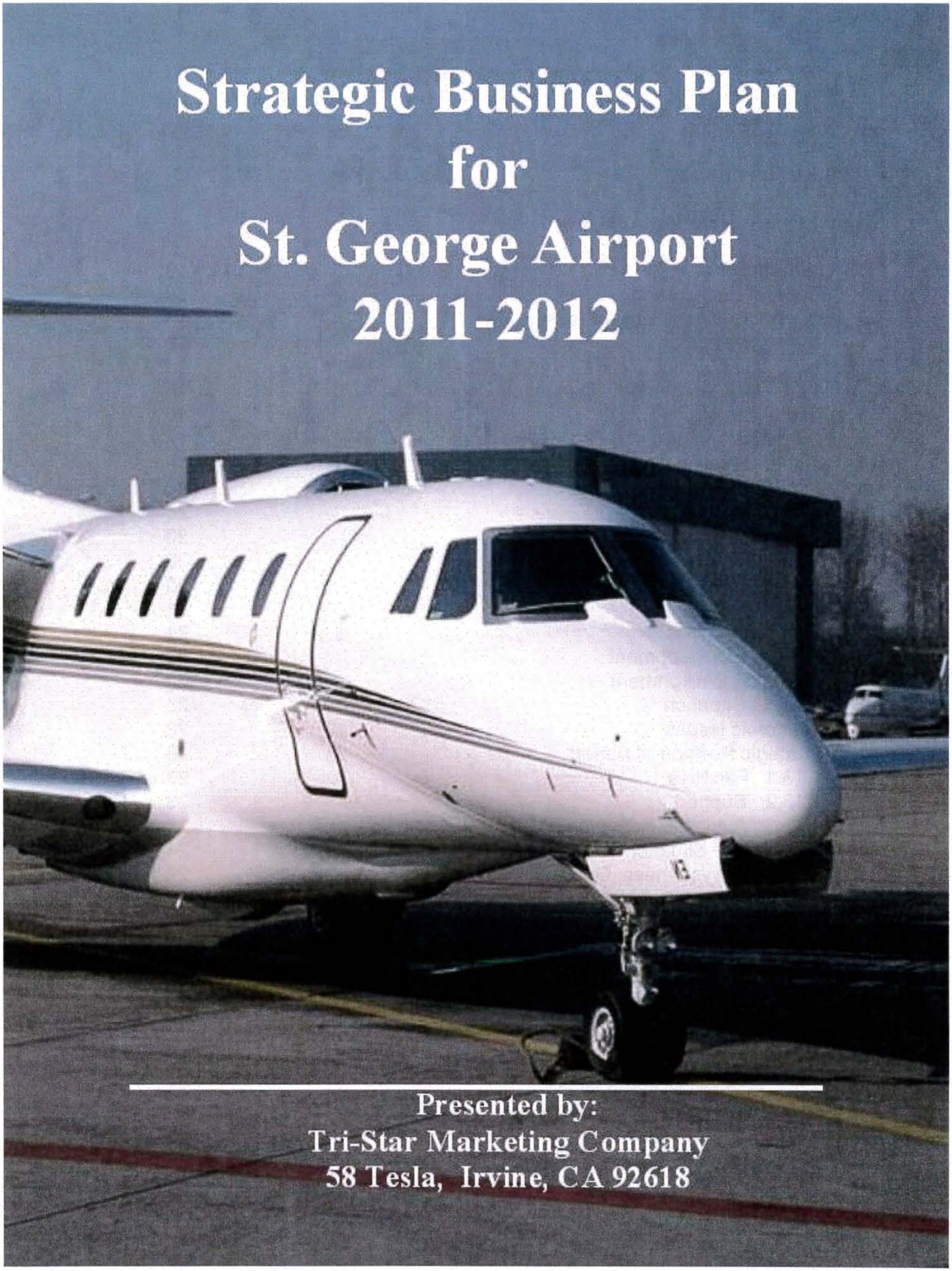

Strategic Business Plan for St. George Airport 2011-2012

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EXECUTIVE SUMMARY

Situation Analysis

- The City of St. George owns and operates the new St. George Airport, a facility dedicated to airport services, commercial aviation services, industrial and commercial development. The City of St. George owns all of the land inside the Airport fence and also owns approximately 200 acres outside the fence for a total of 1,200 acres. There are thousands of privately owned acres around the airport that can be used for business development. The Airport and the Community are seeking ways to enhance its business enterprise, its property, and make a financial contribution to the area. St. George City and Washington County are growing areas that provide excellent opportunities for business.

- The national economy is emerging from the largest recession since the great depression of the 1930's. The Gross Domestic Product expanded at a rate of 2.8% for 2010 and is projected is projected to pick up to over 3% in 2011. Unemployment is projected to be 9.4% by the end of 2010 and about the same for 2011. Job creation is likely to be flat. The national unemployment rate has been over 10% with California over 14%. Pressure on wages is expected to be contained until the unemployment rate drops below 5%. Even though energy prices have dropped, it is estimated that higher energy prices could happen if OPEC cuts back production.

- Utah has a relatively diverse economic base with less exposure to housing and commercial real estate than the rest of the country at the beginning of the recession. However, as the financial crisis intensified in the fall of 2008, Utah began to track the national downturn. State leaders believe that the advantages of doing business in Utah still exist and will contribute to Utah's recovery. Business in St. George and Washington County has been diverse with a combination of retail/wholesale trade, healthcare, government, hospitality and entertainment, and services accounting for 76% of the jobs. Over 75% of the jobs are at small companies with 10 or less employees.

