



# Virginia Department of Aviation

## COVID-19 IMPACTS AND THE ROAD TO RECOVERY

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The spread of COVID-19 is having an unprecedented impact on not just the aviation industry but the global economy. While the immediate and most pressing concern is human cost in terms of people's health and the tragedy of escalating fatalities, COVID-19 has created profound implications for nearly all businesses and industries. What started out as looking like a repeat of the SARS outbreak (2002/03) or Swine flu (2009/10), both of which had relatively modest and short-lived impacts on aviation and the economy, has escalated to a much larger emergency. The impact on aviation has been catastrophic. The situation is changing on a daily basis and there remains considerable uncertainty as to how long this outbreak will last and what will be the final impacts.

Unfortunately, the United States has the worst COVID-19 outbreak in the world, resulting in profound impacts to the U.S. aviation industry. A few of the impacts are;

- The major U.S. airlines collectively lost \$11 billion in the 2nd quarter of 2020 alone. The largest quarterly loss on record.
- In the immediate weeks after the global shut down, U.S. airport passenger traffic declined 95%. Traffic has rebounded only slightly and uneven in the U.S. Total passenger traffic in the U.S. is still down 75% from the prior year.
- Before the pandemic, one in 10 American jobs were supported by the travel industry, but since the outbreak more than half of the 15.8 million people working in the related roles have lost their jobs.
- Massive airline layoffs are expected at the end of September as employee protections are removed at the end of the CARES Act. As of this writing, a second CARES Act (or the equivalent) is being debated within the U.S. Government.



Commercial aviation in the Commonwealth has also experienced tremendous negative impacts;

- Total passenger traffic at Virginia airports declined 96% in April and 92% in May.
- Eighty-Eight nonstop markets are no longer served from the Commonwealth.
- Currently, August seat capacity is down nearly 60% from the prior year.
- Significant loss of passengers results in significant loss of revenues at Virginia airports.
- Ripple effects spiral down and impact hotels, rental car agencies, and restaurants, just to name a few.



DOAV asked Inter *VISTAS* to assist in evaluating the impact of Covid-19 on commercial airports in Virginia, and the need for possible additional Commonwealth aid to Virginia's commercial airports to ensure the funding needed to respond to the significant decline in airport traffic and revenue. The following sections summarize the results of this review and presents recommendations for consideration.

# Executive Summary

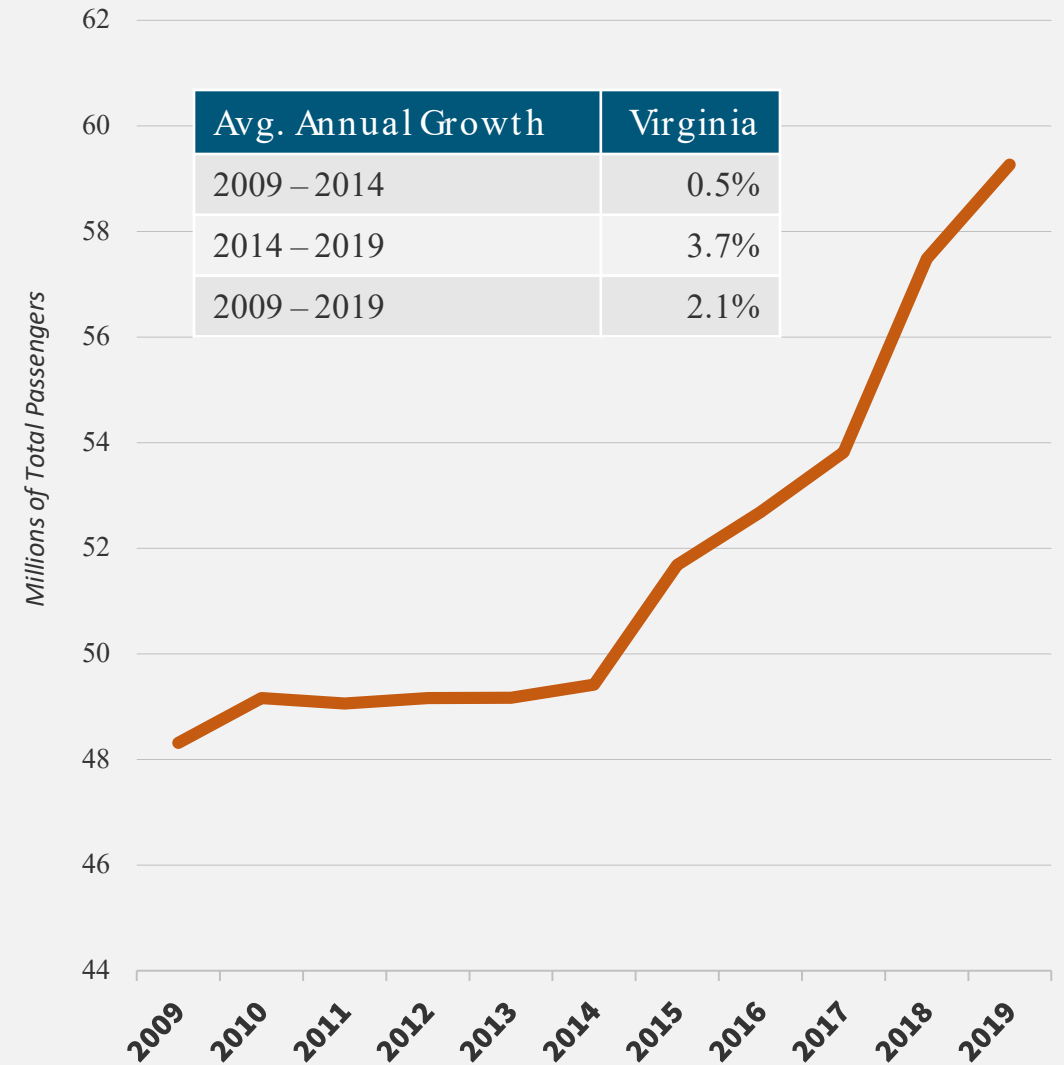
- The Commonwealth of Virginia's diverse system of airports plays a vital role in the state and regional economies by creating jobs and contributing to overall economic development.
- Covid-19 is having unprecedented impacts on the global aviation industry. U.S. airlines reported a record combined loss of \$11.2 billion in the 2<sup>nd</sup> quarter alone. U.S. airports experienced a passenger decline in April and May of 95% and 90% respectively.
- All Commonwealth commercial airports have experienced tremendous declines in traffic and revenue since March 2020. Recovery has been slow.
- Passenger recovery will be determined by our country's ability to control the virus. Until a vaccine is widely available, meaningful recovery will not occur. InterVISTAS estimates Commonwealth air passengers will not recover to 2019 levels until early 2024.
- The CARES Act providing federal aid for airlines and airports was passed in March 2020. The nine commercial airports in the Commonwealth received a total of \$308 million in CARES Act funding.
- The distribution of CARES Act funding for Virginia airports was in some cases uneven in relation to annual financial needs and raises questions around actions that individual airports might need to consider.
- Since the formal announcements of government actions related to Covid-19 in the United States, the outlook has changed from "temporary impact" to a "more prolonged impact". The most recent increase in cases in the U.S. has dampened the outlook even further.
- All of this points to the need to consider potential further aid for airports.
- Airports in the Commonwealth regard the existing funding program positively and would welcome additional Commonwealth support during this unprecedented period of Covid-19 impact.
- InterVISTAS has outlined several potential concepts, specific to aid that the Commonwealth might provide to the commercial airports in Virginia. There are different forms of aid to consider, and we have attempted to present a range of alternatives.



