

VENANGO REGIONAL AIRPORT **AIR CARGO FEASIBILITY STUDY**

Prepared for the
Northwest Pennsylvania Regional
Planning and Development Commission

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Study Objectives

To maximize existing assets, diversify the Venango Regional Airport's revenue base, and improve the regional economy, Venango County has initiated this study, with the assistance of the Northwest Commission, to explore the feasibility of shipping and receiving air cargo at Venango Regional Airport. Venango Regional Airport's location in Franklin and relative proximity to Interstate 80, US 322 and PA 8, make it an attractive option for development in the region and air cargo service may offer an additional incentive to attract new or expand existing businesses. Accordingly, the County determined the study was prudent to understand air cargo as an opportunity to inform strategic decision-making and capital investments for the facility.

The study has three primary goals:

- 1. Evaluate Local and Regional Demand**
Determine current demand for air cargo services
- 2. Potential for Air Cargo**
Evaluate if a regional air cargo hub or feeder is feasible
- 3. Identify Required Airport Improvements**
Analyze physical improvements

Study Scope

To address study goals, initial study tasks included:

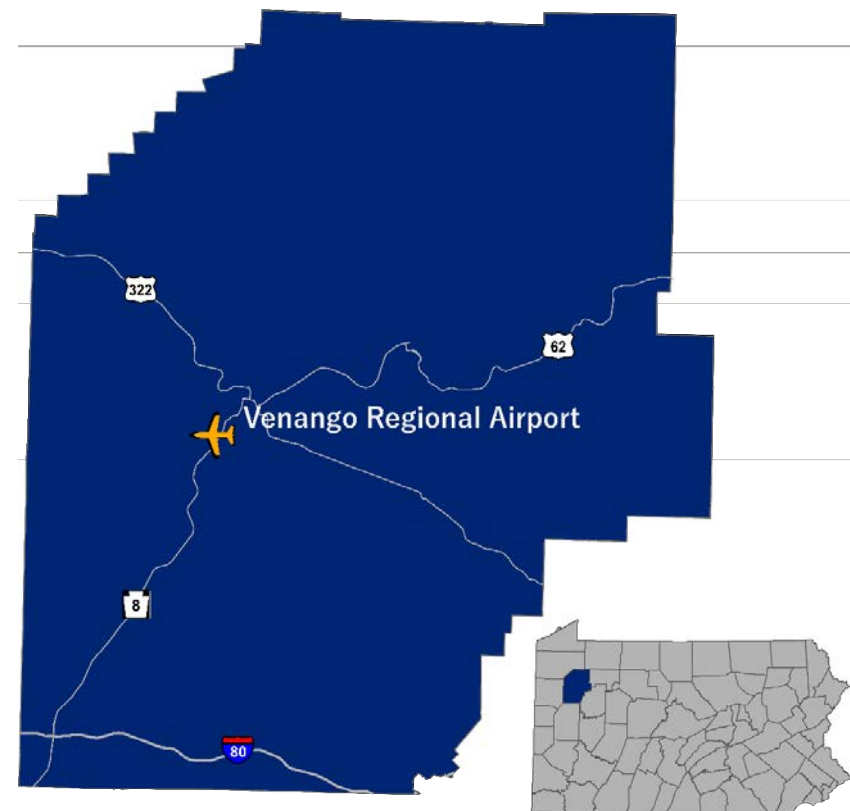
- 1. Project Management and Coordination**
Coordinate with a County-identified Steering Committee to guide the direction of the study
- 2. Market Feasibility and SWOT**
Complete a Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis and a Market Feasibility including case study research, stakeholder interviews, and an online survey

3. Airport Facility Improvements

Explore short and long-term facility improvements including potential cost estimates and a public funding strategy

Once the Market Feasibility was completed, the Steering Committee and project team determined that analyzing airport facility improvements was of limited value at present. Task 3 was replaced with further analysis of economic and land development opportunities.

Venango County, Pennsylvania



Airport Operations

Venango Regional Airport, FKL, was formally dedicated in 1949 in Franklin, Venango County, Pennsylvania. Since 1959, the airport has been owned and operated by the Venango County Board of Commissioners, providing commercial air service and general aviation.

The airport encompasses 431 acres located within the City of Franklin and Sandycreek Township. Situated just two miles southwest of the City of Franklin, the airport is located in close proximity to Franklin and is eight miles from the City of Oil City. Both Franklin and Oil City are the two primary population and employment centers in Venango County, and are located along State Route 8 (PA 8). Major cities in proximity to the airport include Pittsburgh, approximately 80 miles to the south; Youngstown, Ohio, approximately 40 miles to the west; and Erie, approximately 50 miles to the north.

Over the course of the airport's 73-year operating history, the airport has maintained short-haul commercial service financially supported through the U.S. Department of Transportation's Essential Air Service (EAS) program. The airport was previously served by Continental Airlines, operated by Gulfstream International Airlines, with daily flights from Franklin to Cleveland Hopkins International Airport. In 2015, Southern Airways Express started providing commercial service to the airport.

In August 2019, the U.S. Department of Transportation determined it would terminate the Essential Air Service subsidy for Venango Regional Airport. To be eligible under the EAS subsidy program, airports are required to have a minimum of 10 passengers per day with an EAS subsidy of \$200.00 per passenger or less.

Since 2010, the airport's enplanements have decreased by 63 percent and, in 2018, Venango Regional Airport averaged 5.2 passengers per day at an average subsidy of \$480.00 per passenger.

The EAS subsidy was terminated on October 18, 2019 and commercial air service has ceased. With the loss of the EAS subsidy, identifying new revenue generators is important for the airport's financial solvency into the future.

FKL Enplanements, Calendar Year (CY) 2000-2018

CY	FKL Enplanements	% Change
2000	5,454	-
2001	4,504	-17%
2002	3,830	-15%
2003	3,085	-19%
2004	3,066	-1%
2005	2,939	-4%
2006	1,978	-33%
2007	1,512	-24%
2008	681	-55%
2009	1,455	114%
2010	1,380	-5%
2011	1,284	-7%
2012	1,321	3%
2013	1,456	10%
2014	1,043	-28%
2015	1,476	42%
2016	2,025	37%
2017	1,396	-31%
2018	1,998	43%

Source: FAA, Passenger Boarding (Enplanement) and All-Cargo Data for U.S. Airports, CY 2000 - 2018

Market Feasibility

For purposes of determining air cargo market feasibility for Venango Regional Airport, a market analysis was conducted to understand current supply and demand as well as overarching industry trends. Business interviews, case studies of comparable local and regional airports, and an online business survey were also conducted to supplement desktop analysis and provide local context.

Defining Air Cargo

A full-service air cargo airport is one that is served by aircraft providing air transportation of only cargo with a total annual landed weight of more than 100 million pounds.

- A full-service air cargo airport may provide both commercial air and cargo services.
- A feeder airport, alternatively, transports air cargo to full-service air cargo airports and, therefore, typically has much lower annual landed weights.

Airports with full-service air cargo are commonly located in population centers where there is a concentration of industry, commerce, and transportation infrastructure. In order to make air cargo service economically feasible, an airport's surrounding market area, or "catchment area," must generate enough inbound and outbound traffic and revenue to offset an air carrier's operational costs at that airport.

The types of products that generate inbound and outbound air cargo demand include those that are of high value and/or require just in time delivery to fulfill customer orders.

National Air Cargo Trends

Globally, 2019 air cargo activity volumes have decreased, falling 4.7 percent between April 2018 and April 2019. At the same time, global air cargo capacity has increased by 2.6 percent annually. More capacity with less demand suggests surplus supply in the market. According to the International Air Transport Association (IATA), the rate of capacity growth (2.6 percent currently) slowed from a previous 6-7 percent pace per year. Despite this decrease in growth, annual capacity growth has continued to outpace demand for at least the past 12 months.

Reasons cited for the overall downturn in air cargo include global trade concerns and a weakening European auto industry.

Regional Air Cargo Trends

In New Jersey, New York, Ohio, and Pennsylvania, there are 16 airports that classify as air cargo service airports (not including small feeder airports). In Pennsylvania, the Pennsylvania Department of Transportation reports eight airports have air cargo activity, largely utilized by FedEx and UPS. This includes Erie International Airport (ERI), which is a feeder facility.

Growth in landed weight (pounds) was stagnant for many of the region's 16 airports between 2016 and 2017 with the exception of a few outliers that saw substantial growth, including Niagara Falls International, Lehigh Valley International, and Stewart International.

Regional Air Cargo Airports: Top 5 Airports with Change in Landed Weight, 2016-2017 *(Source: FAA, Passenger Boarding (Enplanement) and All-Cargo Data for U.S. Airports)*

Airport	2017 Landed Weight (lbs.)	% Changes (2016-2017)
Niagara Falls Int.	4,383,696	558.19%
Lehigh Valley Int.	689,003,342	77.87%
Stewart Int.	210,255,080	33.98%
Rickenbacker Int.	1,085,726,304	10.42%
Newark Liberty Int.	2,990,957,430	6.69%

Pittsburgh International's air cargo landed weight grew by 3.95 percent between 2016 and 2017 while Cleveland-Hopkins International's decreased by 5.59 percent. The increase or decrease of landed weight fluctuate by airport each year and is based on market conditions. However, the relatively stable percent changes across regional airports suggests there is not a gap in supply or capacity.

In terms of top commodities imported by air, the product variety varies by airport. Using Cleveland-Hopkins International, Erie International, and Pittsburgh International as examples, products generally are smaller, particularly for a feeder airport like Erie International. Larger airports are able to accommodate large product shipments such as turbojets.

Top Five Air Imported Commodities by Value, 2018

Cleveland	Erie	Pittsburgh
Medicaments, measured doses	Wristwatch, battery, mechanical display	Turbojets of a thrust exceeding 25 kN
Imports articles exported / returned / no change	Electric hair dryers	Imports articles exported / returned / no change
Communications apparatus for voice and digital data	Plates, sheets, film plastic	Turbojets of a thrust not exceeding 25 kN
Turbojets / turbopropellers Parts	Electrical boards, panels, controls	Industrial Robots
Portable digital automatic data processing machines	Imports articles exported / returned / no change	Turbopropellers power not exceeding 1,100 kW

Source: U.S. Census Bureau, U.S. Trade Online

Major Air Cargo Airports in PA, OH, NJ, and NY, 2016-2017

Rank	ST	Locid	Airport Name	City	SVC Lvl	Hub	2017 Landed Weight (lbs.)	2016 Landed Weight (lbs.)	% Change
12	NJ	EWB	Newark Liberty International	Newark	P	L	2,990,957,430	2,803,385,720	6.69%
13	NY	JFK	John F Kennedy International	New York	P	L	2,937,988,820	3,197,249,060	-8.11%
17	PA	PHL	Philadelphia International	Philadelphia	P	L	2,017,190,422	2,027,769,604	-0.52%
26	OH	LCK	Rickenbacker International	Columbus	P	N	1,085,726,304	983,247,285	10.42%
37	PA	ABE	Lehigh Valley International	Allentown	P	N	689,003,342	387,362,976	77.87%
53	PA	PIT	Pittsburgh International	Pittsburgh	P	M	470,107,335	452,232,238	3.95%
61	OH	CLE	Cleveland-Hopkins International	Cleveland	P	M	381,670,547	404,250,115	-5.59%
66	PA	MDT	Harrisburg International	Harrisburg	P	S	363,446,474	363,331,770	0.03%
75	NY	SYR	Syracuse Hancock International	Syracuse	P	S	324,690,303	324,872,528	-0.06%
82	NY	BUF	Buffalo Niagara International	Buffalo	P	M	283,906,303	283,091,810	0.29%
85	NY	ROC	Greater Rochester International	Rochester	P	S	254,050,350	249,058,014	2.00%
93	NY	SWF	Stewart International	Newburgh	P	N	210,255,080	156,925,400	33.98%
104	NY	ALB	Albany International	Albany	P	S	167,437,140	168,750,952	-0.78%
114	OH	TOL	Toledo Express	Toledo	P	N	122,077,000	122,077,000	0.00%
125	OH	DAY	James M Cox Dayton International	Dayton	P	S	51,788,650	51,480,000	0.60%
134	NY	IAG	Niagara Falls International	Niagara Falls	P	N	4,383,696	666,022	588.19%

