

Report Highlights

Economic Impact of the Proposed Greater Hazleton Air Cargo Airport

Senate Resolution 144 called on the LB&FC to study of economic impact of the proposed cargo-only airport on the Hazleton area and the Commonwealth. The LB&FC contracted with Martin Associates and team members Reynolds, Smith and Hills and Webber Air Cargo to conduct this study.

The proposed Hazleton cargo airport could follow a successful track, such as Alliance Fort Worth, or be unsuccessful, such as the North Carolina Global TransPark and MidAmerica Airport near St. Louis. While the Developer (Gladstone Partners, LP) stresses the uniqueness of the Northeast/New York market, no successful all-cargo airport has been developed in North America absent an integrated carrier (FedEx, UPS, or DHL).

The Developer has indicated it has received interest from a prospective partner with sufficient influence to bring multiple international carriers to Hazleton. Our contacts with the three major domestic integrated carriers (FedEx, UPS, and DHL) suggest that it is unlikely that any of these would move to the proposed Hazleton Cargo Airport. If the Developer's prospective alternative partner can deliver 5-6 carriers operating multiple daily frequencies, comparable scale of activity as one of the major integrators could conceivably be achieved. The Developer is therefore suggesting a development model that is not impossible, but would be unlike any other all-cargo airport development in North America.

The proposed airport infrastructure is adequate to handle the projected cargo forecast. The estimated cost is \$505 million, of which the state is being asked to contribute \$250 million, most likely through RACP funding. Access to/from Route 81 would, however, be an issue.

Under the high case (successful) scenario, the Commonwealth would recoup its \$250 million investment by year 16 of airport operations. Over the first 20 years of operations, the state would receive \$334 million in taxes while the local governments would receive \$230 million. The cash flow analysis suggests the state's participation in the project is critical.

At 500,000 tons of cargo, it is estimated the airport will generate 2,866 jobs on site, as well as 2,812 induced jobs and 500 indirect jobs in the region (5,548 total jobs). Another 164,475 related jobs will be generated throughout the state, but not necessarily in the Hazleton area.

Impact on local social services would be mixed. The impact on local hospitals could be positive, whereas the impacts on the local schools, which currently exceed capacity, and public safety agencies would likely be negative.

While the airport would be designated for public use, the Developer wishes to own and operate the airport. This ownership scenario would require the Developer to be responsible for all future maintenance and operations. The Commonwealth would not receive any direct airport revenues, but rather receive benefits from income and property tax revenue. The Developer is not applying for KOZ status.

Conditions that should be satisfied prior to the disbursement of Commonwealth funds:

- **The Developer provide an enforceable letter of commitment from a partner that can deliver, at a minimum, the level of cargo activity described in this report.** This will protect the Commonwealth's interest since the greatest risk to the Commonwealth is that grant funds be spent prior to securing an enforceable commitment from a major anchor tenant. The Developer has indicated such an outcome is inherently untenable because private investors would not allow the project to begin without such a commitment.
- **The Commonwealth must determine which organization would be tasked with administering and overseeing the disbursement of state funds.** The disbursement of state funds should be structured such that the funds appropriated to this project would be used simultaneously with expenditures by the Developer along with establishing major milestones. This ensures that the risk is shared between the public and private partners.
- **Project impacts to services and infrastructure can be mitigated through prudent planning and coordination with the Developer.** Coordination regarding access to the site and the interstate highway system must begin immediately with PennDOT. Local affected communities need to ensure that payments are received to cover costs of increased social services.