# Pre-COVID19 Traffic and Air Service Performance

# In 2019, Virginia's Total Passengers Reached a Historical High, at 59.3 Million

*After a relatively flat period, following the 2008 recession, Virginia's total passengers have rebounded, growing 3.7% annually since 2014 and reaching 59.3 million total passengers in 2019*



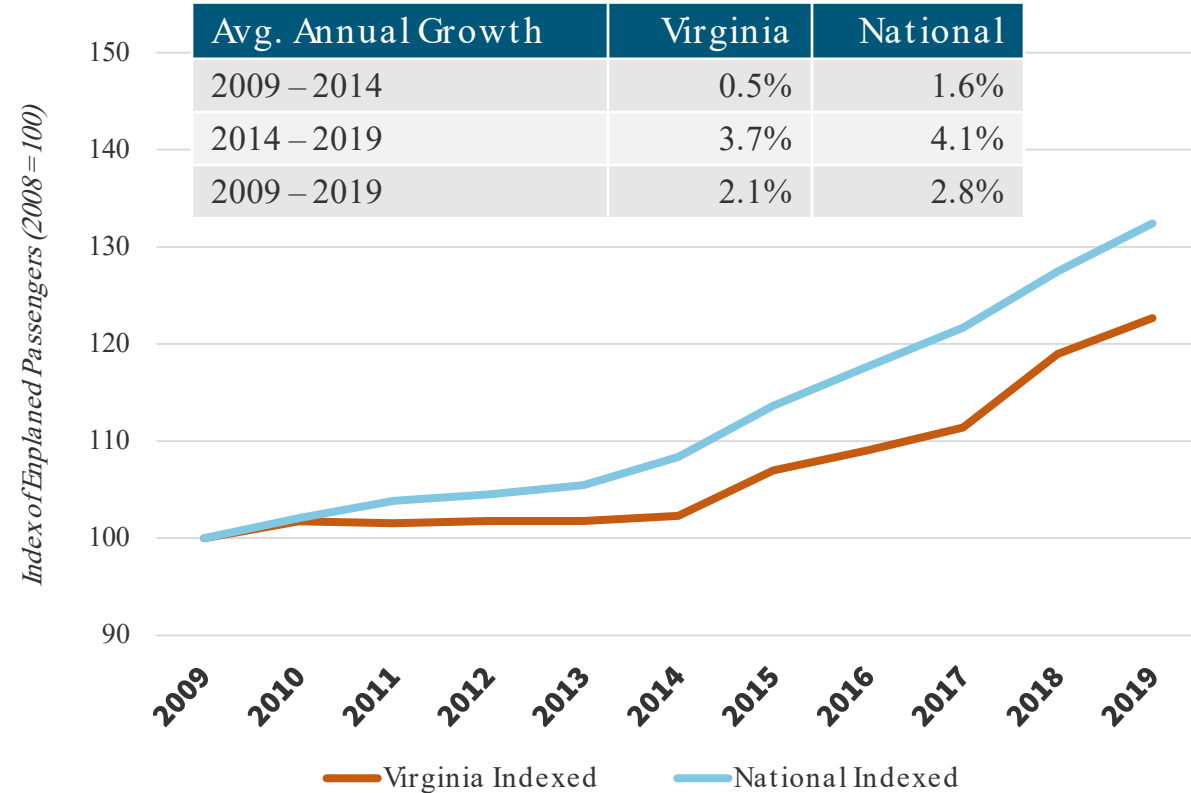
Source: Airport Records





# A Comparison of National and Virginia Total Passenger Growth Trends Indicates that Virginia has Slightly Lagged the Nation

- Virginia's air traffic has recovered more slowly than the total U.S., following the economic recession
- Virginia grew at an average annual growth rate of 0.5% between 2009 and 2014 and 3.7% between 2014 and 2019
- While the U.S. grew at an annual rate of 1.6% between 2009 and 2014 and grew at a rate of 4.1% per annum between 2014 and 2019
- Virginia's passenger growth has been historically below the National average due to its significant government related passenger traffic. Sequestration continues to be an impact.

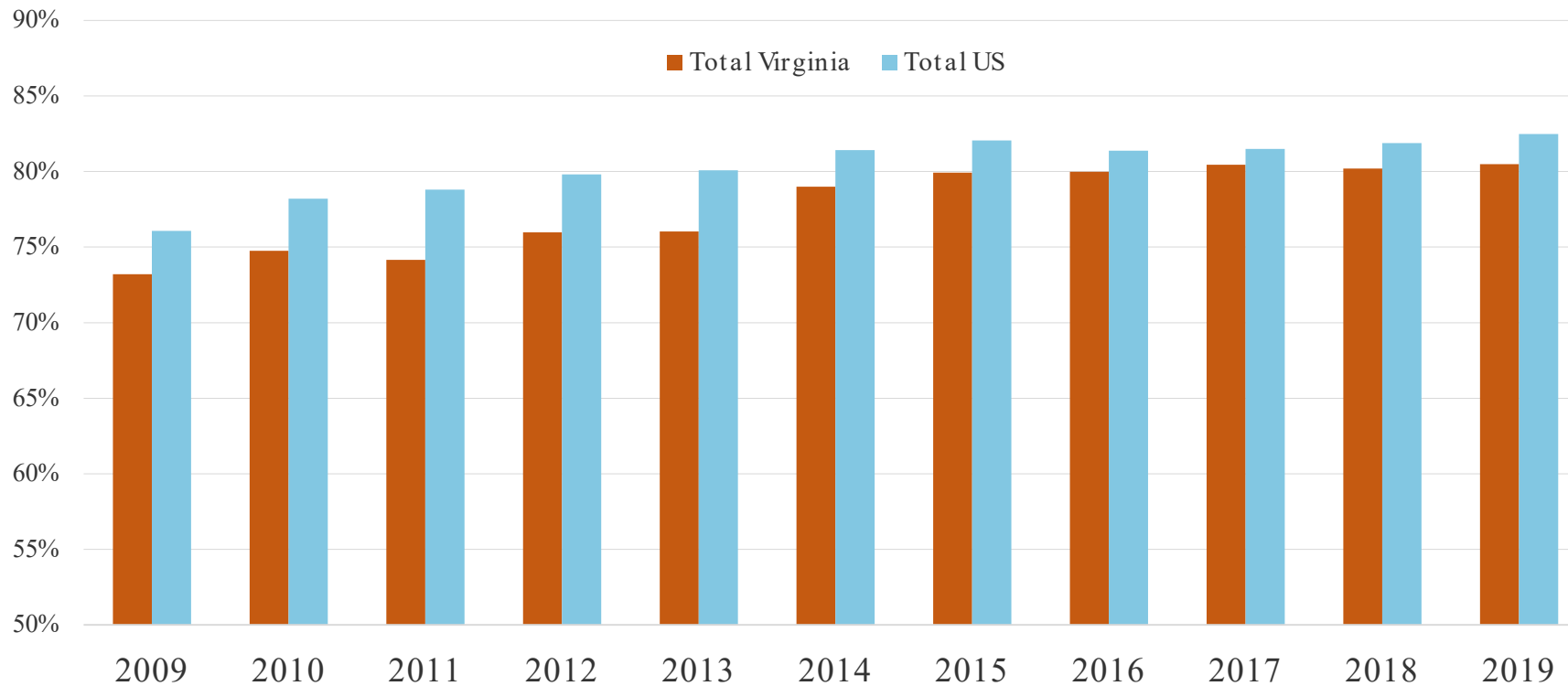


Source: FAA Air Carrier Activity Information System (ACAIS)



# Virginia Load Factors (LF's) Have Remained Steady the Past Four Years,

Average Load Factors at Virginia Airports vs. the U.S. Average



- Due to fewer departures, and increased demand, average Virginia LF's increased from 73% to 80% during the period 2009-2015
- Virginia LF's is now 2 percentage points lower than the national average

Note: Load factor is defined as the percentage of seats occupied on an aircraft.  
Source: T-100 Data via Dño.



# The Benefits of Virginia Airports Go Well Beyond Basic Transportation – The Virginia Airport System Generated Over 146,000 Jobs and \$23 Billion in Economic Activity in 2016

## JOBS



146,660

## WAGES



\$7.7 Billion

## ECONOMIC ACTIVITY



\$22.9 Billion

- Virginia airports created and sustained **146,660 jobs** or **3.6 percent** of total employment in Virginia.
- Jobs supported by Virginia airports contributed **\$7.7 billion in payroll** each year.
- More than 72,000 people boarded commercial aircraft in Virginia every day.
- Each day, more than 4,000 aircraft took off from and landed at Virginia airports.
- Each day, approximately 23,000 visitors arrived in the state on commercial airline or general aviation aircraft.
- Each job at Virginia's airports supported an additional **2.2 jobs** in the Commonwealth.