Source: FAA, Passenger Boarding (Enplanement) and All-Cargo Data for U.S. Airports

Air Cargo at Part 139 Airports in Pennsylvania, 2019

Airport Name	Classification Name	Service Level	Cargo Level	Scheduled Operations	Does your airport fly in/out a lot of cargo?	Does your airport transport bulk items by truck?
Philadelphia International Airport (PHL)	Commercial Service	Primary	Cargo Service	444,849	Yes - Full service air cargo - FedEx and UPS	Yes
Lehigh Valley International Airport (ABE)	Commercial Service	Primary	Cargo Service	59,767	Yes - Full service air cargo - FedEx and UPS	Yes
Harrisburg International Airport (MDT)	Commercial Service	Primary	Cargo Service	54,169	Yes - Full service air cargo - FedEx and UPS	Yes
Pittsburgh International Airport (PIT)	Commercial Service	Primary	Cargo Service	12,970	Yes - Full service air cargo - FedEx and UPS	Yes
University Park Airport (UNV)	Commercial Service	Primary	Feeder	38,447	Yes - Some air cargo - FedEx	Yes
Wilkes-Barre/Scranton International Airport (AVP)	Commercial Service	Primary	Feeder	34,506	Yes - Some air cargo - FedEx	Yes
Williamsport Regional Airport (IPT)	Commercial Service	Primary	Feeder	19,646	Yes - Some air cargo - FedEx	Yes
Erie International Airport Tom Ridge Field (ERI)	Commercial Service	Primary	Feeder	8,705	Yes - Some air cargo - FedEx	Yes
Lancaster Airport (LNS)	Commercial Service	Non-Primary Commercial	None	56,076	No.	Truck shipments bring fuel and food for restaurant
Arnold Palmer Regional Airport (LBE)	Commercial Service	Primary	None	18,000	No.	Truck shipments bring fuel and food for restaurant
Venango Regional Airport (FKL)	Commercial Service	Non-Primary Commercial	None	9,375	Left Blank	
Bradford Regional Airport (BFD)	Commercial Service	Non-Primary Commercial	None	7,000	No.	Truck shipments bring fuel and food for restaurant
DuBois Regional Airport (DUJ)	Commercial Service	Non-Primary Commercial	None	2,352	No. Powered Metal Imports ships out on demand	Truck shipments bring fuel and food for restaurant. Parts are also often trucked in/out via adjoining company Cactus Wellheads
John Murtha Johnstown-Cambria County Airport (JST)	Commercial Service	Primary	None	1,403	No.	Truck shipments bring fuel and food for restaurant. National Guard is nearby and generates truck traffic.
Altoona-Blair County Airport (AOO)	Commercial Service	Non-Primary Commercial	None	1,400	No.	Truck shipments bring fuel and food for restaurant

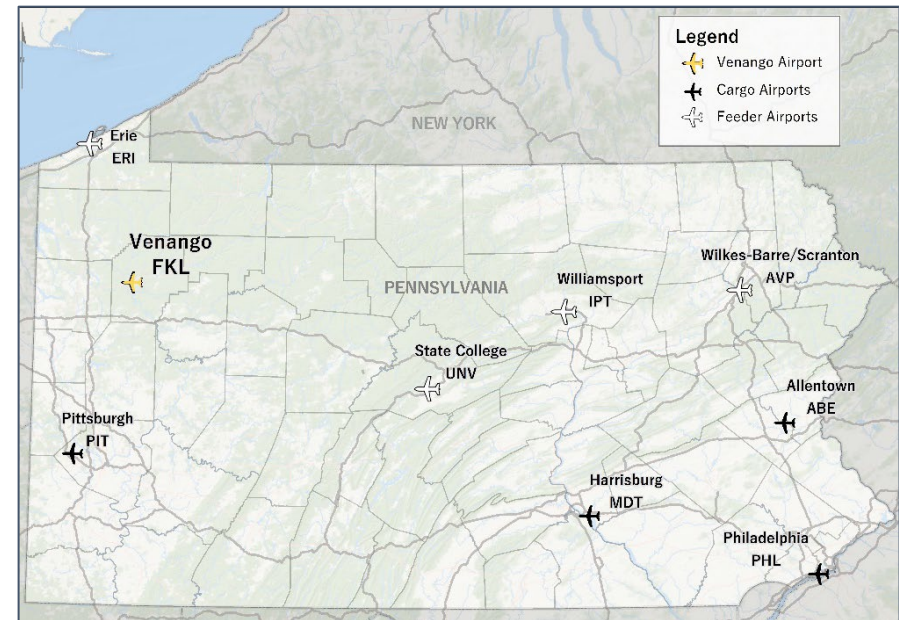
Source: Pennsylvania Department of Transportation, Bureau of Aviation, 2019

Study Area

To determine supply and demand, a study area was delineated for Venango Regional Airport. To do so, the following assumptions were utilized:

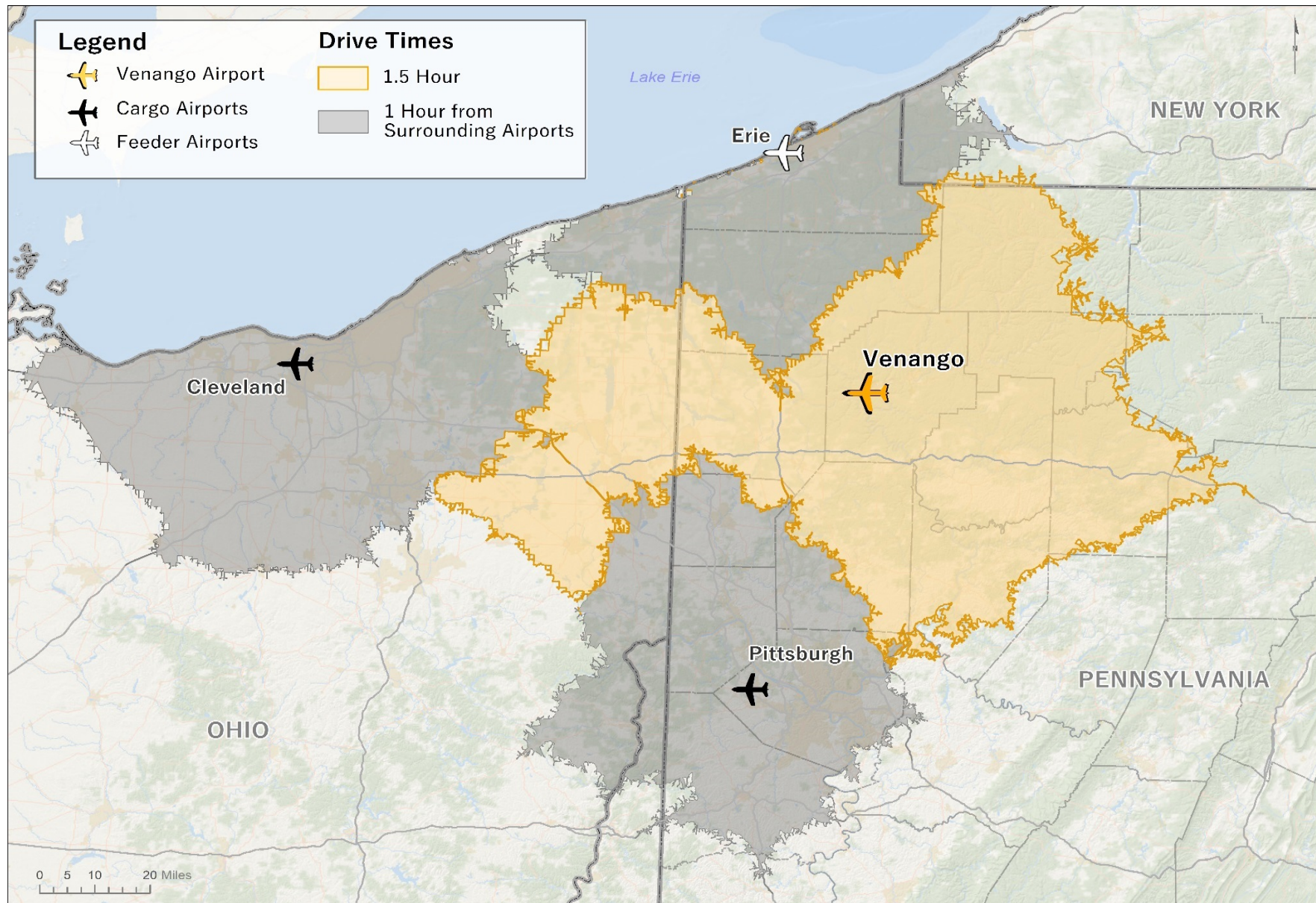
- A full-service air cargo airport is one that is served by aircraft providing air transportation of only cargo with a total annual landed weight of more than 100 million pounds. An airport may provide both commercial air service and cargo service. Feeder airports, alternatively, provide service to full-service air cargo airports and typically have much lower annual landed weights.
- Full-service air cargo airports typically capture demand within a three-hour driving radius. Within this radius, there are no cargo flights from feeder airports to the hub; trucking is a less expensive alternative.
- Feeder airports typically capture demand within a 75 to 100-mile driving radius, or the distance that can typically be serviced by truck in one day. Examples in the Commonwealth include Erie International Airport and DuBois Regional Airport.
- The opportunity for Venango Regional Airport is to evolve as a feeder airport serving a 75-100-mile driving radius, or approximately a drive time of 1.5 hours.
- Due to the presence of full-service air cargo airports, it is assumed Venango Regional Airport would not penetrate existing markets. The airports include PIT, ERI, and CLE. The study area excludes all locations within a one-hour drive of PIT, ERI, and CLE. This is not conservative, as CLE and PIT serve as large hubs for air cargo and presumably have a three-hour capture radius.

Existing Air Cargo Service and Feeder Airports in Pennsylvania



Source: Pennsylvania Department of Transportation, Bureau of Aviation, 2019

Venango Regional Airport Air Cargo Study Area



Quantitative Data

Industry data was compiled from several sources, each of which has pre-defined geographic areas for which the data is available. Below is a summary of the data sources and corresponding geographic areas. While not an exact delineation of the study area, the data provides valuable insights into the industry climate in the region.

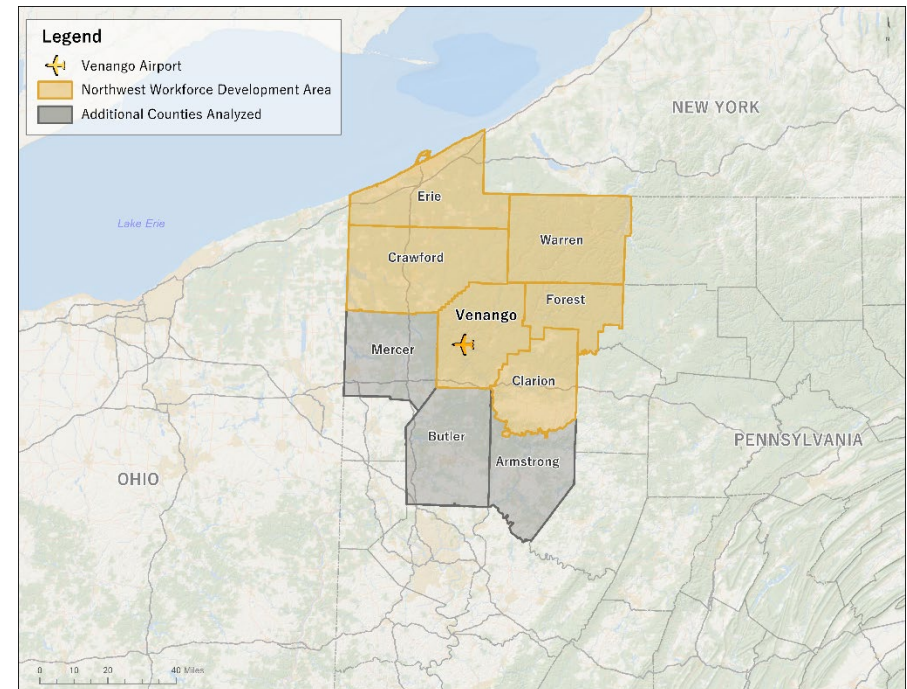
Industry Cluster and Historical Employment Data

- The industry cluster data was compiled from the U.S. Cluster Mapping Project, a collaboration by the U.S. Economic Development Administration and Harvard University. For the study area, the U.S. Cluster Mapping Project provides data for the Erie, PA Economic Area which includes a six-county region featuring Erie, Clarion, Crawford, Forest, Venango, and Warren Counties. To supplement the data, data was also pulled individually for Mercer, Armstrong, and Butler Counties.

