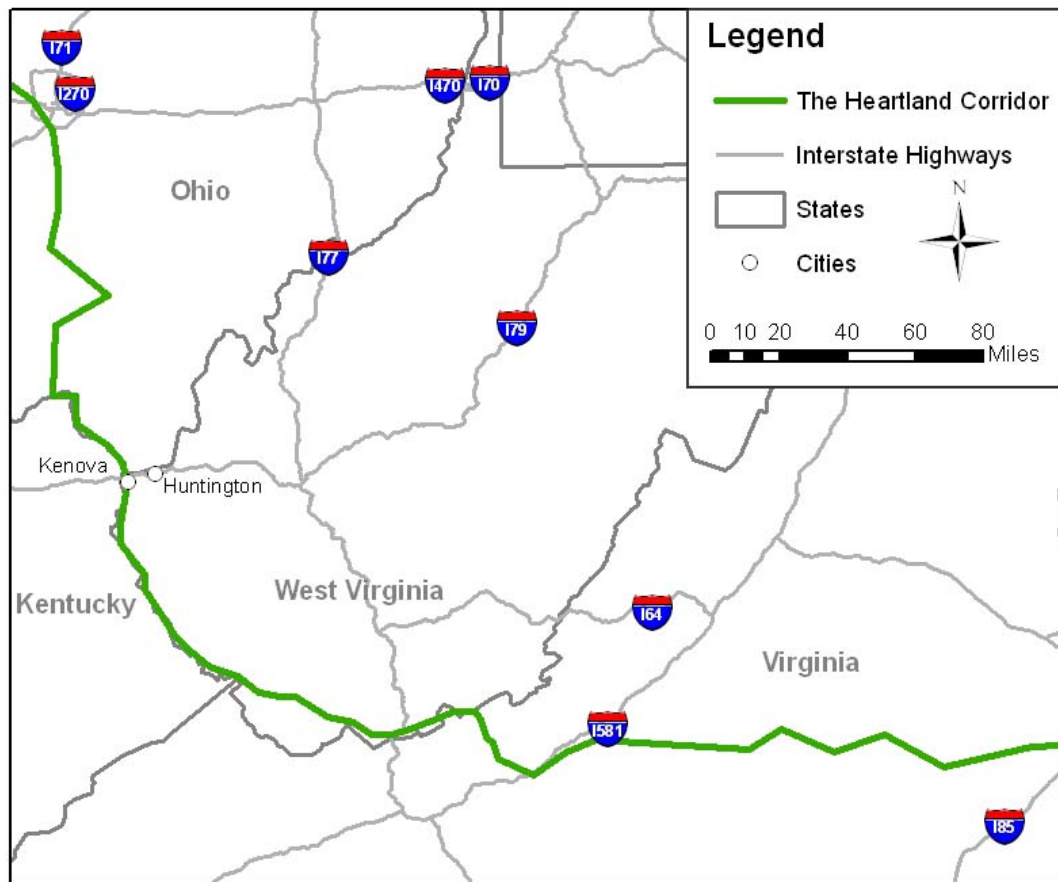


## UNMEASURED ECONOMIC IMPACTS

Some economic impacts of the Airport that were not evaluated are the potential future benefits that its presence might allow. While benefits such as this will be acknowledged as deemed pertinent, no forecasting of the economic potential will be included due to their uncertain nature.

The Heartland Corridor Project (HCP) was designed to create a seamless, efficient intermodal rail route from the Port of Virginia thru West Virginia and link with western rail networks in Columbus, Ohio. Building on Huntington's history as a transportation hub, the Heartland Corridor Project is invigorating business development in the Tri-State Area. The Heartland Corridor will include the development of an intermodal rail yard within a few miles of Tri-State Airport. This facility will transfer containers from train to truck and involve an extensive network of warehouse facilities.

**Figure 3: Heartland Corridor Project**



One such development is the Prichard Industrial Park, a 70 acre site located in Prichard, WV in Wayne County. The park is approximately 12 miles southwest of Tri-State Airport along the I-64 corridor. Since 1997, extensive development has occurred at this site bringing new international businesses to West Virginia. These companies are an integral part in supplying components to many of North America's automotive manufacturers. Proximity to Tri-State Airport was certainly a factor in the decision to locate in this area.

Visitors who arrive by air at Tri-State Airport create demand for goods and services both at the airport itself and for off-site retailers such as lodging and retail establishments. These visitors generally have higher expenditures than those who would use other forms of travel such as personal car or bus. These expenses generally include hotel, car rental, taxi service and food and beverage establishments.

In order to accurately measure these expenditures, a comprehensive visitor survey would need to be conducted. A survey instrument of this type would include specific categories of spending for each visitor. The scope of this analysis did not encompass a survey of this type so these effects, while potentially substantial, are not included in the overall economic impact.