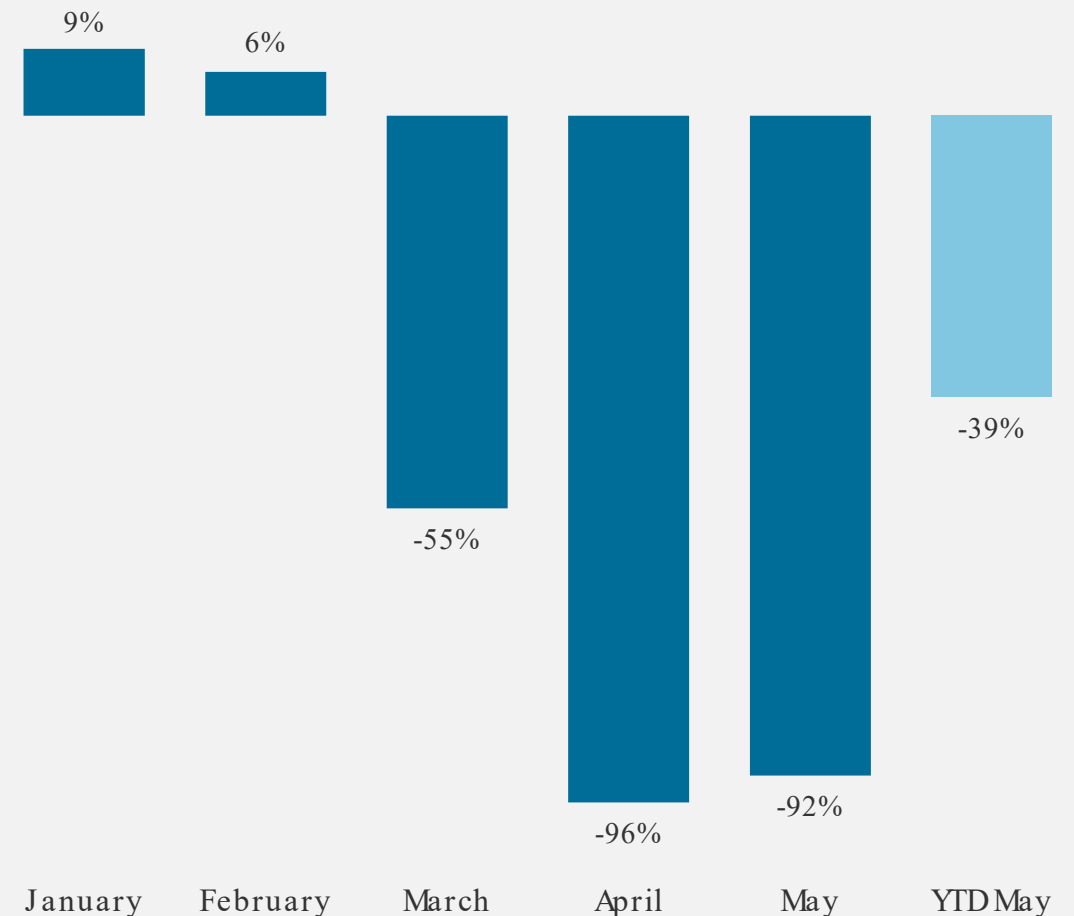


# COVID-19 Traffic and Air Service Impacts

# Virginia Passenger Trends Were Strong at the Start of 2020

- COVID-19 has Reduced Passenger traffic to Unprecedented Levels
- National average declines for April and May were -95% and -90% respectively

Percent in Change in Total Passengers From the Prior Year  
January 2020 – May 2020

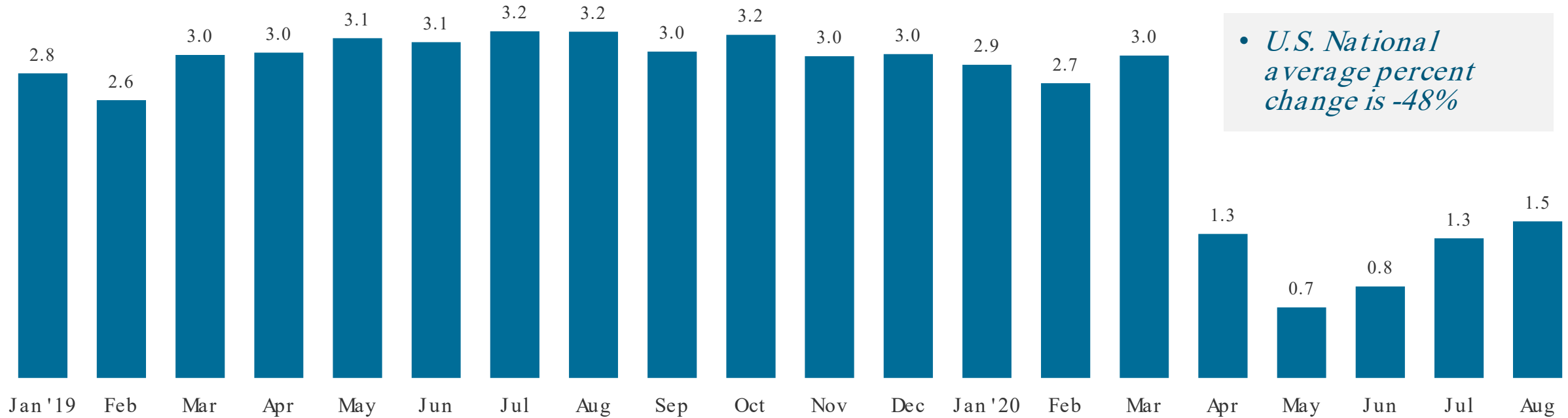


Source: Airport Records



# Current seat capacity from Virginia airports is down 55% from the prior year

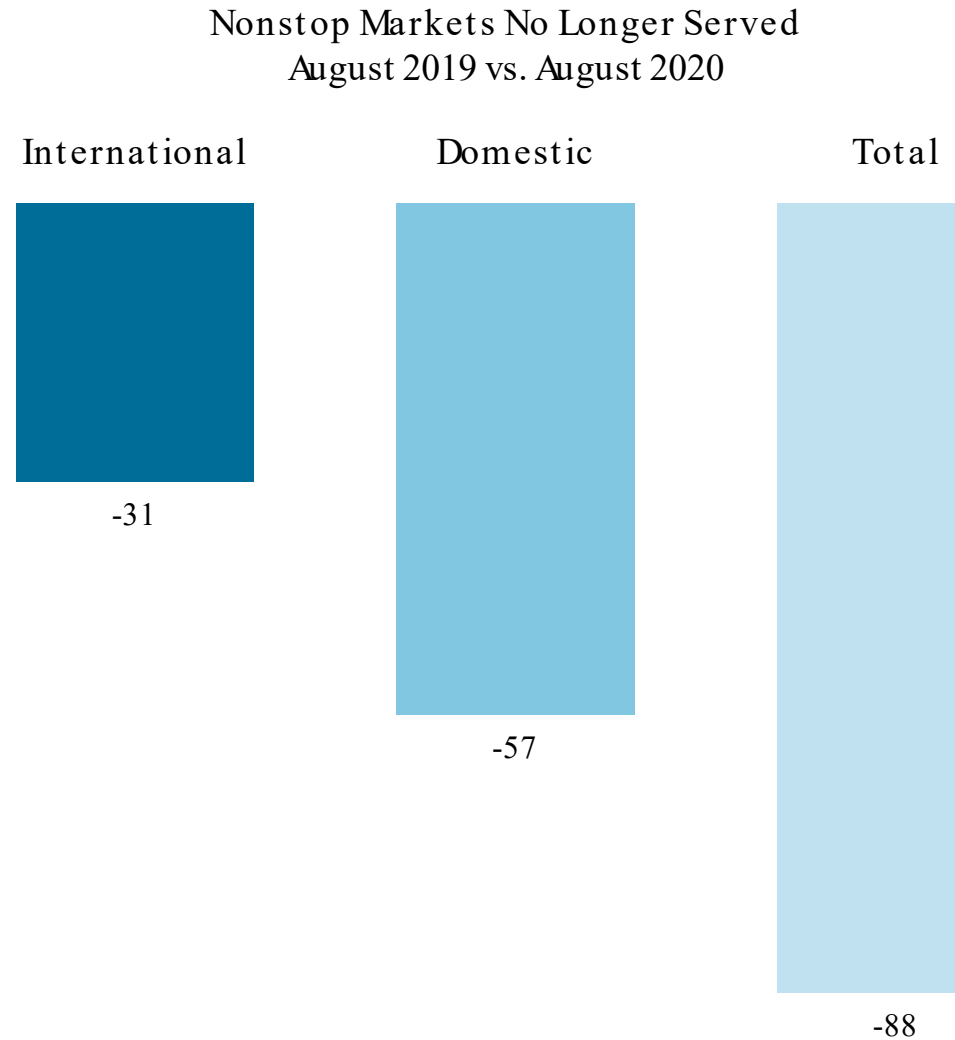
Seat Departures (Millions) From Virginia Airports  
January 2019 – August 2020



Source: Innovata Schedules via Diiio.