Employment Projection Data

- The Pennsylvania Center for Workforce Information and Analysis provides long-term employment projections for Pennsylvania. The data is only available for Workforce Development Areas. Accordingly, the data was pulled for the Northwest Workforce Development Area (WDA), which encompasses the same six counties that were analyzed for the industry clusters.

Location of Primary Market Data Utilized



Industry Cluster Analysis

The cluster analysis for the Northwest WDA provides information on the health of industries and specializations in the region. It also provides a snapshot of the types of businesses that are growing within the region and those that may be more likely to seek opportunity sites in the study area. The data is also presented for Mercer, Armstrong, and Butler Counties.

The table below shows the top 10 clusters by employment within the Erie, PA Economic Area as well as Mercer, Armstrong, and Butler Counties. This includes local clusters (generally serving a local customer base) and traded clusters (exporting industries). Exporting industries

represent higher concentration and specialization in employment in these particular industries compared to the rest of the country. This indicates a strength. The top 16 clusters by employment within the region are shown in the table below.

Erie, Pennsylvania Economic Area Traded Clusters Ranked by Employment

	Cluster Name	2016 Employment	Exporting Cluster	National Rank
1	Production Technology	7,971	*	46
2	Education	6,333	*	77
3	Distribution and Electronic Commerce	5,834		131
4	Business Services	5,834		137
5	Plastics	5,303	*	44
6	Metalworking	4,655	*	29
7	Insurance Services	4,118		73
8	Hospitality and Tourism	3,220		140
9	Food Processing and Manufacturing	2,616		107
10	Upstream Metals	2,453	*	48
11	Automotive	2,372	*	72
12	Wood Products	2,109	*	72
13	Financial Services	1,968		104
14	Oil & Gas	1,816	*	49
15	Downstream Metals	1,398	*	87
16	Vulcanized Materials	1,390	*	61

Source: US Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School.

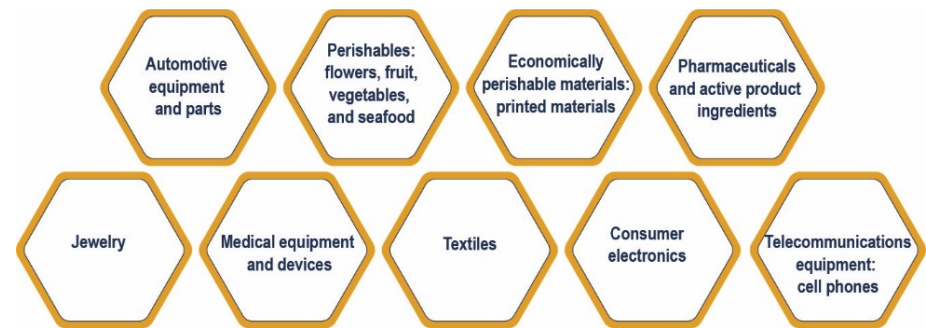
* indicates exporting cluster. National rank is out of 917 MSAs.

Correlating Clusters to Air Cargo

Air cargo service is often supplied in market areas where there is a concentration of industry, commerce, and transportation infrastructure. These market areas must also generate enough inbound and outbound

traffic and revenue to offset the steep operational expense of air cargo services.

Based on research, there are nine product areas more likely to generate demand for air cargo as shown below.



Source: ACRP Report 143: Guidebook for Air Cargo Facility and Development

These products typically have the following key factors:

- Cost of material transportation
- High level of service commitment to customer or end user
- Value of the material (high value)
- Time sensitivity (increased distribution speed required)
- Strong local production and consumption of air-eligible commodities (within a 75 to 100-mile radius of an airport).

As part of the feasibility study, industry clusters and sub-clusters found within the Venango Regional Airport study area were compared to the list of common air cargo products. This comparison was used to determine what industries in the region may desire air cargo services.

Overall, the data suggests that the Venango Regional Airport study area is not a large producer of air cargo candidates. Of the nine product types, five are found in the region, but do not represent large employment numbers.

Employment Trends

Beginning in the 1980-1990s, the nation began to witness a shift in its economic base where the manufacturing sector began to decline, and the service sector began to grow. This shift was due to multiple factors, including automation, off-shoring, and recessions; but the shared result has been a decrease in manufacturing jobs. In rural Pennsylvania, this national trend impacted the manufacturing industry, which continues to experience declines in employment. At the same time, there has been employment expansion in service industries.

While historical employment data is available from several data sources, data was used from the U.S. Cluster Mapping Project to look at Job Creation by Exported Industry Cluster between 1998-2016. The data is focused on the Northwest WDA's industry specializations and how employment has trended over the past 20 years.

The findings show, in the aggregate, a decrease of 19,246 jobs over the past 20 years. Consistent with national trends, job loss has been concentrated in goods-producing sectors which are typically industries that may have demand for air cargo services.

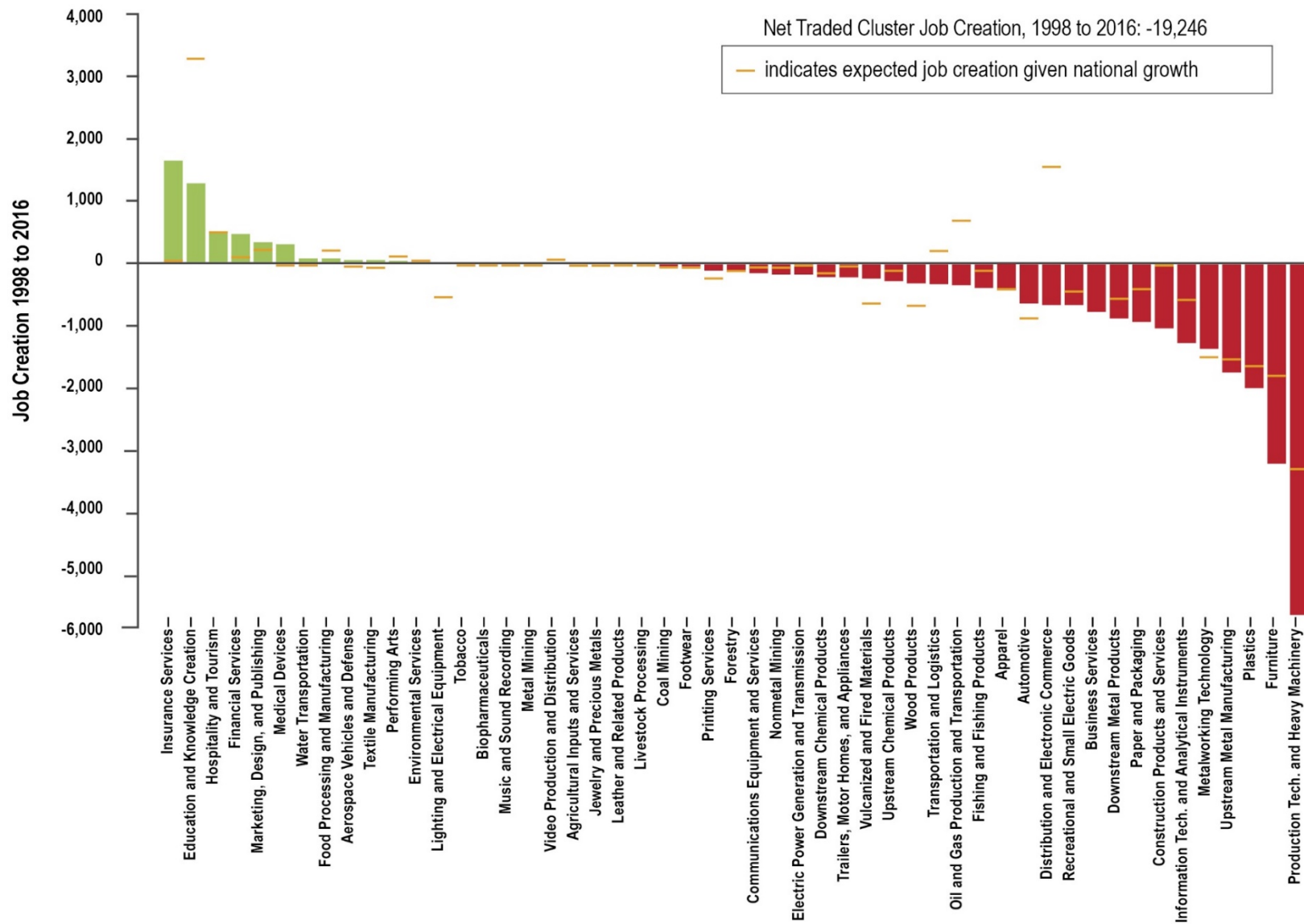
Projecting forward, the Pennsylvania Center for Workforce Information and Analysis estimates that the six-county region will gain 9,400 jobs between 2016 and 2026, or approximately 4.26 percent growth over 10 years.

Growing at less than half a percent each year, job creation is anticipated to be nominal and is largely concentrated in the Health Care and Social Assistance (4,210 new jobs projected) and Accommodation and Food Services (1,600 new jobs projected) industries.

Employment trends do not indicate large expansions of existing businesses or the attraction of new businesses, suggesting new future demand for air cargo in the region is unlikely.



Job Creation by Traded Cluster, 1998-2016



Source: US Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School.

Regional Freight Movement & Drivers

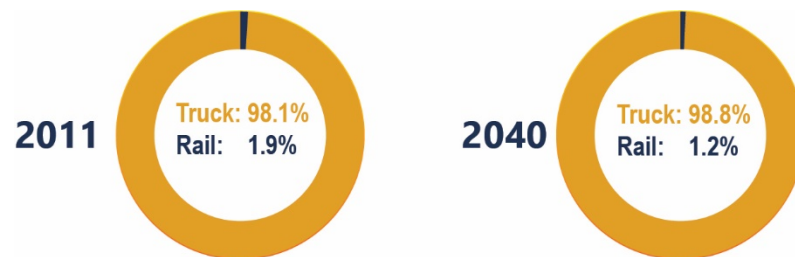
In addition to industry and employment trends, freight movement can provide insight into a region's top products requiring transportation.

Based on the most recent data available from Freight Finder and RMS Traffic, 45 million tons valued at \$43 billion traveled into, out of, or internally within the 6-county Northwest WDA region. Movement of freight is predominantly by truck, accounting for over 98 percent of all freight movement in 2011 and projected for 2040.

Petroleum refining products are the largest by tonnage leaving and entering the region. By 2040, warehousing and distribution commodities will become the top product by tonnage entering the region.

By value, petroleum refining products are the top products leaving the region, while warehouse and distribution commodities are the top products entering the region. By 2040, warehouse and distribution centers will represent both the top incoming and outgoing commodities in the region by value. A key and growing commodity in the region is semiconductors, which move to a close second behind Warehousing & Distribution by 2040 (by value) in incoming products.