A one-time grant of \$500,000 from the Small Community Air Service Development grant program (SCASD) will generate additional economic stimulus in 2006 through rebates to local business travelers and expenditures to travel agencies, advertising companies and the hospitality industry. This impact is a non-recurring event and is not included in the overall impact.

Tenants or vendors not responding to the survey, or those whose responses were incomplete could not be included in this study. For this reason, the overall economic impact determined here should be considered conservative.

## **METHODOLOGY**

This study is a snapshot of the economic impact of the Tri-State Airport and its auxiliary enterprises for the 2005 fiscal year. The year 2005 was selected because it provided the most recent year with complete data. Future capital expenditures were not included since accurate information was not available as of the study date.

Information on revenues, employment and earnings was collected directly from the Tri-State Airport Authority and its tenants and on site vendors. The CBER obtained contact information for the commercial airlines, terminal vendors, airport tenants, and government agencies located at the airport. These businesses were sent a survey form to be completed and returned to the CBER.

The survey requested information regarding annual average payroll, number of employees, operating expenses and gross revenues. A sample of this survey is shown in Appendix A. The initial survey was faxed and follow-ups conducted by telephone or personal interviews until all cooperating entities responded. If survey data was incomplete, ratios were developed to determine the relationship between payrolls or employment figures given and total expenditures. Additional average wage information for the Huntington-Ashland MSA (Metropolitan Statistical Area) was obtained from the U.S. Bureau of Economic Analysis.

Results were modeled using the IMPLAN regional input-output simulation software to assess the multiplier effects of direct airport spending by its employees, vendors and tenants. This software simulates the secondary (indirect) and tertiary (induced) spending that occurs due to initial spending in an assigned industry. The secondary impacts occur when local businesses re-spend the dollars earned by the airport necessary to provide it with goods and services. The tertiary impacts result from spending by individuals who receive their incomes either directly from the Airport Authority or from those firms who do business with Tri-State Airport and its tenants.

Initial direct spending stimulates additional indirect spending by businesses as they supply goods and services to the Airport and induced spending by households who are employed by those businesses. This report measures all of these impacts which are summarized in Table 4. The total impact is the net effect of spending and includes allowances for leakage to domestic and international trade. Purchases of goods and services that are not supplied by businesses within the study area are considered to be leakages. These funds do not remain in the local economy and thus do not contribute to indirect or induced spending.

### **Future of the Aviation Industry**

The 2006 forecast for commercial aviation anticipates small gains, but in the longer run, the industry is expected to grow significantly. System capacity will increase just 0.9 percent this year, as legacy carriers cut back on flights. By comparison, capacity in international markets will rise 5.9 percent.

Domestically, capacity is expected to decrease 0.7 percent, triggered by cutbacks made by legacy carriers to the types of aircraft in their fleets. This creates a domino effect in regional carrier capacity, which is fed from the legacy carriers. Regional carrier capacity had grown by as much as 20 percent per year since 2003. This year, the growth is expected to be 4.5 percent. Enplanements are projected to decrease by 0.2 percent.

Enplanements at Tri-State Airport have increased in the fourth quarter of 2005, potentially due to the departure of low priced fare carrier Independence Air from Yeager Airport in Charleston, WV; however, passenger capacity is still running below 50%.

The size of domestic aircraft will decline this year by 1.4 seats. Legacy carriers continue the trend of replacing their larger aircraft with smaller, narrow-body planes. Additionally, demand for 70-90 seat aircraft will continue to increase, which furthers the decline in overall number of seats per aircraft. However, the trip length per passenger will increase this year by almost 3 miles.

General aviation is expected to receive a boost from relatively inexpensive twin-engine microjets which may redefine “on-demand” air taxi service. Next year, 100 microjets will join the fleet, growing to an expected 400-500 per year through 2017. The number of general aviation hours flown are also expected to increase by 3.2 percent per year through 2017.

The FAA continues to be optimistic about the future. Since 2000, the industry has been battered with 9/11, the spread of Severe Acute Respiratory Syndrome (SARS), and record high

fuel prices. An important yardstick, though, remains the number of passengers that traveled. Last year, that number was a record 739 million, up from 690 million the previous year. U.S. commercial aviation remains on track to carry one billion passengers by 2015. In addition, international traffic is growing almost 2 percent faster than domestic traffic. The remaining formidable hurdle for the commercial aviation industry as a whole will be the price of oil. In the long run, inexpensive tickets, a strong national economy, and increasing demand for seats aboard aircraft should bode well for the industry and consumers.<sup>14</sup>

The Terminal Area Forecast System (TAF) is the official forecast of aviation activity at the FAA facilities. These forecasts are prepared to meet the budget and planning needs of the FAA and provide information for use by state and local authorities, the aviation industry, and the public. Tables 11-13 show the detail of the historical data from 1996 through 2005 and forecasts for the fiscal year 2006.