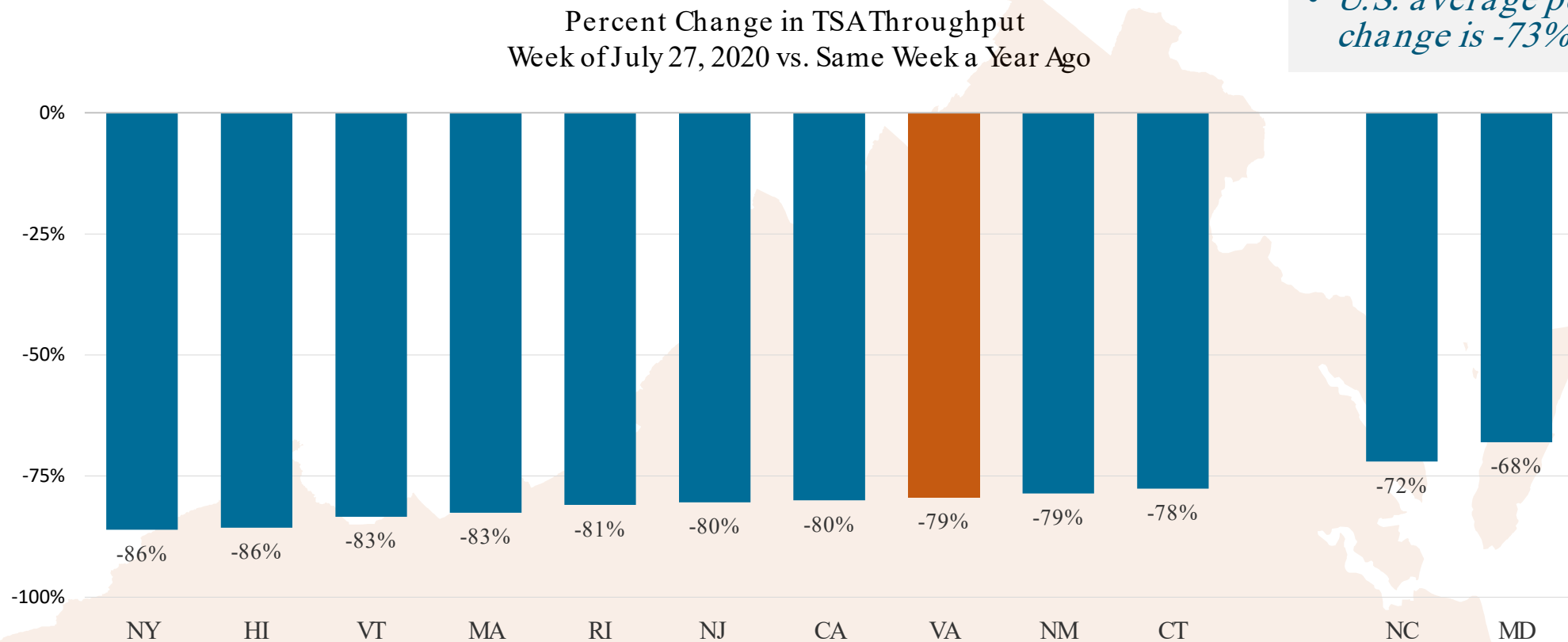
Compared  
to Last Year,  
Eighty-Eight  
Nonstops Markets  
are no Longer  
Served From the  
Commonwealth



Source: Innovata Schedules, via Dito



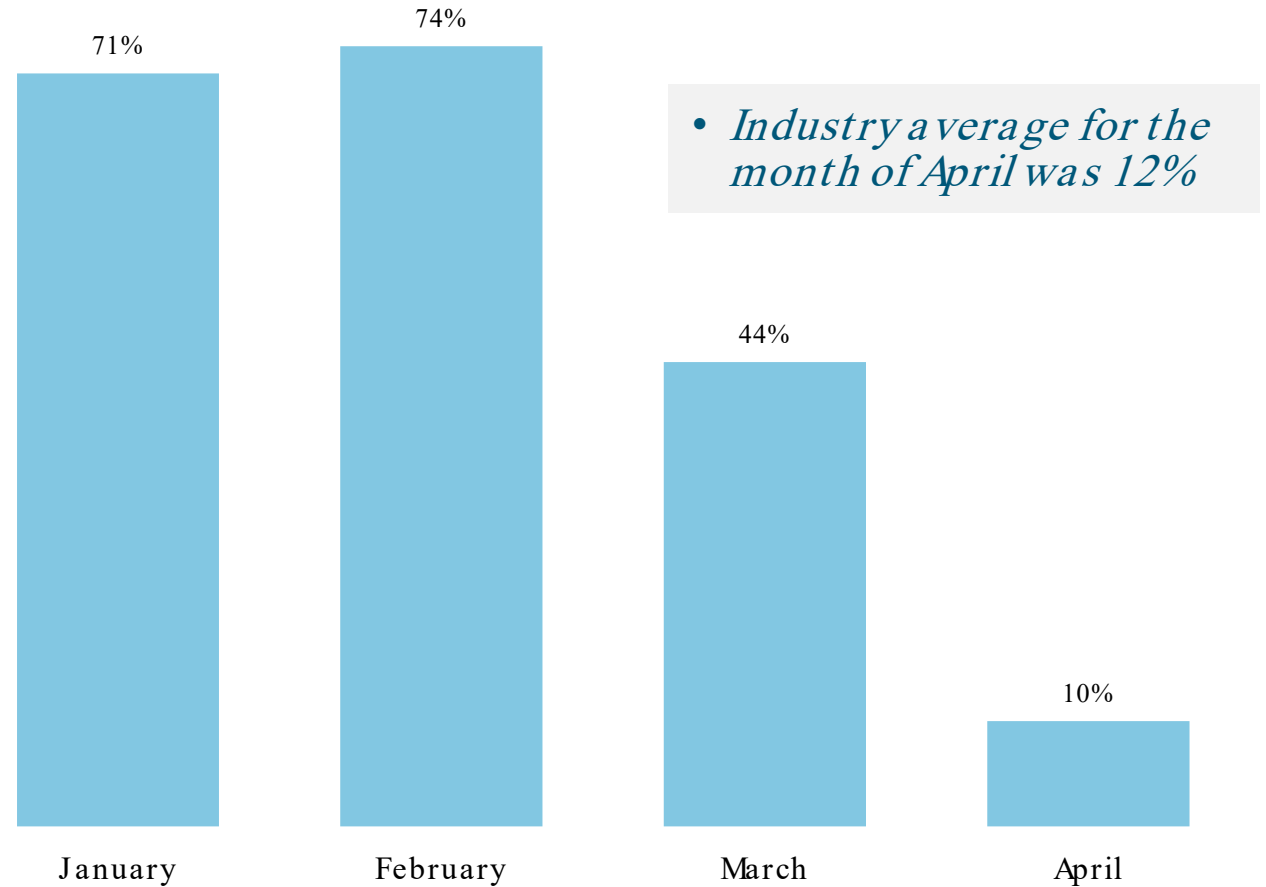
# Virginia has been one of the hardest hit States – *passenger traffic down 79% from a year ago*





During the height of the pandemic, Virginia's domestic load factor fell to 10%

Average Domestic Load Factors at Virginia Airports  
2020

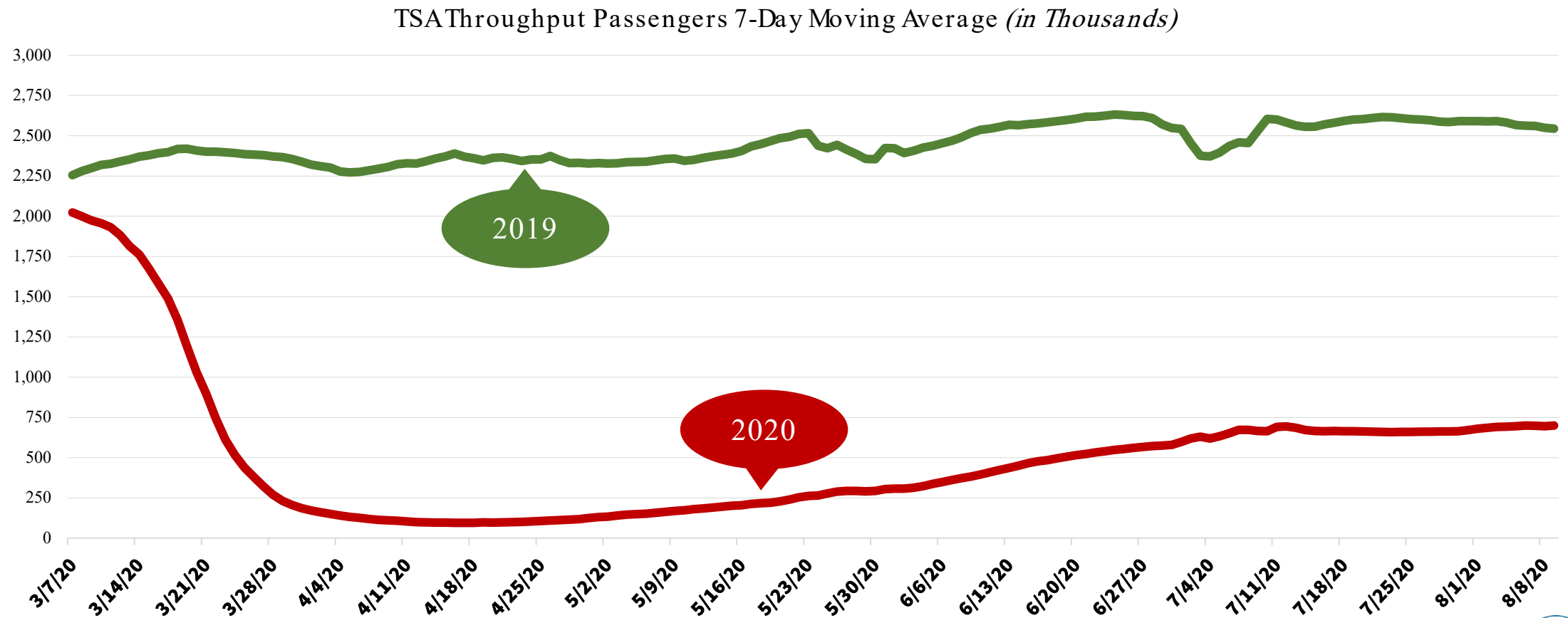


Note: Load factor is defined as the percentage of seats occupied on an aircraft.