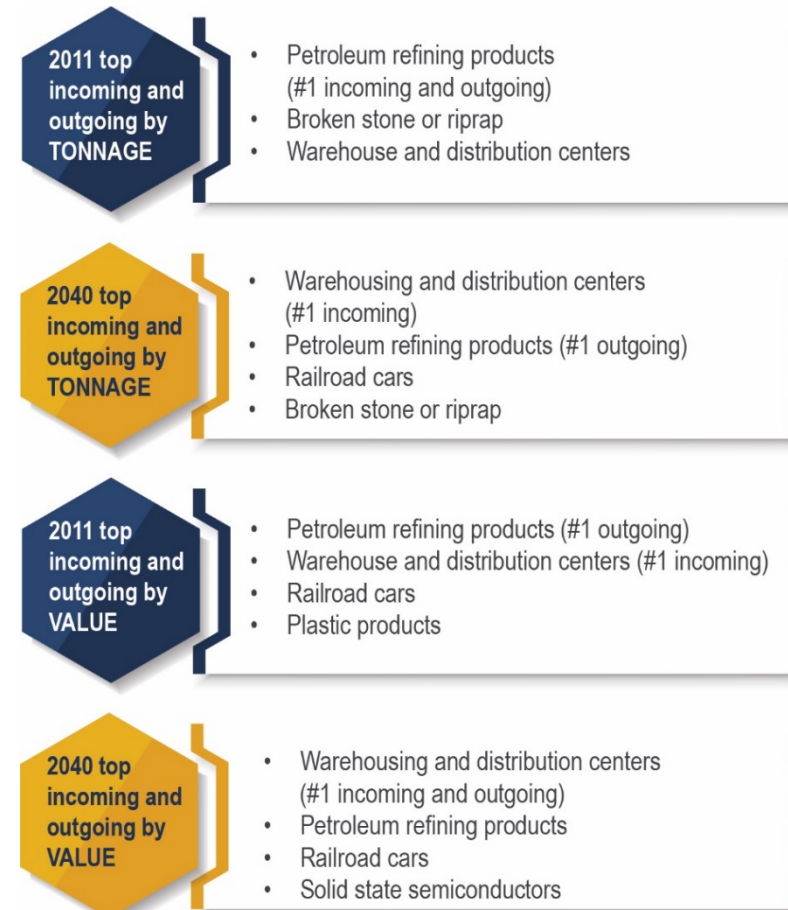
Mode of Freight Movement, 2011 and 2040



Source: Northwest Commission Regional Freight Study (June 2017)

Interstates 80 and 90 carry 41 percent of the region's truck volume. Interstate 79 and U.S. Route 6 carry an additional 7 percent and 5 percent, respectively, of the region's total truck traffic volume.

Freight Movement in the Northwest Workforce Development Area, 2011 and 2040



Source: Northwest Commission Regional Freight Study (June 2017)

Stakeholder Engagement and Case Studies

Stakeholder Interview Findings

In total, 13 companies were interviewed throughout the region to discuss the Venango Regional Airport Air Cargo Feasibility Study. The purpose of the phone interviews was to learn more about companies' current use of air cargo in the region as well as to learn of opportunities and challenges for air cargo at Venango Regional Airport based on private sector perspective.

The interview findings are summarized below in bulleted format.

Companies utilize trucking as the main transport method for shipping and receiving in the region.

- FedEx Ground operates a warehouse distribution facility on Debence Drive near FKL. The facility is strictly trucking.
- Keystone Powdered Metal Company's shipping is customer routed via truck.
- Liberty Electronics inbound and outbound shipments are primarily handled via truck.
- McKesson Pharmaceutical's inbound and outbound shipments are primarily handled via truck.
- Webco Industries inbound and outbound shipments are primarily handled via truck.
- Freight forwarder Logistics Plus finds it cheaper to ship via truck rather than air. The company gathers products from a 100-mile

radius around a hub, then ships to a larger hub via truck, air, or rail.

Companies have an infrequent need for air cargo.

- Gulfstream Aerospace's need for air cargo is limited to "Aircraft on the Ground" situations where shipping must be expedited. Gulfstream Aerospace does not routinely fly into FKL.
- Keystone Powdered Metal ships parts via air cargo, occasionally utilizing DuBois Regional Airport, but not often.
- Liberty Electronics does not use or need air cargo. If a need for air cargo would arise, it would likely ship from Pittsburgh or Erie.

Companies needing air cargo typically use Pittsburgh International Airport utilizing freight forwards or express carriers such as UPS and FedEx.

- If FedEx Ground's freight at the Debence Drive facility is air bound, it is trucked to the FedEx hub in Pittsburgh. No opportunities at present to transition air cargo from Pittsburgh to FKL; not enough volume; trucking to Pittsburgh is cheaper.
- UPS Seneca's air bound shipments are routed to the UPS air hub in Pittsburgh.
- Liberty Electronics retains Erie-based Logistics Plus for shipping to negotiate rates and trucking carriers.
- McKesson Pharmaceutical's air cargo, if any, is sent via FedEx from Pittsburgh.
- Voyten does not ship via air from FKL, but contracts for air service with Tazmanian Freight Systems in Pittsburgh.

- McKesson Pharmaceutical's inbound and outbound shipments are primarily handled via truck. Any air cargo is sent via FedEx from Pittsburgh.
- Logistics Plus handles shipment for companies. Generally, parts are shipped or received from larger airports like Pittsburgh and Erie.
- Voyten will drive a part to Pittsburgh for air cargo shipment. Indicates it is cheaper to fly out of Pittsburgh than Venango Regional Airport.

Some companies indicated that a dedicated air carrier at Venango Regional Airport could be beneficial, however, frequency would be occasional and difficult to predict.

- Youngstown Jet is considering establishing operations at Venango Regional Airport. Operations would include full aircraft management services including management, crewing, and hangaring. Hangar and office space would be leased from FKL. Currently, Youngstown Jet can broker air cargo services for FKL and area businesses.
- If a cost competitive option was available at FKL to service Venango County customers, Tazmanian would be interested. However, a private air carrier service would need to be available.
- Voyten indicated that a dedicated air cargo carrier at FKL would be helpful; however, the frequency of the company using air cargo is not predictable.

Case Study Findings

Three case study airports, shown below, were selected based on their location in proximity to Venango Regional Airport, known or reported air cargo activity, and similar size to Venango Regional Airport.

- DuBois Regional Airport
- Bradford Regional Airport
- Youngstown-Warren Regional Airport

Overall findings are highlighted below followed by an overview of each case study.

Air cargo is infrequent at the airports.

- Dubois Regional Airport sees eight to ten air cargo flights per month, driven by the Powdered Metals industry. In total, air cargo comprises just 5 percent of all flights at the airport.
- At Bradford Regional Airport, air cargo is seldomly needed; approximately once per quarter via private air carrier.
- Youngstown-Warren Regional Airport currently has no air cargo activity. There was some air cargo activity in previous years when the General Motors Lordstown plant was operational.
- Air cargo is reported as the shipping mode of last resort.

Most air cargo flights are arranged by freight forwards using private charter.

- At Dubois Regional Airport, 99 percent of air cargo flights are arranged by freight forwarders utilizing private charter.

Regional airports are investing in marketing, not air cargo, to increase passenger boardings.

- A recent and successful initiative at Dubois Regional Airport has been marketing to increase passenger boardings.
- Bradford Regional Airport is undergoing a major terminal renovation project to include regional branding consistent with the PA Wilds Design Guide. The airport also publicizes and hosts several community events designed to garner awareness of the airport and its commercial flight offerings.

Expanding economic development activity is a consideration, but not a major focus of the airports.

- Dubois Regional Airport is not actively pursuing economic development opportunities at this time but has several opportunities that could be considered in the future to bolster development including a Foreign Trade Zone.
- Bradford Regional Airport operates a 30,000 square foot incubator space that was established in 2012. The four tenant spaces are fully leased. There are 1,000 acres of additional land

for development, but there are no current plans to construct additional buildings.

- The Youngstown-Warren Regional Airport has various airport development opportunities available including T-Hangar leasing, economic development initiatives, and an industrial park. However, based on conversations with the airport, the current priority is identifying a new commercial service operator.

Retaining a commercial air service is critical to airport operations.

- Maintaining a commercial service operator is a critical priority for all three airports, as commercial service provides the main source of operational revenue to sustain the airports.



BRADFORD REGIONAL AIRPORT (BFD)

212 Airport Drive, Lewis Run, PA 16738
16 miles south of the City of Bradford, 27 miles south of I-86



69 FLIGHTS/DAY
AVERAGE

64% COMMERCIAL

27% LOCAL GENERAL/
TRANSIENT

8% AIR TAXI

<1% MILITARY

Bradford Regional Airport (BFD) is 11 miles south of Bradford, in Lafayette Township, McKean County, Pennsylvania. It has offered scheduled airline service by Southern Airways Express since 2015, subsidized by the Essential Air Service program. BFD also operates as a general aviation airport, and has an armory at the airport for the National Guard.

The airport is owned by the Bradford Regional Airport Authority and serves Pennsylvania and western New York. A total of 8,000 commercial service passengers flew out of BFD in 2017-18.

BFD Strategic Marketing Focus

BFD has enhanced its marketing efforts in recent years to better engage the community and promote the airport. As part of this effort, BFD has planned several community events publicized through local press, social media, and promotional flyers. One example includes the airport's "Flavors of Fall Food Truck Fly-In", attended by 45 aircraft from as far as Montreal and Washington, DC.


Current Initiatives at BFD

The airport is undertaking a significant terminal renovation project, planned and funded in partnership with the PennDOT Bureau of Aviation. The project commenced in the 4th quarter of 2019 and is designed to highlight the region's branding (e.g., PA Wilds).

Air Cargo

Air cargo at BFD is limited at this time; there is approximately one air cargo flight per quarter via private carrier. BFD reports that UPS previously operated air cargo flights from the airport approximately 10 years ago:

 UPS had approximately one air cargo flight operating per day.

 A UPS Customer Center was constructed along US Route 6 in Kane. Once the Customer Center was operational, air cargo services were no longer needed as trucking has been a less expensive alternative.



Economic Development at BFD

There are 1,000 acres of land surrounding the airport that comprise the Airport Industrial Park. Currently, the park includes 30,000 square feet of incubator space that was constructed in 2012 with four tenant suites. The space is anticipated to be fully leased by the end of 2019.

There are no current plans to develop additional buildings, however, the airport may potentially lease land to a developer for future development. The Airport Industrial Park is located in a Keystone Opportunity Zone and Foreign Trade Zone.



Runway Information

Runway 14-32 (Primary)

- 6,300' x 150'
- Surface: Asphalt/grooved/ good condition
- Weight Bearing Capacity
 - Double Tandem – 92,000 lbs.
 - Double Wheel – 60,000 lbs.
 - Single Wheel – 48,000 lbs.
- Runway Edge Lights: High Intensity



DUBOIS REGIONAL AIRPORT (DUJ)

377 Aviation Way, Reynoldsville, PA 15851
3 miles north of I-80



24

FLIGHTS/DAY
AVERAGE

46%

COMMERCIAL

33%

LOCAL GENERAL/
TRANSIENT

20%

AIR TAXI

<1%

MILITARY

DuBois Regional Airport (DUJ), formerly DuBois-Jefferson County Airport, is in Washington Township, Jefferson County, Pennsylvania located approximately eight miles northwest of the City of DuBois, Clearfield County. The airport is owned and operated by the Clearfield-Jefferson Counties Regional Airport Authority, and has one commercial airline service, Southern Airways Express. The airport also provides general aviation services and is a refueling stop for many aircraft due to its proximity to Interstate 80 and several air routes.

DUJ Strategic Marketing Focus

In 2016, DUJ made the decision to invest in regional marketing in an effort to increase passenger trips. The marketing campaign developed in conjunction with Southern Airways Express reaches approximately 60,000 potential passengers each year and includes a social media campaign targeting potential passengers within driving distance of the airport. In addition, DUJ utilizes promotional videos and ticket giveaway. Since the start of the campaign, passenger boardings (enplanements) have increased from 2,300 in FY 2016-17 to 11,500 in FY 2018-19.

