



DATE: April 22, 2021

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT: Update on Aircraft Activity During the Coronavirus Pandemic

RECOMMENDATION

That the Council Airport Committee (CAC) reviews this report and provides comments.

SUMMARY

A report was submitted to the CAC on July 23, 2020 regarding the effects of the coronavirus on airport operations and financial performance at Hayward Executive Airport (HWD). This report provides updated information with a focus on aircraft operations, one of the primary indicators of activity at general aviation airports.

A variety of airports were recently surveyed in the San Francisco Bay Area and other locations in the United States, and it appears that airports in busy resort areas are recovering more quickly than airports in business centers, particularly in the New York City area. This is unusual. HWD continues to exhibit signs of resilience in today's challenging marketplace and maintains good flight activity in comparison with many other general aviation airports.

BACKGROUND

According to the National Business Aviation Association (NBAA), the United States general aviation industry, including business aviation, currently supports 1.2 million jobs and \$247 billion in economic activity. The organization also reports that while U.S. commercial airlines serve approximately 500 airports, general aviation aircraft can reach more than 5,000 airports, providing a critical link for pandemic relief. In one instance, one of the largest U.S. laboratories, Quest Diagnostics, relies on a fleet of 23 general aviation aircraft to transport specimens to its facilities across the country.

As noted by the NBAA, companies that utilize business aviation, 85% of which are classified as small and mid-sized, continue to face significant challenges because of the coronavirus pandemic. During the depths of the pandemic last spring, general aviation aircraft operations dropped by an unprecedented 75% based on analysis by FlightAware. NBAA states that to

date, the U.S. aircraft maintenance industry has lost 50,000 jobs, and more than 80% of these companies have seen a decline in revenue in comparison with CY 2019. The decrease in activity prompted the Federal Aviation Administration (FAA) to reduce air traffic control tower operating hours at 100 airports, including HWD. The reduction was also made to help reduce the potential exposure of their employees to the coronavirus. The HWD air traffic control tower has since been restored to full operating status.

An aircraft operation is defined as one takeoff or one landing at an airport. The data for annual aircraft operations is typically recorded by the FAA at airports with operational air traffic control towers, and this data is readily available. There are currently 520 airports in the U.S. with operating air traffic control towers, and in 2020 HWD was ranked as the 128th busiest. The annual ranking for each airport changes as conditions change.

There is a direct correlation between the annual number of aircraft operations and the revenue produced from fuel sales, aircraft space rental, aircraft maintenance, and other sources. The more that each aircraft is flown, the greater the need for services, and the greater the potential for increased revenue generation. Clearly, increased revenue benefits commercial tenants and the airport itself, and it is one of the reasons that aircraft operations are closely tracked throughout the year.

Aircraft operations can also be used as a tool for the comparison of one airport's level of activity with another. Certain factors that affect aircraft operations are within the control of each airport, such as the availability of high-quality commercial tenants that provide the services required by aircraft owners, the availability of instrument approaches and runways of an adequate length, and regular maintenance to airport facilities to enhance safety. There are other developments that are outside the control of airport operators, including the state of the economy, natural disasters, and unanticipated events such as the current pandemic. Over the past year, it has become apparent there is little guidance available for doing business during a worldwide health crisis.

DISCUSSION

According to the *New York Times*, growth is forecast in general aviation activity due to rising demand among travelers worried about the potential risks of traveling by commercial airlines. These concerned travelers, particularly high net worth individuals, are increasingly turning to general aviation charter, fractional aircraft ownership, and traditional aircraft ownership. This increased travel by individuals has resulted in greater activity at airports in resort destinations, and reduced traveling for business needs. These trends can be clearly illustrated.

At Teterboro Airport in New Jersey, a critical business aviation gateway, aircraft operations have dropped significantly (Attachment II). This is noteworthy because Teterboro supports nearly 5,000 jobs and typically generates more than \$1 billion in annual economic impact, according to the NBAA. It should be noted that, for the past year, HWD has recorded more aircraft operations than Teterboro, an unprecedented development. The same trend can be

noted at other business gateways, such as Morristown Municipal Airport in the New York Metropolitan Area (Attachment II).

The strength of airports in resort areas can be illustrated by a comparison of aircraft operations at HWD and Fort Lauderdale Executive Airport (FXE) in Florida (Attachment III). FXE recovered faster than HWD and has maintained a consistent edge in aircraft operations. The contrast in aircraft operations between HWD and Orlando Executive Airport (ORL) in Florida is less extreme, but this resort destination still maintained a consistent lead in aircraft operations (Attachment III).

The results are mixed in comparison of HWD with two similar general aviation airports in the San Francisco Bay Area. HWD and Buchanan Field (CCR) in Concord experienced a similar initial drop in aircraft operations early in the pandemic, but HWD has experienced more aircraft operations in the intervening months (Attachment IV). Livermore Municipal Airport (LVK) has consistently recorded more aircraft operations during the length of the pandemic (Attachment IV). These three local airports are general aviation reliever airports with a mix of business, instructional, and recreational flights, and they do not fall as neatly into a business or resort destination category as the airports listed above in New Jersey, Illinois, and Florida.

The recent operational trends at HWD are positive. There were 11,009 aircraft operations in March 2021. That is almost double the 5,843 aircraft operations recorded in 2020, and it is the best performance in March in over 10 years. Future performance will depend on the strength of the Bay Area economy, a continued reduction in COVID-19 related cases and deaths, and a reduction in domestic and international travel restrictions.

ECONOMIC IMPACT

The reduction in air traffic has temporarily reduced fuel sales revenue for the Airport's fixed base operators. Commercial tenants offering a variety of services to the public have been financially impacted, but improving aircraft activity should positively affect the bottom line.

FISCAL IMPACT

Strong revenue in the first half of the fiscal year and cost monitoring should offset deficits in the second half because of COVID-19. Accordingly, staff anticipates that deficits for FY 2020 will be negligible but may become more impactful if the pandemic continues to depress economic activity for a prolonged period. However, that does not appear to be the case, and the Airport is in a strong position to withstand such a downturn with a \$2 million reserve and numerous long-term leases with commercial tenants, which represent about one-half of the airport's total revenues.

STRATEGIC ROADMAP

This agenda item does not directly relate to items contained within Council's Strategic Roadmap.

SUSTAINABILITY FEATURES

This report is informational in nature and does not pertain to any sustainability features.

PUBLIC CONTACT

The agenda and staff report for this item have been posted on the City's website and distributed to interested parties.

Prepared by: Doug McNeeley, Airport Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written above a horizontal line.

Kelly McAdoo, City Manager