Source: T-100 Data via Diod.

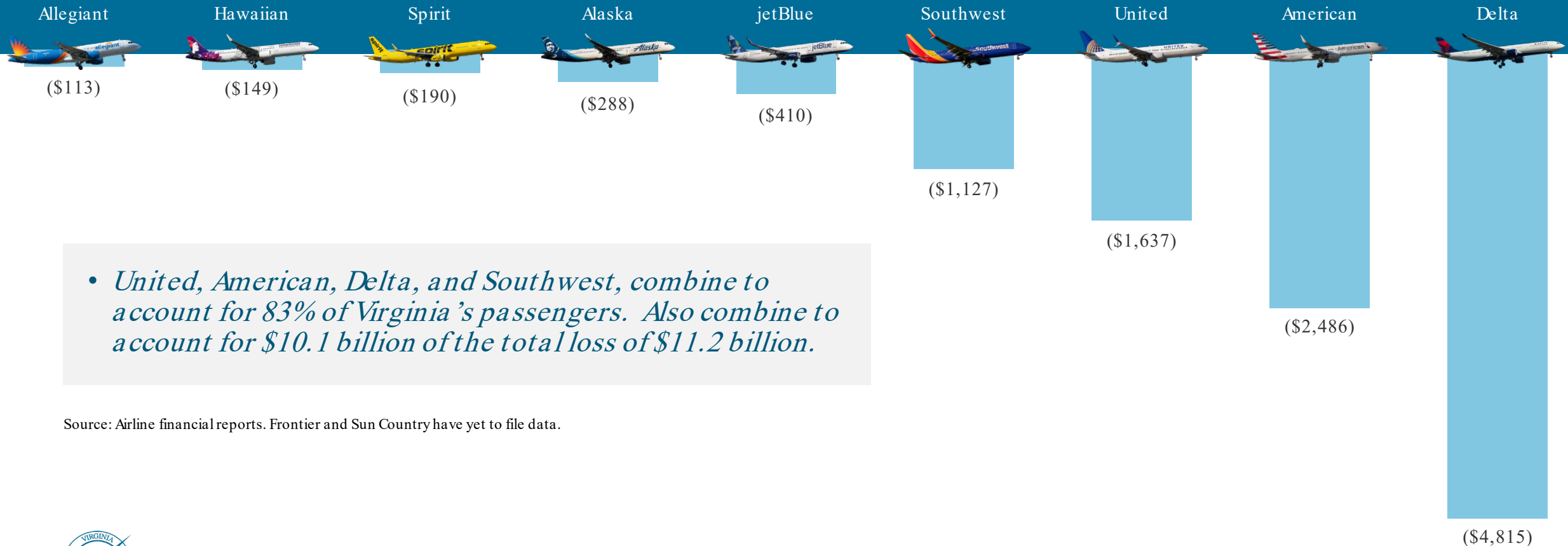


# After bottoming out in early April, U.S. traffic has rebound slightly...still down 70% from a year ago



# The Major Airlines Lost Over \$11.2 Billion in the 2nd Quarter of 2020 Alone

Operating Profit (Loss) in \$ Millions



- *United, American, Delta, and Southwest, combine to account for 83% of Virginia's passengers. Also combine to account for \$10.1 billion of the total loss of \$11.2 billion.*

Source: Airline financial reports. Frontier and Sun Country have yet to file data.



# Industry Executives are pessimistic on a quick recovery

“Given the combined effects of the pandemic and associated financial impact on the global economy, we continue to believe it could be two years or more before we see a sustainable recovery.”

– *Ed Bastian, CEO, Delta Air Lines*

“Everyone has a view what the recovery will look like, but we'll not pretend to be able to predict the path of the virus. We continue to believe a full recovery is contingent upon effective therapeutics and a vaccine.”

– *Andrew Nocella, Chief Commercial Officer, United Airlines*

“The current environment is more unpredictable and more volatile than anything we ever could have imagined.”

– *Doug Parker, CEO, American Airlines Group*

“I think business travel will be very slow to recover, and my guess is that it will take five to 10 years for business travel to fully recover to 2019 levels.”

– *Gary Kelly, CEO, Southwest Airlines.*

“The threat to the airline industry is grave. There's no question about it. And apocalyptic does actually accurately describe the moment.”

– *David Calhoun, CEO, Boeing*



# Passenger Recovery Scenarios

# Industry Forecasts of Passengers and Revenues

The industry forecasts of airline and airport passengers and revenue have changed rapidly in the months since March 2020, progressively worsening, making it difficult for airports trying to keep up with a “moving-target” of the industry outlook.

And, this helps explain why a FY2021 budget adopted in or around March 2020 (to take effect July 1, 2020) would have appeared reasonable at the time, but, is now in need of revision and/or assistance in terms of government aid to replace a rapidly declining outlook for airport traffic and revenue.

Some examples of recent industry forecasts are provided below:

## Airport Council International (ACI) Forecast

In early March 2020, ACI published an outlook for airport passengers and revenue, using two scenarios:

- Optimistic scenario: COVID-19 impact limited to 2020 Q1
- Pessimistic scenario: COVID-19 impact continues through 2020 Q2

In both cases it was anticipated that traffic would recover to 2019 levels in the second half of 2020. While there was not a specific quantitative forecast, it can be inferred that these scenarios would result in a relatively mild overall decline in the full year 2020.

By May 2020, due to the significant changes in the COVID-19 spread, ACI had a very different forecast, with significant decline in airport passengers and revenue in 2020, and not a full recovery by the end of 2020.

	2020 Percent Change	
	Passengers	Revenue
North America	-41%	-47%
World	-50%	-57%

Source: ACI Advisory Bulletin.

## International Air Transport Association (IATA) Forecast

Similar to ACI, the IATA outlook and published forecasts have changed significantly from March 2020. As shown below, for North America, IATA forecast a full-year 2020 decline of 10% in March, and this outlook worsened to a full-year 2020 decline of 53% in June.

2020 Percent Change in Airline Revenue Passenger Kilometers (RPKs)

	Date of IATA Forecast			
	5-Mar	24-Mar	14-Apr	9-Jun
North America	-10%	-27%	-36%	-53%
World	-19%	-38%	-48%	-55%

Source: IATA briefings published on website.