Air Cargo

Currently, 95% of all flights at DUJ are commercial service and general aviation. The remaining 5% of flights are for air cargo, or approximately 8-10 air cargo flights per month. Key statistics about DUJ's air cargo service include:



Air cargo at DUJ is driven by the region's Powdered Metals industry



Of the 8 – 10 air cargo flights per month, 99% are arranged by freight forwarders



Companies will drive to DUJ with air cargo from St. Marys and Emporium, and as far as Altoona and Johnstown.



Cargo weight varies from 4 pounds to 40,000 pounds.

DUJ Air Cargo Insights

Currently, 95% of all flights at DUJ are commercial service and general aviation. The remaining 5% of flights are for air cargo, or approximately 8-10 air cargo flights per month. Key statistics about DUJ's air cargo service include:

Air cargo is the shipping mode of last resort, dependent on cost and timing

- Poor winter road conditions
- Truck breakdowns
- Quality control issues

The airport maintains a list of private air cargo carriers and trucking firms for local companies who need air cargo service

- Air cargo carrier examples include Priority Air Charter or Castle from Southeast Ohio
- Trucking company examples include City Transfer or Barber Trucking

To support its air cargo customers, the airport provides the following air cargo services:

- Fueling
- Loading (e.g., forklift for loading freight from truck to aircraft)
- Deicing
- All weather instrument landing system

The airport generates revenue from landing fees, selling fuel, and loading freight

Maintaining a dedicated air cargo carrier would not be cost effective. Freight forwarders or DUJ can quickly arrange for private air charter



Economic Development at DUJ

DUJ is not actively pursuing economic development opportunities at this time, but has several opportunities that could be considered in the future to bolster development.

- There is an existing Foreign Trade Zone, designated in 2002, located near the airport
- The FTZ is currently inactive. Initially, it was utilized for a 3-4 year period after designation for the storage of imported equipment for locomotive construction and repair
- The airport owns nine-acres of land within the FTZ available for development
- The airport sold 71 of 80-acres it owned available for development to generate revenue.
- There has been no land development to date.



Runway Information

Runway 7-25

- 5,503' x 100'
- Surface: Good Condition (asphalt/treated/grooved)
- Weight Bearing Capacity: PCN 18 F/C/X/U
- Double Tandem – 93,000 lbs.
- Double Wheel – 60,000 lbs.
- Single Wheel – 45,000 lbs.
- Runway Edge Lights: High Intensity



YOUNGSTOWN-WARREN REGIONAL AIRPORT (YNG)

1453 Youngstown Kingsville Road, Vienna, OH 44473
8 miles north of I-80



68

FLIGHTS/DAY
AVERAGE

52%

LOCAL GENERAL/
TRANSIENT

37%

MILITARY

7%

AIR TAXI

4%

COMMERCIAL

Youngstown-Warren Regional Airport (YNG) is located in Vienna Township, Trumbull County, Ohio, approximately eleven miles north of the City of Youngstown, Ohio, and ten miles east of the City of Warren, Pennsylvania. The airport is owned and operated by the Western Reserve Port Authority and offers both passenger airline service and a military-owned facility for the Youngstown Air Reserve Station.

Commercial Service

The airport is currently seeking a new commercial service provider. Allegiant Air previously had scheduled service, beginning in 2006 and terminating in January 2018. Other providers in recent years have included Vision Airlines and Aerodynamics, Inc.

The airport's 2008 expansion plans are on hold until a new commercial service operator is identified.

Air Cargo

YNG does not currently provide air cargo service, and private carriers rarely stop at the airport with air cargo. Until recently, YNG previously provided air cargo flights related to operations at the nearby General Motors Lordstown plant.



In the past, YNG may have received 1 – 3 air cargo flights per month during periods leading up to new model production at the plant.



GM ceased operations at its Lordstown plant in March of 2019



Economic Development at YNG

The airport is part of a Foreign Trade Zone but reports there is no current economic development activity at this time.



Runway Information

Runway 14-32 (Primary)

- 9,300' x 150'
- Surface: Asphalt/grooved/ good condition
- Weight Bearing Capacity: PCN 82 /F/C/W/T
- Runway Edge Lights: High Intensity

Runway 143-323 (Military)

- 3,501' x 60'
- Surface: Asphalt/fair condition

Runway 5-23 (Crosswind)

- 5,002' x 150'
- Surface: Asphalt/grooved/good condition
- Weight Bearing Capacity: PCN 42 /F/C/W/T
- Double Wheel – 280,000 lbs.
- Single Wheel - 138,000 lbs.
- Runway Edge Lights: Medium Intensity

Online Survey Findings

An online survey was prepared in October 2019 to gauge local demand for air cargo service at Venango Regional Airport. For this reason, the survey was developed for the business community and was circulated by the Northwest Commission via their distribution list. The survey was live for over a month, from October 23, 2019 until November 30, 2019. In total, 63 participants completed the survey.

Of the companies responding, 67 percent were from the manufacturing industry sector and 8 percent from public administration. Only three agricultural companies responded and only two transportation and warehousing companies responded. Of those in manufacturing, sub-sectors represented included:

- Fabricated Metal Product Manufacturing
- Miscellaneous Manufacturing
- Primary Metal Manufacturing
- Electrical Equipment, Appliance, and Component Manufacturing
- Plastics and Rubber Products Manufacturing
- Machinery Manufacturing
- Computer and Electronic Product Manufacturing
- Transportation Equipment Manufacturing
- Furniture and Related Product Manufacturing

A summary of key survey findings is outlined on the following pages.

Venango Regional Airport Air Cargo Business Survey

Venango Regional Airport is a small general aviation and commercial airport located in Franklin, Venango County, Pennsylvania. Situated between Erie and Pittsburgh, the airport is conveniently located within an hour's drive for consumers and companies located in Armstrong, Butler, Clarion, Crawford, Forest, Mercer, and Warren counties.

As part of its strategic planning for the future, the airport is evaluating the feasibility of offering air cargo service for local companies. This survey is intended to gauge business demand for air cargo service in northwest Pennsylvania.

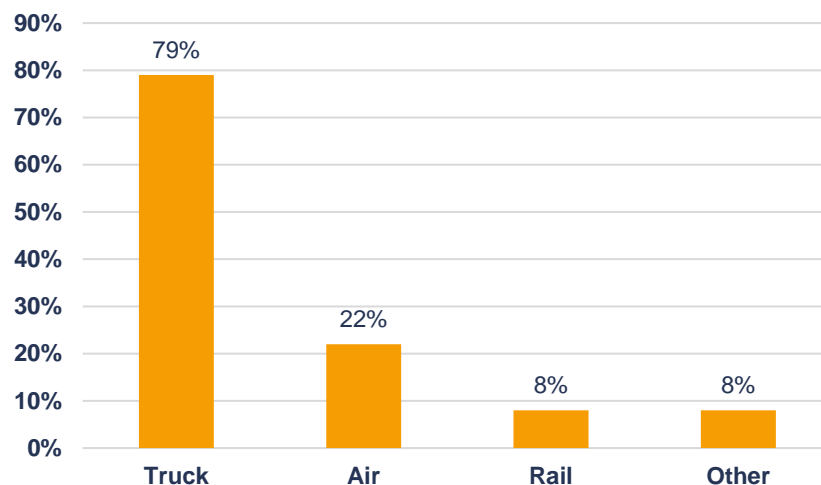
Thank you for your time and we encourage you to email Troy Truax, AICP at Troy.Truax@mbakerintl.com if you have interest in learning more about future air cargo services at Venango Regional Airport.

11%

Next

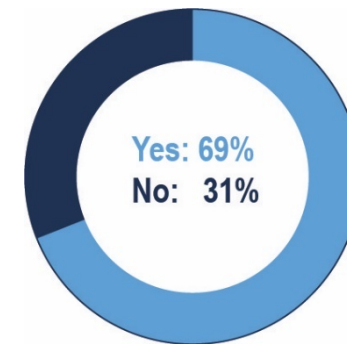
How does your company ship products?

The survey demonstrated that most participant companies utilize trucking as the primary mode of shipping products, at 79 percent. This is relatively consistent with freight data which indicates 98 percent of all transportation movement in the region is via truck. This also suggests, however, that survey respondents are more representative of companies that may utilize air cargo.



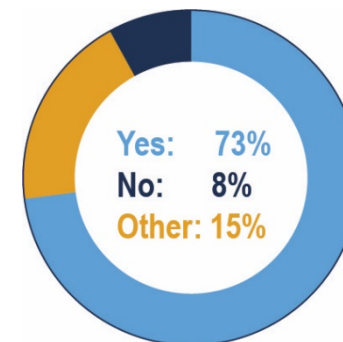
Has your company ever shipped products via air?

The survey revealed that 69 percent of respondents have used air as a form of transportation to ship products. However, comments on the survey question indicate that products are shipped via air rarely and are typically sent via an integrated carrier or managed by a freight forwarder.



Are your overnight shipping needs currently being met?

In total, 73 percent of respondents indicated that their overnight shipping needs are being met, with 8 percent reporting their needs are not being met. The comments provided didn't provide clarification on why overnight shipping challenges may exist for the 8 percent.



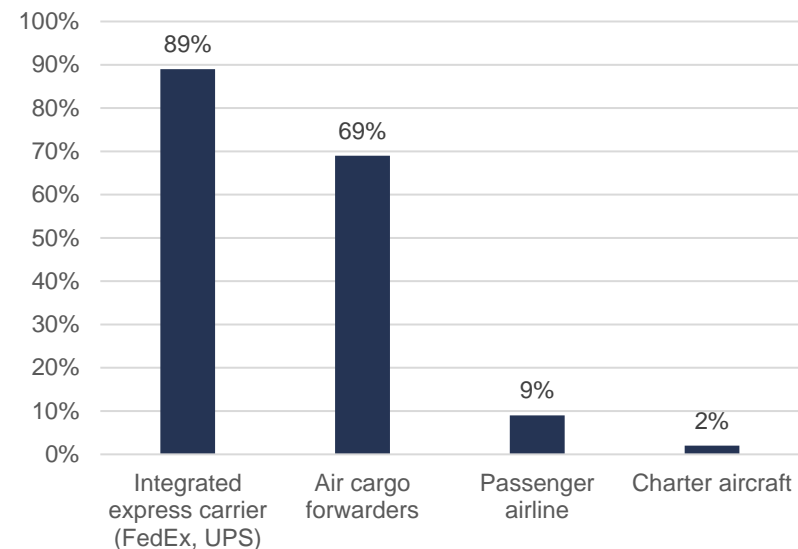
What are the three most common product types your company received by air?

Companies reported they ship machinery tools and parts most frequently via air, expeditated to make repairs. Additional items referenced included.