**Table 11**  
**Historical Aircraft Operations – Tri-State Airport**

YEAR	ANNUAL OPERATIONS
1996	38,786
1997	42,362
1998	49,546
1999	56,381
2000	56,086
2001	46,950
2002	47,449
2003	40,079
2004	42,259
2005	37,892
2006*	38,675

<sup>14</sup> FAA Aerospace Forecast Fiscal Years 2006-2017

**Table 12**  
**Historical Based Aircraft – Tri-State Airport**

<b>YEAR</b>	<b>BASED AIRCRAFT</b>
1996	59
1997	59
1998	59
1999	49
2000	49
2001	48
2002	42
2003	48
2004	49
2005	34
2006*	35

**Table 13**  
**Historical Enplanements – Tri-State Airport**

<b>YEAR</b>	<b>ANNUAL OPERATIONS</b>
1996	69,824
1997	63,970
1998	69,926
1999	67,506
2000	55,777
2001	53,558
2002	46,266
2003	42,679
2004	34,271
2005	34,932
2006*	35,855

\*Estimated

## CONCLUSION

Currently, the Tri-State Airport has considerable unused passenger capacity for all flights. Increasing the number of passengers using those flights will not have a substantial additional economic impact on the region. To the extent that higher passenger traffic leads to more flights at better times to additional air hubs, there could be a significant economic impact. The key is to maintain and improve the level of air passenger traffic to accomplish this outcome. Since the potential expansion is speculative, no attempt is made in this study to measure its impact.

The Tri-State Airport should emphasize the expansion of auxiliary enterprises which would either locate as tenants at the Airport or nearby. The greatest current economic impacts result from the presence of the Army National Guard Armory and FedEx. Attracting more businesses or government entities to locate on or near the Airport would have the greatest positive impact on the region's economy.

**Appendix A**

**Tri-State Airport Economic Impact Survey**

**What is the principal category of your business at Tri-State Airport?**

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**How many people does your organization employ at the Tri-State Airport site?**

Full Time \_\_\_\_\_ Part Time \_\_\_\_\_

**Do you employ additional people off the airport who are integral to your operation at the airport?**

Full Time \_\_\_\_\_ Part Time \_\_\_\_\_

**Please answer the following questions for your most recent fiscal year.**

Gross revenues \$ \_\_\_\_\_

Total payroll (including benefits) \$ \_\_\_\_\_

Capital expenditures \$ \_\_\_\_\_

**What are your typical annual business expenses other than payroll?**

Building rental/lease \$ \_\_\_\_\_

Pad/apron lease \$ \_\_\_\_\_

Utilities \$ \_\_\_\_\_

Office supplies/equipment \$ \_\_\_\_\_

Tax/accounting services \$ \_\_\_\_\_

Fuel costs \$ \_\_\_\_\_

Insurance \$ \_\_\_\_\_

Miscellaneous/other \$ \_\_\_\_\_

Advertising \$ \_\_\_\_\_

**What percentage of your expenditures would you estimate to be from local vendors?**

\_\_\_\_\_ %

**Do you plan to expand your operations at Tri-State Airport in the next 1-3 years?**

Yes \_\_\_\_\_ No \_\_\_\_\_

**Appendix B**

**TRI-STATE AIRPORT AUTHORITY  
PASSENGER STATISTICS  
2005**

<b>DELTA CARRIERS</b>						
<b>QUARTER</b>	<b>TOTAL FLIGHTS</b>	<b>ENPLANEMENTS</b>	<b>DEPLANEMENTS</b>	<b>SEATS</b>	<b>LOAD FACTORS</b>	<b>AVERAGE PASSENGERS PER FLIGHTS</b>
FIRST	335	5,616	5,324	16,050	34.99%	16.8
SECOND	348	6,949	7,234	14,183	49.00%	20
THIRD	329	6,108	6,430	12,538	48.72%	18.6
FOURTH	226	3,902	3,881	7,783	50.13%	17.3
TOTAL	1,238	22,575	22,869	50,554	44.66%	18.2
YTD 2004	668	13,549	13,151	31,890	42.49%	20.3
<b>US AIRWAYS CARRIERS</b>						
<b>QUARTER</b>	<b>TOTAL FLIGHTS</b>	<b>ENPLANEMENTS</b>	<b>DEPLANEMENTS</b>	<b>SEATS</b>	<b>LOAD FACTORS</b>	<b>AVERAGE PASSENGER PER FLIGHTS</b>
FIRST	324	6,169	5,986	13,139	46.95%	19
SECOND	389	7,048	7,101	14,846	47.47%	18.1
THIRD	398	7,128	7,198	15,144	47.07%	17.9
FOURTH	268	4,687	4,590	11,112	42.18%	17.5
TOTAL	1,379	25,032	24,875	54,241	46.15%	18.2
YTD 2004	1,302	14,834	14,699	38,031	39.01%	11.4
<b>GRAND TOTAL</b>						
YTD 2005	2,617	47,607	47,744	104,795	45.43%	18.2
YTD2005	1,970	28,383	27,850	69,921	40.59%	14.4