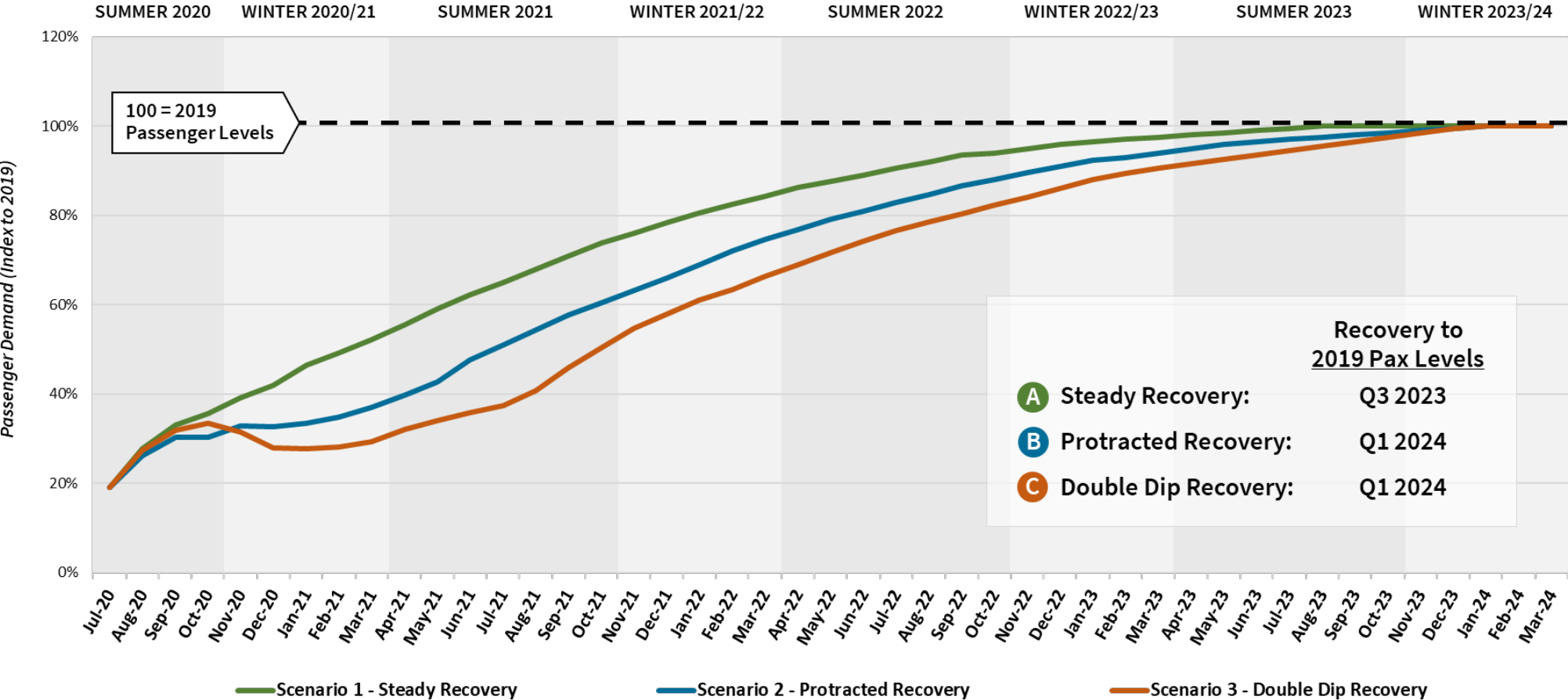


# Virginia airport passenger recovery scenarios were developed... *a long road ahead to return to 2019 levels*

- Inter *VISTAS* recovery scenarios were developed to reflect a longer recovery horizon which was deemed more likely given recent U.S. and world events. Current airline financial results and guidance from airlines executives indicate passenger recovery will be longer than originally anticipated.
- The scenarios were customized for the Virginia market using airport traffic data and schedules for Virginia airports through the first half of 2020
- The analysis models 3 recovery scenarios:
  - *Scenario 1: Steady Recovery*—Rapid build-up of traffic requiring coordinated lifting of travel restrictions across multiple jurisdictions.
  - *Scenario 2: Protracted Recovery*—Global restrictions remain in place for extended period due to continued flare ups.
  - *Scenario 3: Double Dip Recovery*—Global restrictions are lifted and a flare up of cases appear in the fall.
- Passenger recovery will be determined by our country's ability to control the virus. Until a vaccine is widely available, meaningful recovery will not occur.
- Business and international travel will be slow to recover. International passengers represent 15% of total Virginia passengers.
- Inter *VISTAS* believes the Double Dip recovery scenario is the most likely to occur, resulting in passengers returning to 2019 levels in the first half of 2024.



# Base Air Service Recovery Scenarios for Virginia Airports: *Index*



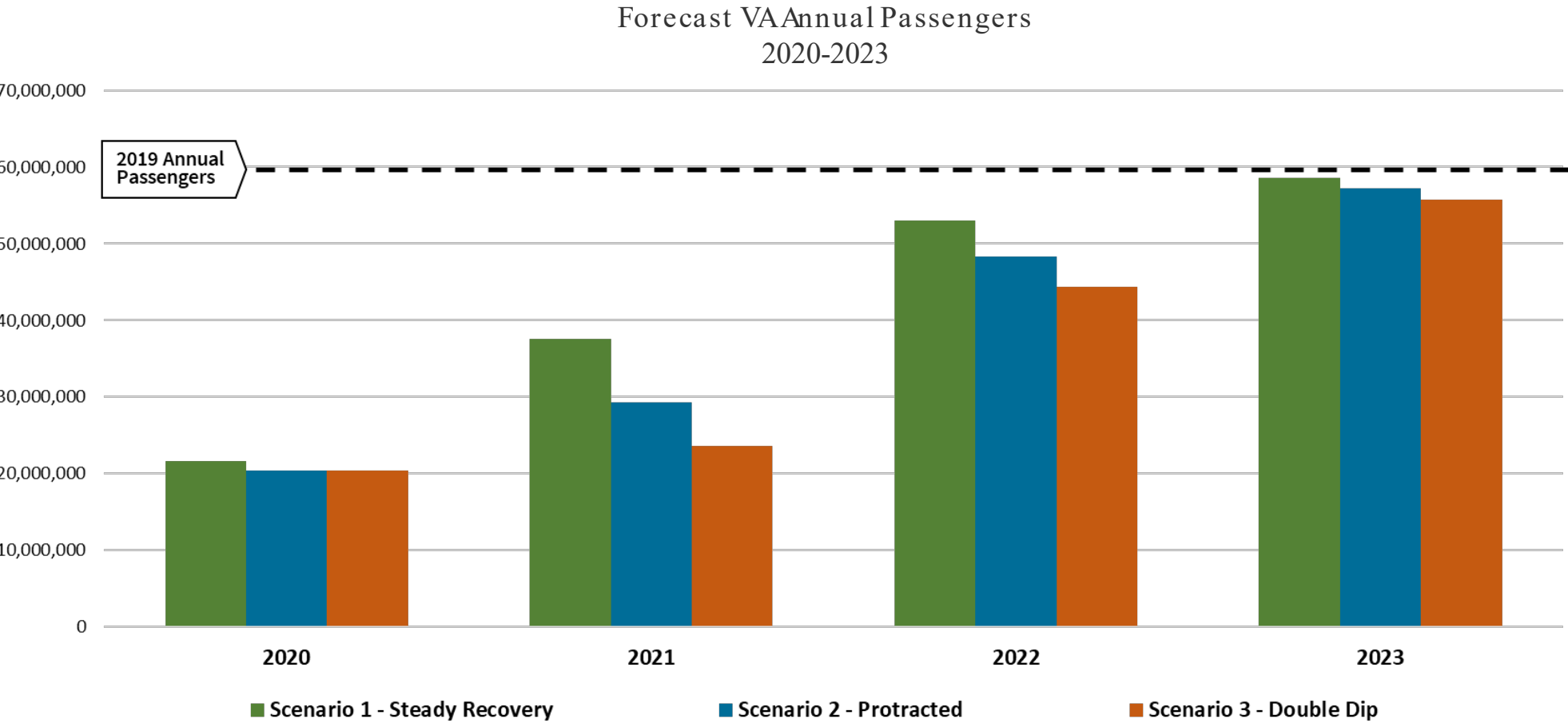
Note: : Includes the following airports: CHO, DCA, IAD, LYH, ORF, PHF, RIC, ROA and SHD; Seasons based on IATA seasons where summer = April-October and winter = November-March

Source: Inter VSTAS analysis





# Base Air Service Recovery Scenarios for Virginia Airports: *Passengers*



Note: Includes the following airports: CHO, DCA, IAD, LYH, ORF, PHF, RIC, ROA and SHD; 2024 not shown because forecast only goes through 1Q 2024

Source: Inter *VISTA* analysis



# Base Air Service Recovery Scenarios for Virginia Airports: *Passengers*

Actual and Forecast Virginia Airports Annual Passengers  
2019-2023

Scenarios	Annual Passengers					Annual Percent Change From Prior Year			
	2019	2020	2021	2022	2023	2020	2021	2022	2023
Scenario 1 - Steady Recovery	59,263,244	21,660,988	37,581,241	53,023,487	58,604,477	-63.4%	73.5%	41.1%	10.5%
Scenario 2 - Protracted	59,263,244	20,396,057	29,243,266	48,337,470	57,166,933	-65.6%	43.4%	65.3%	18.3%
Scenario 3 – Double Dip	59,263,244	20,391,976	23,553,287	44,319,105	55,758,000	-65.6%	15.5%	88.2%	25.8%

Note: Includes the following airports: CHO, DCA, IAD, LYH, ORF, PHF, RIC, ROA and SHD; 2024 not shown because forecast only goes through 1Q 2024

Source: Inter *VISTAS* analysis



# VA Airport COVID-19 Response and Financial Implications

# Review of Current Airport Situations and Commonwealth Assistance

DOAV asked Inter *VISTAS* to assist in evaluating the impact of COVID-19 on commercial airports in Virginia, and the need for possible additional Commonwealth aid to Virginia's commercial airports to ensure the funding needed to respond to the significant decline in airport traffic and revenue.

The following sections summarize the results of this review and presents recommendations for consideration.



# Information on Airport Impacts and Responses

Inter *VSTAS* compiled information and conducted interviews with the 9 commercial airports in Virginia, focused on the impacts of Covid-19, and the actions being taken by airports in response. The following sections present the findings

## Airport Financial Actions in Response to COVID-19

All airports have experienced significant declines in traffic and revenue since March 2020.