- Machinery Tools (top response)
- Machinery Parts (top response)
- Compressed air filters, elements, and accessories
- Documents
- Electronic components and products
- Lighting
- Music gear
- Raw materials (o-rings, buckles)

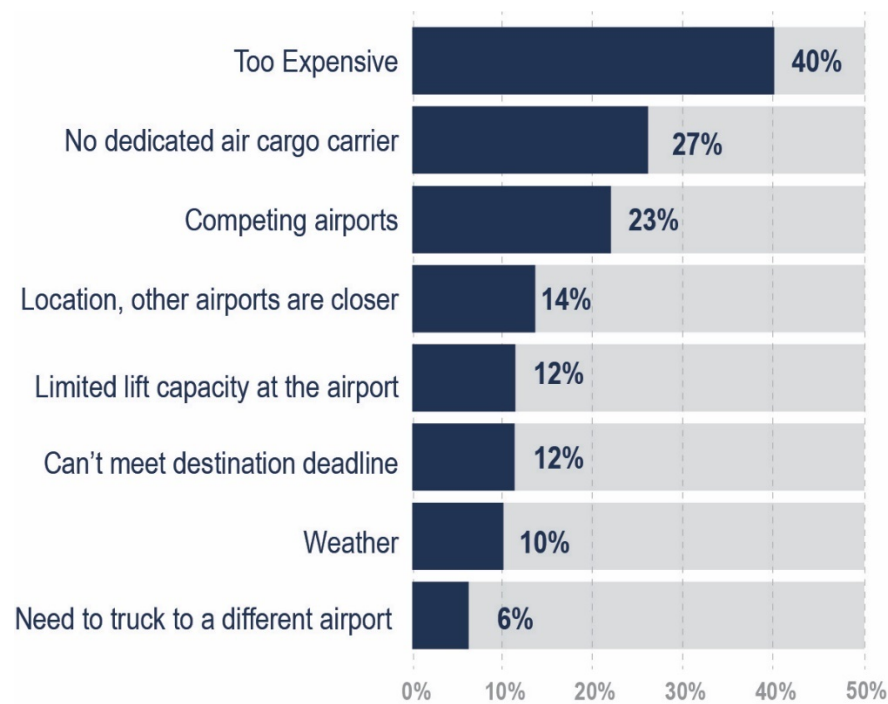
What type of air cargo carrier has been used to send you shipments?

In terms of how companies are logistically facilitating air cargo, 89 percent of companies indicated they utilize an integrated express carrier, typically FedEx, UPS, or DHL, for international shipments. In total, 69 percent also reported using air cargo forwarders, or logistic companies that manage the air shipment including trucking to/from the airport. Only one company indicated they utilize charter aircraft.



What are the top barriers to shipping/receiving air cargo from/to Venango Regional Airport?

Companies reported three prominent barriers to shipping air cargo from Venango Regional Airport including cost, lack of a dedicated air cargo carrier, and the presence of competing airports. The interview findings suggest cost and competing airports correlate as Pittsburgh International Airport and Erie International Airport are reported as more cost effective for air cargo.



Online Survey Follow Up

The online survey included a question prompting interested companies to provide contact information for follow up. Seven expressed interest in pursuing further discussions about air cargo at Venango Regional Airport and three firms chose to provide additional input.

The key finding from the follow up discussions was that freight forwarders do not know Venango Regional Airport is an alternative to Pittsburgh for air cargo shipment. If freight forwarders knew air cargo capability was available and was a less expensive shipping option, the companies contacted indicated that shipping from Venango Regional Airport could be potentially viable in the future.

Over fifteen different air cargo freight forwarders were mentioned during stakeholder outreach and the online survey (**See Appendix A**).

Economic and Land Development Opportunities

Introduction

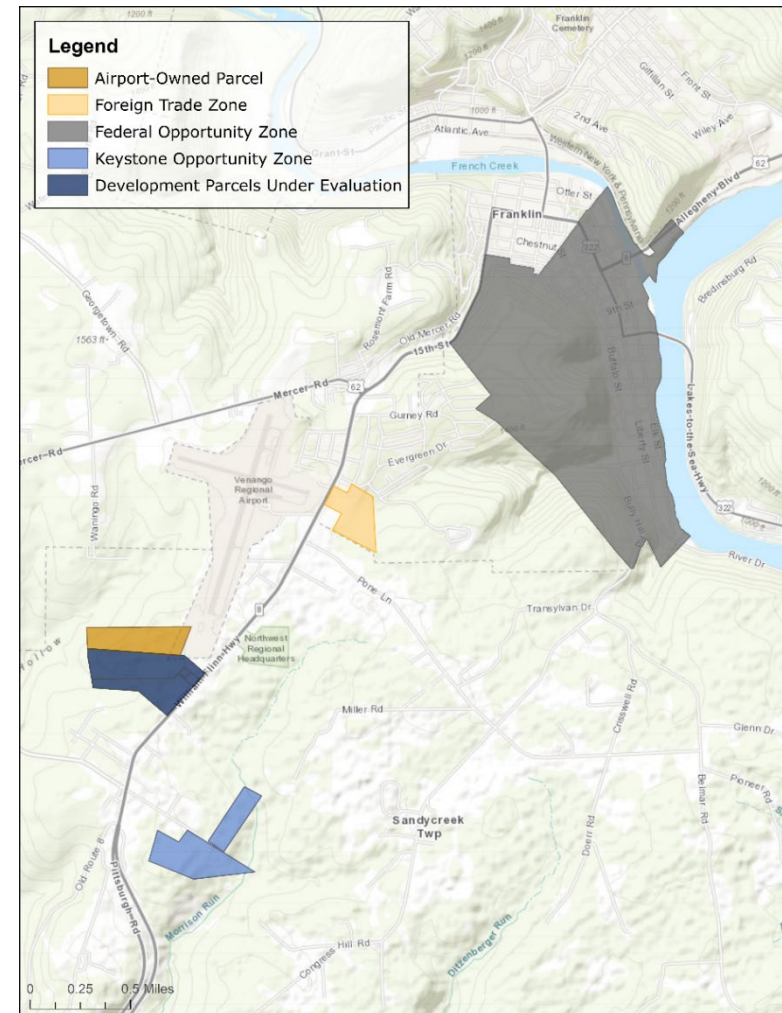
To support the creation of potential new demand for air cargo services, and to support the regional economy as a whole, there are several economic and land development opportunities that should be explored in conjunction with the Venango County Economic Development Authority (Venango County EDA). The prospect of economic and land development exists due in part to the existence of three incentive zones located near the airport as well as several sites available for development.

This section of the Feasibility Study looks at the following:

- **Incentive Zones Located Near Venango Regional Airport**
 - Foreign-Trade Zone
 - Federal Opportunity Zone
 - Keystone Opportunity Zone
- **Update to the 2008 Business in Our Sites Industrial Park Supply Analysis**
 - Barkeyville Industrial Park
 - Sandycreek Industrial Park
 - Seneca Industrial Park
 - Venango Area Industrial Complex

Based on the review of the incentive zones and current supply and demand of industrial sites in the county, several recommendations are outlined to help guide future economic and land development coordination opportunities between the airport and the Venango County EDA.

Incentive Zones and Parcels Under Evaluation for Development in Proximity to Venango Regional Airport



Foreign-Trade Zone

In the United States, a foreign-trade zone (FTZ) is a geographical area of land that is either located in or adjacent to a United States Port of Entry: a designated place at which the United States Customs and Border Protection (CBP) agency is authorized to accept entries of merchandise to collect duties, and to enforce the various provisions of the customs and navigation laws. The U.S. Foreign-Trade Zones Board (FTZ Board) oversees rules and regulations pertaining to FTZs in conjunction with CBP. FTZs offer several advantages for companies using the incentive, including the following:

- CBP duty and federal excise tax, if applicable, are paid when the merchandise is moved from the zone for consumption. While in the zone, merchandise is not subject to U.S. duty or excise tax.
- Goods may be exported from the zone free of duty and excise tax.
- CBP security requirements provide protection against theft.
- Merchandise may remain in a zone indefinitely, regardless if the merchandise is subject to duty.
- Duty rates on merchandise entering a zone may change if the merchandise is produced into a finished good prior to leaving the zone. Duty rates on finished goods may potentially be lower than the duty rate on a product/material used to manufacture the finished good.

FTZ 247

In Pennsylvania, an FTZ known as FTZ 247 is operated by the Erie-Western Pennsylvania Port Authority and contains both subzones and sites, only three of which are activated and utilized at this time.

Venango Regional Airport has a 34-acre FTZ site (Site 04 of FTZ 247), however, it is not activated at this time.



A foreign-trade zone is a designated location in the United States where companies can use special procedures that help encourage U.S. activity and value added – in competition with foreign alternatives – by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings. A site which has been granted zone status may not be used for zone activity until the site has been separately approved for FTZ activation by local U.S. Customs and Border Protection officials, and the zone activity remains under the supervision of CBP. FTZ sites and facilities remain within the jurisdiction of local, state or federal governments or agencies.



Activating and utilizing the FTZ designation may serve as a tool to attract development to the airport, particularly for businesses engaged in importing and exporting activities. As discussed in the following subsections, there are several considerations for the airport and Venango County EDA in advancing activation.

FTZ 247 Sites and Zones

Site Number	Site Name & Location	Acres
01	Erie International Marine Terminal Facility	26
02	Erie International Airport	450
03	Hardinger Transportation Company - Activated	20
04	Venango Regional Airport Industrial Park	34

Zone Number	Company Name	Acres
00A	GE Transportation	350
00B	GE Transportation	49
00C	Hardinger Transfer Co.	
01	Team Hardinger (Erie, PA)	36
02	Team Hardinger (Erie, PA)	19
03	Team Hardinger (Grove City, PA)	40

Source: Foreign-Trade Zones Board, 2017 Annual Report

FTZ Operational Framework

FTZs are established under two frameworks: Traditional Site Framework and Alternative Site Framework.

Traditional Site Framework

- A subzone of an FTZ established under the Traditional Site Framework is designated for a specific company. If a subzone is not activated within 5 years, it expires.
- Sites are a more speculative option to utilize the benefits of the FTZ program under the Traditional Site Framework. An FTZ site is not company specific and is available as an economic development incentive tool to

attract companies to a specific location. Unless the FTZ Board takes specific action, a site of an FTZ established under the Traditional Site Framework does not expire.

- After designation, both subzones and sites require activation by CBP before a company may utilize the benefits of the FTZ program.

Alternative Site Framework

- The Alternative Site Framework was adopted in 2009 as a more user friendly, flexible option for operating an FTZ.
- Participating zones have flexibility to use an easier and faster boundary modification procedure to designate specific locations where companies are ready to use FTZ.
- To operate under the Alternative Site Framework, a Grantee applies to the FTZ Board to reorganize its zone under the Alternative Site Framework provisions. The application process for a boundary modification takes less than 30 days; no fees are required from the FTZ Board.
- Using the Alternative Site Framework allows the Grantee to locate companies anywhere within the service area of the FTZ. Using the Alternative Site Framework makes the whole service area FTZ ready.

Venango County's 34-acre parcel is a site established under the Traditional Site Framework. This implies that moving or expanding Site 04 may be challenging. Based on communications with the Erie-Western Pennsylvania Port Authority, the Authority has not ruled out reorganizing FTZ 247 under the Alternative Site Framework; however, there has not been significant company interest to do so. If an

opportunity presented itself in the future, the Port Authority would address.

Both the Erie-Western Pennsylvania Port Authority and CBP Erie referenced on multiple occasions during the study process that companies retain an FTZ consultant specializing in foreign-trade zone operations. In addition, it was reported that company operation of an FTZ is not an inexpensive endeavor. Documentation often requires companies to invest in tracking software to meet federal CPB compliance. Software costing approximately \$100,000 was reported. Companies operating within and utilizing the benefits of an FTZ must adhere to requirements detailed in the Foreign-Trade Zones manual (Publication#: 0000-0559A), available online at <https://www.cbp.gov/sites/default/files/documents/FTZmanual2011.pdf>.

The FTZ Board prepares an annual report for Congress documenting operations within FTZs throughout the country. The annual report documents information such as value of foreign products received, top states and zones for FTZ activity, and activity in each FTZ. Based on review of the most current annual report (2017), companies utilizing the FTZ program tend to be large multi-national corporations in the petroleum and automotive industries.

- **Local Companies Utilizing FTZs**

- GE Transportation (now Wabtec), operating from FTZ 247, is on the top 25 list of production export companies coming in at number 21.
- Komatsu America Corporation, which purchased Joy Global in Franklin, Venango County, conducts manufacturing operations within two FTZs: FTZ 127, West Columbia (South Carolina) and FTZ 134, Chattanooga (Tennessee).

