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Airport FBOs Must Work with Communities, EDAs to Survive

Riaz Aziz

In today's increasingly global, high-tech economy, rural America's transportation systems face new demands for efficiency and service. For many rural businesses, airports serve as a key transportation link. But in recent years, the numbers of fixed-based operators (FBOs) providing services at rural airports has decreased.

Unfortunately, the closing of an FBO — who may provide scheduled air service, air freight, aircraft leases, hangar rental, air taxi service, aircraft fuel or maintenance — often presages the demise of the rural airport it serves. How can rural-area FBOs stay in business? How can they build partnerships in their communities, for whom air service is often a key component in attracting and keeping new business and industry?

Aviation FBOs Impact Communities

General aviation is at the heart of the air transportation system in the U.S. Airports served by general aviation not only provide air transportation, but help attract new industries, which in turn provide needed employment opportunities.

North Dakota currently has 96 public-access airports, 39 of them with FBOs. FBOs provide many of the services at these airports, and many of them are also responsible for daily operations. But today,

many FBOs are struggling to maintain profitability, for reasons including:

- Increased regulations
- High liability costs
- Low return on investment
- Fewer flight trainees
- Increasing costs of aircraft fuel

In fact, the number of FBOs in the U.S. has been declining steadily, from nearly 10,000 in the mid-'80s to fewer than 2,000 estimated by the year 2000. Over the past 27 years, 16 public airports in North Dakota have also closed, and there has been a decline in FBO services including air charter, flight instruction and aircraft rental.

Alarming, an FBO going out of business often serves notice that its airport is soon to follow. And communities without airports are at a disadvantage when competing to market themselves to potential new businesses and industries; among new and relocating firms, 21% valued scheduled air service in selecting location.

Loss of airports, and the FBOs that serve them, has potential to impact overall economy. For example, aviation plays an important role in the state's agricultural economy, thanks to the aerial application industry, which employed nearly 700

people in 1993; total economic impact from primary and secondary aviation activities including aerial application was estimated at 8,700 jobs and \$585 million in expenditures the following year.

Aviation is also important to manufacturing, especially to companies that use “just in time” programs, relying on overnight air freight to deliver materials and supplies to factories as needed, rather than maintaining large inventories. Nationally, nearly 40% of all manufacturers are using just-in-time programs, and another 20% are expected to make the switch. This suggests an economic opportunity for airports and FBOs in rural areas — but only if they have upgraded facilities to provide all-weather, nighttime takeoffs and landings.

Economic Development Agencies and FBOs: Missing Links?

In rural areas, economic development agencies (EDAs) emphasize the need to diversify their economy in the face of global competition. High-tech industries are ranked high by rural EDAs trying to attract business into their communities — and many believe air service is essential for thriving high-tech firms. Indeed, many companies include the availability of quality air service as an important community characteristic in making location decisions.

Despite the apparent importance of air service, a survey of EDAs in North Dakota revealed a relatively low degree of support for promoting aviation-related activity and aviation-related economic development programs:

- 10% of EDAs reported their communities placed a “high” value on aviation.
- 10% placed a “high” priority on aviation in EDA programs.
- More than half (61%) gave aviation-related programs either “low” or “no” priority — presumably based on the fact that they see a low degree of support for aviation activities from the people in their communities.

Significantly, among EDAs which placed a low priority on aviation, almost 85% had annual budgets of less than \$50,000. Of those:

- 51% believed there was no community demand for promoting aviation-related programs.
- 17% had no funds to spend on aviation-related programs.
- 17% did not include aviation as a goal.
- 10% were satisfied with current levels of aviation activities.

More than half of the EDAs surveyed had no plans to increase programs targeted toward aviation.

In contrast to the low value and priority apparently placed on aviation by EDAs and/or their communities, EDAs also seemed to believe aviation to be a positive factor in community economic development:

- More than one-fourth (28%) believe aviation helps market their community as a place to conduct business.
- 24% believe aviation helps market the community as a nice place to live.
- 30% also believe aviation-related activity is a source of community pride.

Of interest to FBOs may be the fact that 75% of EDAs surveyed believe aviation-related activity in their community has remained the same or actually increased in the last five years. Reasons for this included the following:

- Improved quality of airport service (60%)
- Improved air service (17%)
- Improved business activity in the community (12%)
- More transportation choices (7%)

How Can FBOs Work Together with EDAs?

The difference between the value EDAs believe aviation offers their community and the level of priority they place on aviation programs may exist because either EDAs assume aviation businesses do not need their support, or EDAs believe people in the community may not value or demand aviation economic development programs.

In today's highly competitive environment, airport managers and FBOs cannot assume that customers looking for aviation services would fly to the local airport just because it is there — nor can EDAs assume that airports can help attract economic development just because they exist. Instead, EDAs and airport FBOs must work together to accomplish several goals:

- Promote airport facilities as a viable transportation asset to the community.
- Promote the airport to businesses who would benefit from access to air transportation.
- Include the airport in the overall planning for long-term economic development.
- Build relationships with local government and citizens to pursue solutions to symptoms rather than problems.
- Share business plans to build a partnership taking into account the needs and goals of EDAs and FBOs.
- Work with the community to promote feasibility studies and marketing strategies to eliminate obstacles that may restrict firms from establishing businesses at the airport.
- Form a three-way partnership between EDA, FBO and airport management to increase opportunities for improving airport and community economic development.

Some specific avenues for accomplishing these goals might include:

- Developing relations with newspapers and radio and television news directors for promotion of airport projects
- Work with local legislators on mechanisms for financing airport business opportunities

- Publication of an annual newsletter highlighting the airport's economic impact on the community
- Organization of open houses and visits between businesspeople, legislators, civic groups and airport tenants
- Educational speaking opportunities at schools, civic groups and local government meetings
- Improvement of airport services, perhaps specializing in one or two areas that may bring higher returns

Conclusion

With increased regulations, high liability costs and other factors, rural FBOs and airports are struggling to stay alive. Their closings have powerful impact on communities in terms of jobs, attracting or keeping businesses and industries, and access to services such as agricultural aerial application, air freight and air ambulance.

Local EDAs are a resource that airports and FBOs can tap into to help promote the local airport as a viable economic asset of the community. In communities where EDAs work in partnership with the local airport, the community benefits. Partnership between the airport, FBO and EDA can result in increased activity at the local airport — and research shows that investment in the airport will translate into multiple expenditures and increased employment in the community.

A copy of the full report, "North Dakota Airport and FBO Impact Study" (UGPTI Department Publication No. 121), is available from the Upper Great Plains Transportation Institute. Contact: Riaz Aziz (701) 231-8058.