Typical airport financial actions include:

- Freeze on hiring and/or salaries; not filling vacant positions; combine certain positions; voluntary furloughs and retirements.
- Consolidated parking facilities and shuttle bus operations.
- Reduce budgeted operating expenses for FY2021 (July 1, 2020 to June 30, 2021, except MWAA, which is on a calendar year fiscal year).
- Most airports cited the critical importance of CARES Act funds to provide financial stability. As intended, CARES Act funds have reduced pressure to lay off staff.

**CARES Act funding combined with other expense “belt-tightening” were originally viewed by most airports as sufficient to manage finances through the next 12-24 months. However, this outlook generally assumed that there would be steady (or even robust) recovery of traffic (and all of the associated revenues) through the end of the current calendar year. A more prolonged recovery period, as now appears likely will require further action, and/or additional aid.**



# Airport Use of CARES Act Grant Funds

The CARES Act providing federal aid for airlines and airports was passed in March 2020. This has provided significant funding for both airlines and airports to maintain their workforces and cover operating expenses despite the significant reduction in activity in revenue. However, this funding has a **limited timeframe of effectiveness, which varies depending on the individual enterprise.**

Generally, airlines operate with fewer reserves and thinner margins in comparison to airports. It is anticipated that the **CARES Act funding will not provide financial relief for U.S. airlines beyond September 30, 2020**, and there are notices from major airlines that they will need to consider layoffs and other forms of expense consolidation after this date. This can have an impact on individual airports, in terms of airline willingness to provide service and contribute to “re-start” of market demand.

For airports, the CARES Act funding has been welcomed largely due to the flexibility in application – the funds are available for any lawful airport purpose, including **operating expenses, debt service payments, or capital expenditures.** This has allowed airports to customize their Covid-19 financial response plans based on their unique circumstances. The nine commercial airports in the Commonwealth received a total of \$308 million in CARES Act funding.

However, the distribution of CARES Act funding for airports was in some cases uneven in relation to annual financial needs and raises questions around actions that individual airports might need to consider —more, or less drastic depending on the availability and the level of any potential future government aid.

## Virginia CARES Act Grant Amounts

Airport	Grant Amount
Washington Dulles	\$143,395,227
Washington National	\$85,708,037
Roanoke	\$20,709,748
Norfolk	\$19,847,270
Richmond	\$18,814,584
Lynchburg	\$6,647,475
Charlottesville	\$6,279,972
Newport News	\$4,135,878
Shenandoah Valley	\$2,652,201
Total	\$308,190,392





# Airline and Concessionaire Relief

All airports have been approached by airlines and other tenants with requests to consider different forms of rent and fee relief, especially following the passage of CARES Act funding for airports. Note that the examples cited below do not apply uniformly to all airports, but are just examples of some of the actions either taken or under consideration.

For airlines, potential actions vary depending on the form of lease agreement. Some agreements would call for recalculation of airline fees to account for reductions in nonairline revenue. Examples of relief offered to airlines include:

- Moratorium on fee increases, in recognition of CARES Act funding
- Defer certain fees from current months to the end of the calendar year
- Place expiring leases on holdover status
- Agreement for 6-month review of financial status and potential revised/updated actions (rather than wait for end of 12-month fiscal year)

At some airports, certain concessionaires, such as rental cars, have agreements that provide for “correction” in the event of a major downturn in traffic/business. For example, they are no longer required to pay a Minimum Annual Guarantee (MAG), and instead pay a percentage of revenue.

Examples of relief for various concessionaires such as food/beverage and retail include:

- Abatement or deferral of fixed MAG’s, in favor of payment of percentage of revenue
- Assistance in consolidating operations

In all cases, potential airline and tenant relief has been considered within the context of:

- Legal requirements (bond resolutions, grant assurances, etc.)
- Availability of “backstop” funding from CARES
- Review of financial projections for next 12 months

**For all airports there have been regular discussions, evaluations and analyses of potential changes to future revenues and actions in response. However, the current environment is extremely dynamic and uncertain, and the expectations and scenarios with regard to aviation demand recovery have become somewhat more negative since March 2020. Airports have had to continuously revisit the market/financial conditions and consider the likelihood of business scenarios less optimistic than just a few months earlier.**

# Airport Capital Programs

Most airports have significantly reduced near term (next year) capital program spending plans, attributed to both: (1) uncertainty regarding project need given reduced traffic levels, and (2) desire to preserve funds.

However, funded projects (grants or otherwise) are generally proceeding. Airports recognize that there are advantages to undertaking construction when traffic is reduced, and there are fewer operational disruptions.

Capital program circumstances vary by individual airport, and it is very difficult to generalize.

## Commentary on Existing Commonwealth Funding Programs



Airports generally view the program positively.



Airports would welcome additional Commonwealth support during the unprecedented period of Covid-19 impact, either in the form of additional funding or flexibility in the use of existing funding.



# Outlook

As referenced in an earlier section, since the formal announcements and government actions related to Covid-19 in the United States, the outlook has changed from “temporary impact” to a “more prolonged impact”. And the most recent increase in cases in the U.S. has of course dampened the outlook further. The news changes daily.

The impacts are expected to be experienced in a variety of ways at the Virginia airports:

- Potential passenger demand recovery that could take 3-5 years to once again realize 2019 demand levels
- Underlying national economic conditions that impact not just travel but also other revenue-generating activity at airports
- Potential airline consolidation, both in the operating companies and the service to airports
- Further requests from airport tenants for relief on revenue terms
- Difficult decisions by airports to weigh maintaining employment and business arrangements in relation to required financial covenants such as debt service coverage and financial self-sufficiency
- The reduced ability to fund capital projects and generate construction-related employment in the regional and state economy

*All of this points to the need to consider potential further aid for airports.*

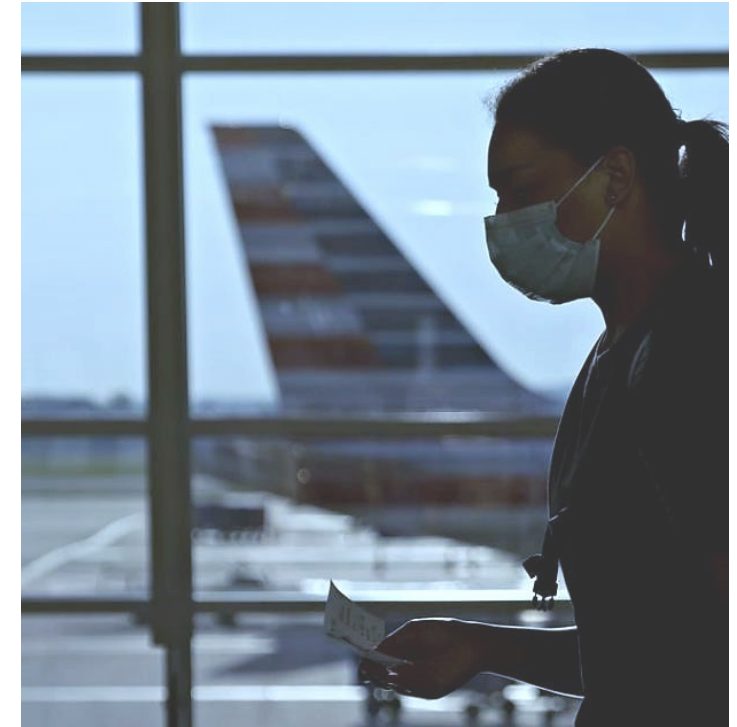


# Further Aid for Airports

The more that we learn about the likelihood of prolonged impacts of Covid-19, the more we determine that it is prudent to plan for a future in which airports will need to withstand a multi-year decline in passenger traffic and associated revenue, and not just a temporary situation for a few months. This means the potential need for further aid to airports, from federal or state sources.

There has been recent discussion of a new U.S. stimulus package in response to Covid-19. Potential legislation has been proposed and discussed by different parties, but not yet passed. Some proposals and discussions have indicated the potential for additional direct aid to airlines and/or airports. However, the amounts and likelihood are highly speculative at this time.

For commercial airports in Virginia, this indicates a potential need for state support to ensure that airports have the resources necessary to maintain operations and financial self-sufficiency, in the expectation that the recovery of passenger demand and revenue generation will take longer than anticipated just a few months ago.



# Recovery Plan Financial Recommendations

# Recommendations for Commonwealth Aid

We have outlined several potential concepts in the following sections, specific to aid that the Commonwealth might provide to the commercial airports in Virginia. There are different forms of aid to consider, and we have attempted to present a range of alternatives.



# CONCEPT 1

## EXISTING PROGRAM: ADDITIONAL AID

The existing airport grant program used by the Commonwealth has been a useful source of funding for commercial airport capital projects.