- FTZ 127: Komatsu operates its Newberry Manufacturing Operation (Newberry, South Carolina at Site 003 of FTZ 127. The site is a Usage-Driven site meaning it is tied to a single operator or user under the Alternative Site Framework. The facility is 80 acres in size, was approved in December 2013, and is scheduled to sunset at the end of 2019.
- FTZ 134: Komatsu operates a 53-acre manufacturing facility in Hamilton County (Chattanooga), Tennessee at site 014 of FTZ 134. The usage-driven site was approved in April 2013 and is scheduled to sunset in August 2020.

Steps to Activate the Venango Regional Airport Industrial Park Site (FTZ 247, Site 04)

Activating the Venango Regional Airport Industrial Park site requires a company ready to enter into an agreement with the Grantee (Erie-Western Pennsylvania Port Authority) to operate at the site. Once an agreement is in place with the Grantee, the company would apply to CBP for activation. Details regarding specific operations at the FTZ would need to be submitted to CBP. The FTZ cannot be used until CBP approves the activation.

Applicable fees listed in the FTZ 247 Zone Schedule would be submitted to the Erie-Western Pennsylvania Port Authority including an activation fee of \$5,000 and an annual administration fee of \$5,000.

An activation of the Site 04, owned by Venango County, would simply activate the existing site location. If Venango County EDA wishes to modify the existing site boundaries, a more cumbersome process would be required. Generally, the FTZ Board indicates that a site established under the Traditional Site Framework cannot easily be moved or

modified. If modification is pursued, it would require the following general steps:

- **Modifying Site 04 as a Traditional Site Framework**

- The Grantee (Erie-Western PA Port Authority) would submit an application to the FTZ Board including a letter of intent from at least one company indicating it will activate within the modified site. A \$1,600 fee to the FTZ Board would accompany the application.
- Adjacency requirements from the outer limits of the CBP port of entry (60 miles or 90-minute drive) would need to be met. According to the CBP 4106 in Erie, the port of entry border limit is the City of Erie municipal boundary.
- The timeframe for the FTZ Board to complete this process is approximately 10 months from submission of a complete application.
- Once the site is expanded or moved, a company could apply to CBP to activate the FTZ within the new area.
- Applicable fees listed in the FTZ 247 Zone Schedule would be submitted to the Erie-Western Pennsylvania Port Authority including a major boundary modification (\$15,000); manufacturing/processing permit (\$2,500); and annual administration fee (\$5,000).

A quicker alternative to site modification under the **Traditional Site Framework** would be to establish a new subzone. The designation process could potentially be reduced to approximately 5 months.

- **Establishing a New Subzone**

- A subzone is submitted for a specific company's use. The company could be operating from the proposed subzone location prior to an application submission to the FTZ Board or could be in the process of constructing a facility.

- The grantee would submit an application to the FTZ Board on behalf of a company for subzone status. A fee (ranging from \$4,000 to \$6,500) to the FTZ Board would accompany the application.
- Once the FTZ Board approves the subzone and the company has entered into an agreement with the grantee, the company could then apply to CBP for activation.
- Applicable fees listed in the FTZ 247 Zone Schedule would be submitted to the Erie-Western Pennsylvania Port Authority including a Boundary Modification fee (\$15,000); Sub-Zone fee (\$5,000); Manufacturing/processing permit (\$2,500); Annual Administration Fee (\$5,000).

FTZ 247 Marketing

Approximately two years ago, the Erie-Western Pennsylvania Port Authority held a seminar targeted toward potential FTZ users in the region utilizing an FTZ consultant to conduct the seminar. The focus was to identify regional companies that could realize a net benefit by investing in the infrastructure required to operate in an FTZ. At the time of the seminar, however, no companies expressed interest in pursuing FTZ location.

General purpose zones that operate as warehouse locations (like the Venango County site) can supply the warehousing needs for several small regional companies. For example, while most of Team Hardinger's warehouse space is for Wabtec, it also manages goods for smaller companies.

Effective use of an FTZ depends on the presence of a large manufacturing company in the region to support production or warehouse operations. Currently, Wabtec (formerly GE Transportation) is the only manufacturer within FTZ 247 utilizing the benefits of the FTZ.

With manufacturing operations at subzones in Erie and Grove City, the likelihood of production expansion into Venango County is unlikely. Komatsu America Corporation conducts manufacturing operations within an FTZ in South Carolina and Tennessee and might be an FTZ candidate for FTZ 247. As Komatsu North America manufactures within two FTZs in southern states, company officials would be familiar with the FTZ process.

FTZ Key Findings/Recommendations for Venango County FTZ 247 Site 04

- **Operating within the existing framework of Site 04 would be the least complicated and fastest way for Venango County to utilize the benefits of the FTZ program.**
 - Considering the inquiry from Logistics Plus in October 2019 seeking available warehouse space to augment Wabtec's warehouse needs, further discussions with both Logistics Plus and Team Hardinger are advisable. Both companies were contacted as part of this study but did not return calls. The focus of the contact should be to determine if the existing Site 04 (34-acre parcel) could be a viable location for a warehouse facility. If so, a public-private partnership could be discussed to construct and operate a warehouse. Such a partnership could be structured to bring in operational revenue for the airport.
- **Recommendations for modifying or expanding Venango County's FTZ**
 - Due primarily to lack of demonstrated company need, the Erie-Western Pennsylvania Port Authority has not reorganized under the Alternative Site Framework. If a reorganization of FTZ 247 does occur in the future,

locating a company within the FTZ service area requires approximately 30 days and no cost from the FTZ Board.

- Under the current Traditional Site Framework, modifying or expanding Venango County's FTZ will take time, effort, and cost. The minimum fee to modify the existing site boundary is \$19,000 and to establish a new subzone is \$26,500. The annual administration fee is \$5,000.
- Komatsu North America could be a potential FTZ user. As Komatsu North America manufactures within two FTZs in southern states, company officials would be familiar with the FTZ process.
 - While both Komatsu North America's FTZs are scheduled to expire by summer 2020, discussion with Komatsu's Franklin facility and U.S. headquarters should be considered to determine the feasibility of utilizing the benefits of the FTZ program.
 - A Venango County FTZ location could potentially be attractive to the company, depending on future operations plans. The existing 465,000 square foot vacant space in proximity to the manufacturing facility could be considered an alternative location for either production or warehousing.
- **Retain FTZ Consultant**
 - Retaining an FTZ consultant was recommended in discussions with the Erie-Western Pennsylvania Port Authority and CBP Erie. Based on the complexity of the FTZ operations process, ensuring an interested company retains an FTZ consultant would help promote future success.



Qualified Opportunity Zones

The federal tax bill passed at the end of December 2017 paved the way for states to designate certain census tracts as opportunity zones, known as federal Qualified Opportunity Zones. As is the case in each state, the Governor of Pennsylvania was given the opportunity to designate up to 25 percent of nearly 1,200 eligible census tracts that either have poverty rates of at least 20 percent or median family incomes of no more than 80 percent of statewide or metropolitan area family income.

In Pennsylvania, a total of 734 eligible low-income census tracts were recommended to the state for designation, which is 61 percent of the entire eligible pool. Of these, Pennsylvania designated 300 tracts as Qualified Opportunity Zones based on economic data, recommendations from local partners, and the likelihood of private-sector investment in those tracts. In Venango County, three tracts were designated, including one located near the airport (42121200500).

In Qualified Opportunity Zones (QOZ), the federal incentive allows the deferral of capital gains taxes through the end of 2026 on all capital invested, providing up to a 15 percent reduction in capital gains taxes when paid at the end of 2026. If the QOZ investment is held for longer than 5 years, there is a 10 percent exclusion of the deferred gain. If held for more than 7 years, the 10 percent becomes 15 percent.

As specified by the Pennsylvania Department of Community and Economic Development, all investments must occur within a designated QOZ and may include industrial, commercial, and residential projects or other direct business investments. Participation in QOZ is not tied to any minimum or maximum participation thresholds, job retention, or creation commitments. However, the investment must be held for at least five years.

Qualified Opportunity Zones Key Findings/Recommendations

At this time, the QOZ designation process is complete, and states do not have the ability to amend the designated zones. There is no potential to add new census tracts or to alter the boundaries of the currently designated QOZs. Accordingly, the three census tracts in Venango County are the opportune locations to attract businesses interested in taking advantage of the QOZs. The sites should be marketed accordingly.

Like FTZs, the operational framework of QOZ is cumbersome. As a new program with a specified end date (2026), it is reported that the process for organizing a Qualified Opportunity Fund, the actual investment vehicle organized as a corporation or a partnership, can be complicated. The City of Erie, Pennsylvania, for example, released a detailed "City of Erie Investment Prospectus", for purposes of attracting investors. Many local governments and authorities are engaged in the program and offer local expertise to help administer the process.

If Venango County would like help to enhance its marketing of the QOZs, a single point of contact should be identified and well versed in the program. The Pennsylvania Department of Community and Economic Development may be able to offer assistance. For interested businesses, it is recommended that a consultant be engaged to oversee and guide the process.

Keystone Opportunity Zones

The Keystone Opportunity Zone (KOZ) Program is a state program designed to incentivize development of abandoned, unused, or underutilized land and buildings into business districts and residential areas that present a well-rounded and well-balanced approach to community revitalization. Through broad-based tax abatements, total taxes on economic activity in KOZ zones are significantly reduced. The incentives are shown below.

In Venango County, there are currently three active KOZ designations: two located at the Sandycreek Industrial Complex and one located at the Barkeyville Industrial Park. To receive the incentive, businesses must own or lease real property within a zone and conduct an active trade, profession, or other business in the zone. Applications for the incentive may be made through December 31 of each year for which benefits are to be received. If a business is relocated to a KOZ from a non-zone, the business must:

- Increase full-time employment by at least 20 percent in the first full year of operation within the zone;
- Make a capital investment in the property located within the zone at least equivalent to 10 percent of the gross revenues of that business in the immediately preceding calendar or fiscal year; or
- Enter into a lease agreement for property located within the zone for a term at least equivalent to the duration of the zone and with the aggregate payment under the lease agreement at least equivalent to 5 percent of the gross revenues of that business.

At this time, there is no upcoming opportunity for a KOZ new zone designation in Venango County. KOZs application windows for new zone designations are legislative processes administered by the Commonwealth, and do not occur regularly or during set timeframes.

KOZ Tax Incentives



Industrial Park Supply and Demand Analysis

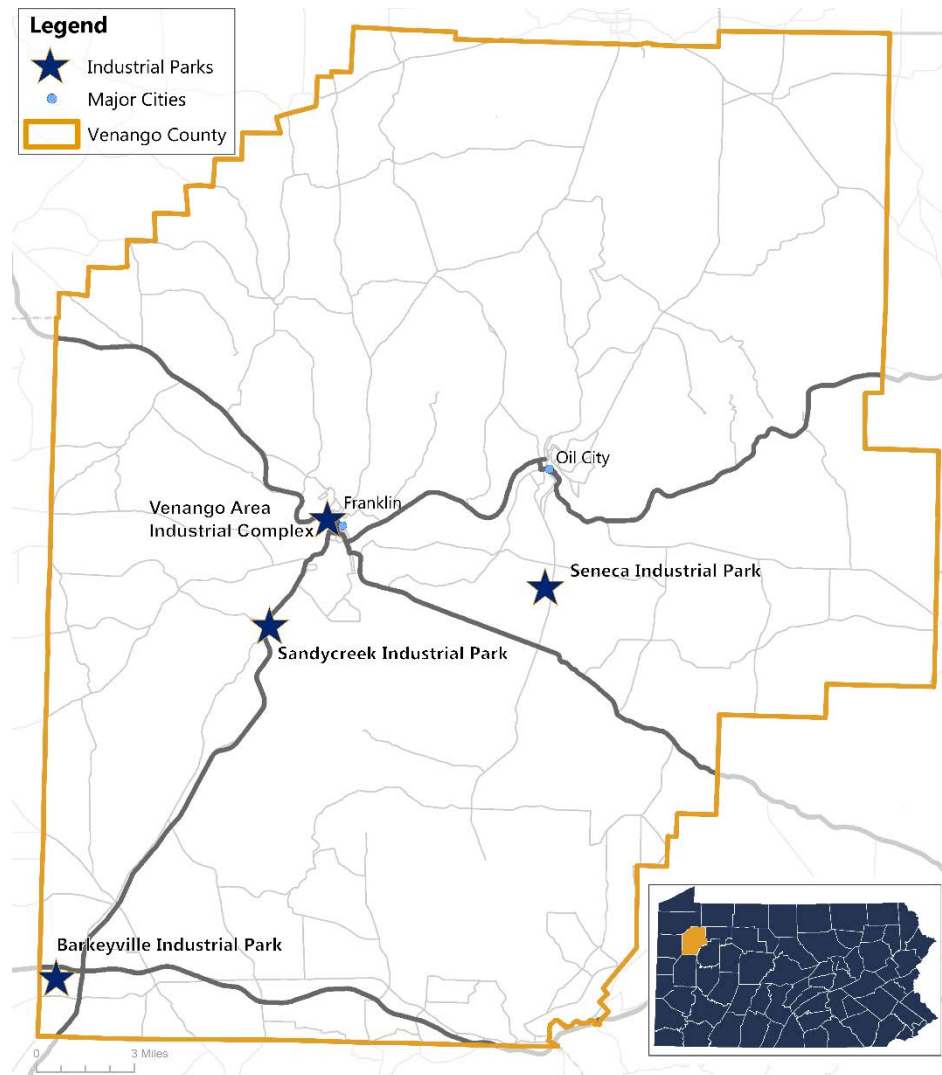
In 2008, the Venango County Board of Commissioners in partnership with the Oil Regional Alliance conducted a Business in Our Sites (BOS) study under a grant from the Commonwealth Financing Authority to support the potential development of three sites in Venango County. The study looked at market conditions as well as site specific financial and physical development scenarios for each of the three sites. As part of the study, a high-level of summary of Venango County's industrial parks was outlined to compare supply and demand for industrial space.

As part of the Venango Regional Airport Air Cargo Feasibility Study, it is prudent to update the findings of the 2008 supply analysis to understand the current operating condition of the County's major industrial parks. Understanding the trends over the past 10 years can offer insight into market conditions regarding absorption should parcels for development or buildings be made available in the opportunity sites/zones identified above.

For purposes of this study, representatives from the following industrial parks were interviewed to collect qualitative input on supply and demand. Cooper Industrial Commons was also contacted but could not be reached for comment.

- Venango Area Industrial Complex
- Sandycreek Industrial Complex
- Seneca Industrial Park
- Barkeyville Industrial Complex

Location of Analyzed Industrial Parks in Venango County



Venango Area Industrial Complex

Established in 1985, the Venango Area Industrial Complex is located in the City of Franklin, Venango County and is owned and operated by the Franklin Industrial & Commercial Development Authority. With 23 acres of land and 434,000 square feet of building space, the complex is the largest industrial park located in the county, featuring approximately 20 businesses and 500-550 employees. In 2008, the complex was near full capacity with only 20,000 square feet of storage space available and 7,500 square feet of light assembly space. Today, the complex's industrial space is fully leased, with only a small portion of office space available for lease. Some of the largest tenants include Titusville Fabricators, Liberty Electronics, Wolbert Welding, KB Pizza, and Seneca Printing Express.

Over the past 10 years, the complex has retained stable levels of occupancy. Complex representatives report many of the businesses located at the Venango Area Industrial Complex have been long-term tenants. In many cases, as space becomes available, it is taken by an existing tenant wishing to expand. Office space is most difficult to lease, and representatives generally report office space supply exceeds demand in the County.

Competitive advantages for the Venango Area Industrial Complex include upgraded utilities including heavy electrical and water capacity, crane operations, and freight loading docks. In addition, the complex is tax exempt. While the Authority does issue a payment in lieu of taxes to the City of Franklin, tax exemption is a significant advantage for attracting tenants.

Sandycreek Industrial Complex

The Sandycreek Industrial Complex is located on DeBence Drive just off PA Route 8 Expressway in Sandycreek Township. Located south of the City of Franklin, the complex is in close proximity to Venango Regional Airport.

Sandycreek Industrial Complex was assembled and sold by the Oil Region Alliance in the early 2000s. By 2008, the Alliance had sold parcels to four companies, who in turned developed the land. Since that time, some of the developed parcels have been sold and are under new ownership but are still in active use. In addition, the Oil Region Alliance still owns 75 additional acres for development. Of the 75 acres, 5 acres were sold to Fed Ex, which constructed a 35,000 square foot local distribution center. The remainder of the 70 acres is being marketed for sale by the Alliance of which 65-acres are under a KOZ designation until 2025. The KOZ designation covers a 43-acre parcel and a 22-acre parcel. All utilities are available on site.

Seneca Industrial Park

Seneca Industrial Park is also owned by the Oil Region Alliance, which assembled 11 acres for development. The site is located on Airport Road just off PA Route 257 in Cranberry Township, approximately 2 miles north of the intersection with PA Route 322. Zoned industrial with all utilities available on-site, the property is being marketed for sale. The 2008 recession paused interest in the project over the past 10 years, but the Alliance anticipates the site to be developed for commercial and office space.

Barkeyville Industrial Park

Barkeyville Industrial Park is located off the Barkeyville exit to Interstate 80 and is located within 10 miles of Interstate 79, making the park an ideal location with convenient access to the statewide transportation network. The park acreage was assembled by the Oil Region Alliance and, by 2008, all 126-acres were sold or under agreement. The parcels within the park were designated as KOZs through 2012.

Today, the parcels sold in the 2008 time period have all been developed and are under private operation by their three respective owners, which include Team Hardinger, Glenn O. Hawbaker, and Renov Ex. All three conduct active business operations in the park.

Given the success of development, there were plans to expand the Barkeyville Industrial Park by another 57 acres. However, over the past 10 years, expansion has not occurred. Parcel assemblage is one challenge given the various owners of the 57 acres, as well as more limited interest in developing buildings from private end-users.

Supply and Demand Observations

The qualitative input provided by the industrial park representatives aligns with the findings of the Northwest Pennsylvania 2016 Comprehensive Economic Development Strategy (CEDS) report. The 2016 CEDS identified the lack of multi-tenant modern facilities as a regional weakness and, accordingly, recommended regional real estate development projects include multi-tenant facilities, shell buildings, reuse of brownfield sites, and shovel-ready industrial parks. In addition, the CEDS recommends creating a comprehensive database of available commercial buildings and properties for economic developers and realtors. This recommendation is based on the fact that, currently, there is no uniform approach for marketing properties.

The industrial park representatives interviewed for this study echoed similar observations, described below.

Companies prefer move-in ready buildings over developable land.

- Companies seeking industrial space generally look for existing buildings that are upgraded.
- The demand for vacant land available for sale is limited. This is demonstrated by the vacancies that still exist in several of the industrial parks that, while upgraded with utilities, located in good proximity to transportation corridors, and offering KOZ tax incentives, remain unsold.
- The Joy Global Warehouse building is not move in ready and has challenges with attracting end users. At 450,000 square feet, the building should be upgraded and repositioned as multi-tenant.

There is demand for industrial and warehouse space. There is limited demand for office.

- It was reported there is demand for industrial space in the range of 5,000 to 10,000 square feet. In addition, warehouse space is also in demand.

Existing industrial park space is marketed via word of mouth.

- Venango County's economic development agencies report the marketing of available space is conducted via word of mouth as well as social media. For example, vacancies opened at the Venango Area Industrial Complex have historically been re-occupied by existing tenants wishing to expand.
- Venango County's economic development agencies do not list vacancies or properties on Pennsylvania's site selection tool, PA Site Search, or commercial real estate sites like LoopNet and CoStar.
- There are webpages available on three of the four industrial parks profiled, but information is somewhat limited and difficult to navigate.
- While the agencies understand the advantages of more comprehensive marketing, the staff time commitment that would be required to maintain the information is reported as one barrier to this approach.



Feasibility Study Conclusions

Overview

The Venango Regional Airport Air Cargo Feasibility Study was initiated to explore the feasibility of shipping and receiving air cargo at Venango Regional Airport, with study elements to include evaluating local and regional demand for air cargo services, vetting the potential to establish the airport as an air cargo hub or feeder, and identifying physical improvements to airport infrastructure to position Venango Regional Airport to offer air cargo.

Based on the local and regional demand analysis, study findings conclude there is limited potential for air cargo at Venango Regional Airport at this time. The airport's proximity to two existing air cargo hubs, Pittsburgh International and Cleveland Hopkins International, and one feeder (Erie International) restrict the airport's ability to capture air cargo market share, given that FedEx and UPS are significant generators of air cargo and operate from major hubs. However, research and case study findings documented potential for Venango Regional Airport to provide private air carrier services for cargo via on demand service.

Based on the findings, the study objective was modified. As opposed to evaluating physical airport improvements to support air cargo hub or feeder operations, which were found not to be applicable at this time, the study evaluated economic and land development opportunities for the Venango County Economic Development Authority and Venango Regional Airport. By increasing economic activity, the County may continue to support future demand for private air carrier services at Venango Regional Airport.

Market Existing Air Cargo Capabilities

Why?

As demonstrated by the case studies, expanding the airport's regional visibility is critically important to attracting both passengers and partners interested in private air carrier services.

How?

- Venango Regional Airport should consider a redesign of the airport's website with a strong focus on air cargo and locational advantages. During stakeholder outreach, many stakeholders indicated they were completely unaware of the airport's ability to coordinate private charter service for air cargo.
- Consider convening an informational workshop at Venango Regional Airport for local and regional businesses for purposes of communicating on-call services and the value the airport can offer.
- Venango Regional Airport should maintain contact with Youngstown Jet as the company has expressed interest in locating at the airport. Youngstown Jet has also indicated willingness to help broker air cargo services at the Airport.

Conduct Proactive Meet and Greet Meetings with Freight Forwarders and on-call carriers.

Why?

Many companies rely on freight forwarders to coordinate their air cargo and trucking logistics. Based on the online survey, nearly 70 percent of businesses use freight forwarders for air cargo needs. In addition, the airport should establish relationships with on-call air carriers and maintain an active list of service providers.

How?

- Venango Regional Airport should conduct business meetings with freight forwarders and on-call carriers and maintain communications proactively in order to attract business. Over 15 air cargo freight forwarders were identified through stakeholder outreach and the online survey.

Develop Warehouse and Manufacturing Space in Proximity to the Airport

Why?

As a long-term recommendation, Venango County should develop warehouse and manufacturing space in proximity to the airport. Given Franklin and Oil City's state and federal designated zones with a variety of incentive options, developing new industrial space in general proximity to the airport will capitalize on the zones and also potentially create new demand for air cargo service. As reported in the Economic and Land Development Opportunities section, businesses typically seek developed buildings over vacant land, indicating the County should consider rehabilitating existing buildings for reuse or construction spec buildings. A strategy should be formulated based on the County's existing economic development projects and long-term outlook.

How?

- Prioritize development sites and evaluate the prospect of developing or redeveloping spec warehouse/manufacturing space to quickly respond to inquiries.
- Improve site marketing through a more comprehensive County-led approach.

Maximize Benefits of State & Federally Designated Zones

Why?

Incentivize private sector investment in Venango County to attract businesses.

How?

- Promote federal and state designations to prospective businesses and site selection consultants.
- Consider modifications to the FTZ 247, 34-acre site in Venango County or activating the current site.



Appendix A

The following freight forwarders were identified during stakeholder outreach:

- Air Ground Control
- AGX
- BAX Global
- C.H. Robinson
- CEVA Logistics
- DB Schenker
- DHL
- DSV
- FedEx
- Logistics Plus
- Hardinger
- Kuehne & Nagel
- R & L Worldwide
- Rohlig
- Tazmanian Freight Systems
- UPS
- XPO