One concept to consider is to simply increase the amount of capital project funding that is available under this program. This would not directly “solve” all of the financial strain experienced by airports, but it would provide a form of indirect assistance. Airports have to balance the use of resources for different purposes, including operating expenses and capital projects. To the extent there are additional grant resources for capital projects, it is possible that airports will be able to re-prioritize operating revenues for critical operating expenses.

We would caution that this is potentially a limited solution. Airports have recognized that there is a need to defer and re-phase capital projects. In some cases due to lack of resources, but also in some cases due to review of needs in relation to the aviation demand outlook. In the current environment, most airports will need to be most concerned with funding operating expenses and existing debt obligations, and not undertaking new capital projects.

However, while not necessarily directly addressing the most critical cash-funding needs of airports, it is anticipated that additional grant funds under the existing Commonwealth program would be welcome and effective. For example, if there are justified capital projects that have been deferred by airports in order to preserve cash flow, additional grant funding could allow these projects to move forward. And, if these are projects justified by need, they would be useful in terms of both supporting airport development and providing construction activity in the local economies.

It is assumed that any additional aid would only be for projects that can be justified in terms of airport needs. Meaning, this would be a discretionary and needs-based program, with airports submitting applications for additional grants above and beyond the entitlement allocations provided under the current program.

### + Pros

- Utilizes existing grant program
- Could assist airports in proceeding with capital projects that would otherwise be cancelled or deferred, and therefore contributing to local economic impact

### - Cons

- Does not provide increased flexibility for use of funds
- May support projects that future demand could not justify
- Might not solve airport issues with loss of revenue under prolonged recovery
- Question as to availability or source of additional funds

# CONCEPT EXISTING PROGRAM: TEMPORARY FLEXIBILITY

The existing airport grant program used by the Commonwealth has restrictions on the use of allocated funds.

The Commonwealth could consider providing temporary flexibility in the airport use of entitlement funds. While not necessarily an increase in funds, it would provide more flexibility in the use of funds to respond to current unprecedented conditions. As an example, airports could use Commonwealth entitlement funds for operating expenses, which in an environment of significantly reduced airline activity and associated revenues would be considered a higher priority than expenditure on new capital projects.

This would not be a change in the overall grant program, but rather a temporary exemption considering the extraordinary circumstances.

This concept could also be combined with a general increase in allocated aid to airports (Concept 1, above), which would make the combined effect much more effective for the airports.

It is assumed that any flexibility in the airport use of entitlement funds would need to be justified in terms of airport needs. Meaning, this would be a discretionary and needs-based program.

## Pros

- Generally utilizes existing funding program. Aviation Board can authorize use for operating expenses.
- Provides airports with greater flexibility to utilize grant funds to meet current extraordinary challenges
- Not a permanent change to the grant program

## Cons

- Could introduce questions regarding making the changes permanent
- Without a significant increase in funds, might not solve the airport shortfall

# CONCEPT 3 NEW PROGRAM: DIRECT AID

The Commonwealth could consider a new program that provides direct aid to commercial service airports, outside of the current grant program. Instead of a focus on funding only capital projects, a New Program of direct aid would be focused on direct aid to airports that could be used for any airport lawful purpose, including capital projects, operating expenses and debt service payments, similar to the CARES Act funding for airports.

This would essentially be a supplement to the CARES Act grant funds for airports, which will not sustain all airports if there is a prolonged recovery in aviation demand, and if there is not a significant second round of similar federal grants to airports.

There would need to be discussion about how this direct aid would be allocated and/or administered.

- Consideration of previous CARES Act funding?
- Methodology for funding amounts?
- Administration in relation to actual expenses?

One approach to funding allocation would be to establish an available pool of funding, and require airports to apply for grants, based on identified need. Need could be demonstrated with a financial pro forma illustrating any projected shortfall in funding current operations or could be in the form of important capital investment (both for meeting an airport need and creating local economic activity).

This program would require a new funding source.

## Pros

- Could be separated from existing grant program
- Could be made temporary to cover the COVID-19 period, and then revert to the traditional grant program
- Recognizes the need for additional funds and adds flexibility

## Cons

- Could make airports adjust business plans such that there is a need to rely on the temporary program in the future
- Would likely require significant policy/legislative action for a new program
- Requires new source of funds outside of existing program



# CONCEPT 4 NEW PROGRAM: LOANS

The Commonwealth could consider a new program that provides direct loans or loan guarantees to commercial service airports. This would allow airports to borrow money to address short-term declines in airport activity and revenues and repay the loans as airport finances recover and improve.

There are different ways that the Commonwealth could provide or otherwise facilitate loans to airports, for example:

- The Commonwealth could offer direct loans. Airports could use revenue-generated cash flow to repay loans, or possibly direct some of the future Commonwealth grant entitlements towards repayment.
- The Commonwealth could arrange with other government agencies for loans to airports. This could include government economic development authorities, or other agencies with loan issuance authorization.
- The Commonwealth could use its funding program as a form of loan guarantee or “backup” collateral for an airport to use in obtaining favorable terms for private bank loans

In any case, it is anticipated that these would be short-term loans in order to “bridge the gap”, if needed, between near-term significant declines in airport revenue and recovery over the next few years.

## Pros

- Establishes more accountability by having operator incur a debt
- Does not compromise the existing program
- Is by definition “needs based”
- Assist airports in “bridging the gap” to full recovery

## Cons

- Creates a liability for an already stressed based industry
- Does not provide more money
- Unless combined with a program that grants money is not likely to be perceived as generous
- Unknown ability of Commonwealth to offer such financial instruments



# CONCEPT 5 NEW PROGRAM: MARKETING AND PROMOTION

The Commonwealth can invest in marketing and promotion that is consistent with the Department's goal of promoting aviation in the Commonwealth. The shortfall of funds is a direct result of a lack of travel, and will only be relieved in the long run by getting people traveling again. Marketing would have the advantage of promoting all airports.

It is now apparent, from the early stages of the passenger recovery, leisure passengers and VFR (visiting friends & relatives) will lead the recovery. The competition for the travel spending dollar will be fierce as the Country rebounds from the pandemic. The various Commonwealth agencies must work together and with public and private partners to maximize the potential of travel and tourism to create jobs.

## Pros

- Investment in recovery of demand, for the benefit of airports and economic impact
- Efforts would not be just for Covid-19, but linked to longer-term development
- Stage budget currently includes \$1.2M over biennium for new airline service development.

## Cons

- No real “cons” to marketing and promotion, unless done poorly

# CONCEPT NEW PROGRAM: MAKING AIRPORTS SAFE

The Commonwealth can support commercial airports by making them safe for travel. All airports have undertaken various health measures to ensure passenger safety. Some examples are listed below;

- Installing protective plexiglass screens in key areas such as check-in counters, boarding gates, information counters and TSAcheckpoint queue lines.
- Coordinating with janitorial staff to ensure that high traffic areas including restrooms, TSAcheckpoints, international arrivals and employee areas have been deep cleaned.
- Making sure high “touch-point” areas such as kiosks, handrails and elevator buttons are cleansed frequently.
- Placing signs throughout the terminal reminding passengers, visitors and employees to practice safe social distancing and informational signage on how to prevent the spread of COVID-19.
- Positioning floor markings throughout the terminals, displaying where passengers should stand to ensure proper social distancing.
- Adding additional hand sanitizing stations throughout the terminals and near information counters, as well as key employee operating areas.
- Increasing the replenishment schedule of hand sanitizing solutions.

By creating a state-wide, health safety airport program, the Commonwealth could market it, similar to the, “Good Housekeeping Seal of Approval”, thus instilling confidence in the flying public.

## Pros

- Proactive campaign to show the traveling public the measures undertaken to ensure their health safety
- Consistent standards for airports to follow (and not each try to figure it out)

## Cons

- Possible confusion with standards on different levels (Global, National, etc.)
- Buy-in required from all Virginia airports
- Not necessarily “mirrored” by airports at the other end of the journey

# Inter *VISTAS* Recommendations

- We do not believe that the concepts are necessarily mutually exclusive, although there is some overlap.
- Concepts 3 and 4 would have the most positive financial impact for the airports, but also likely the biggest challenges of implementation, specifically in identifying the funding sources. We recommend that the Commonwealth investigate the feasibility of Concepts 3 and/or 4, given the potential highest positive impact.
- At the same, we recommend that the Commonwealth consider taking actions consistent with Concepts 5 and 6, which would not replace any package of additional financial aid, but would be complementary and valuable whatever the outcome of any decision regarding grants or loans.
- Finally, in the event it is determined that Concepts 3 and/or 4 are not feasible for reasons of policy and/or availability of funds, we recommend that the Commonwealth be prepared to advance Concepts 1 and 2, which would have less positive financial impacts for airports, but would nonetheless offer some value.



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