- Business has changed in the United States. The work place is being transformed. Industry is reorganizing into smaller, more specialized units. Companies are converting from mass production to lean production of specialty products and stressing quality. A trend toward smaller companies as sub-contractors who take on responsibility for more of the production of parts and systems. Companies are looking for towns and communities that can offer lower labor cost, lower facility cost, lower crime rates, lower taxes, lower utility cost, good transportation, and access to community education and training programs.

- The community is seeking to expand its base of business and the development of the new St. George Airport is one of the keys. The new Airport will now have the terminal, runway and taxi-ways to meet operational requirements of regional jet aircraft and standard twin jet aircraft for passenger service, air cargo, and corporate jet aircraft. The business concept should be based on the St. George Airport being a superior product for all of aviation and the market is ideal for new air service and new business.

- The overall strategy of the St. George Airport is based on a vision of the Airport being an economic leader for the community and the key to attracting all types of new businesses to the area. The mission of the Airport is to become the commercial airport for southwest Utah, and parts of Nevada and Arizona. The goals to achieve this mission include: creating an atmosphere for the development of aviation and aviation related business; determine the commercial needs of the airport; plan for necessary improvements; recruit appropriate airlines and businesses; and support current activities and clients. The objectives for the Airport include the following; (1) identify markets and airlines for air service; (2) identify requirements to facilitate growth in corporate and general aviation (3) recruit new air service; (4) expand General Aviation facilities; (5) create a tourist based aviation program; and (6) recruit new aviation related business to locate at the Airport.

- The business tactics of the new Airport are based on the strategies, objectives, and goals. In the near term these tactics include working with Sky West to upgrade its air service to Salt Lake City to regional jet aircraft, re-establish service to Los Angeles, and add service to Denver and San Francisco. Other tactics include the establishment of an air tour operation at the Airport to accommodate new international business and the expansion of the current air cargo operation. The Airport will also work with the various developers around the Airport to have a coordinated effort in attracting new business to the area.

- The new Airport has the facilities and infrastructure to handle commercial airline needs and the growth of general and corporate aviation. The community is pro-business and has been working diligently to create a new Airport that can be a key player in the economic growth of the area. Competition will always be present with the low fares at Las Vegas International Airport and the beneficial tax structure for business in Nevada. The major risk for the Airport is being dependent on one airline for air service.

Air Service Analysis

- Since the passage of the Airline Deregulation Act in 1978, the airline system in the United States has undergone a major change. In the late 1980's, the larger legacy airlines acquired most of the smaller airlines. New airlines were started to fill the gaps in air service. The successful start up airlines include Air Tran, Allegiant, Frontier, Jet Blue, and Spirit Airlines. The commuter airlines formed affiliations with the major airlines to control the flow of passenger traffic at hub airports. These guaranteed contracts allowed the commuter airlines to become very profitable.

- Airline service in the West is dominated by Southwest Airlines and by Sky West Airlines. Southwest has major operations at four airports in the Los Angeles area, four airports in northern California, Portland, Seattle, Salt Lake City and Phoenix. Delta Air Lines operates a large hub at Salt Lake City, United Airlines has hub airports at Denver, Los Angeles, and San Francisco, and US Airways has a hub airport at Phoenix. Sky West Airlines operates as the Delta Connection at Salt Lake City and as the United Express in Los Angeles, San Francisco, Seattle and Denver. It is the dominant regional airline in the West.

- Air Cargo has also been consolidated with only two integrated air cargo carriers remaining – Fed Ex and UPS. Both of these airlines have eliminated their smaller standard jets (B-727 and DC-9) and replaced service at smaller airports with commuter airline partners flying small aircraft like the Metro, B-1500, and the Cessna Caravan. Major emphasis on using ground transportation to handle short haul domestic shipments.

- The St. George Airport provides service to over 250,000 residents in southern Utah, northern Arizona, and eastern Nevada. St. George Airport is a small hub airport and has commuter service to one hub, Salt Lake City, with thirty seat turbo prop aircraft. St. George is also the gateway airport for six major National Parks and other popular destinations. From 2000 to 2008, the population for the primary airport catchment area increased 53%.

- There were 75,260 origin and destination passengers utilizing St. George Airport in 2009. The St. George-Salt Lake City market is the number one market, accounting for 47.3% of the total passengers. The top ten markets accounted for 71.5% of the total passengers. Due to high fares and limited flights to only one destination, an analysis of passenger bookings from the St. George Airport market area was conducted by Sabre Airline Solutions to determine the "true passenger market" for St. George and its surrounding communities.

- The Study developed by Sabre showed that only 19.5% of the passengers in the St. George Airport market area were using SGU for their air travel. The remaining 80.5% of the passengers in the St. George Airport area were using other airports with 55.3% of the passengers were using Las Vegas International Airport and 23.7% of the passengers were using Salt Lake City International Airport. The Study indicated an outbound passenger base of 229,000 bookings. Counting all passenger bookings, the total outbound and inbound passengers for the St. George Airport area are estimated to be approximately 900,000.

- The Sabre Study produced passenger booking data by market for airline customers residing in the Airport catchment area. The largest overall market area was Salt Lake City with 51.8 passenger bookings per day. The three airports in the San Francisco Bay area accounted for 37.8 passenger bookings per day. The five airports in the Los Angeles area accounted for 37.3 passenger bookings per day. The next largest markets were Chicago, Orlando, Phoenix, Denver, and New York.

- Most air service in the United States today is directed to "hub airports". The flights to these hub airports will have local passengers and connecting passengers onboard thereby creating more passengers and a higher load factor. The hub airports that can be easily served from St. George Airport include Dallas/Ft. Worth, Denver, Los Angeles, Phoenix, Salt Lake City, and San Francisco. The Sabre Study indicated that all of these hubs could support frequent service with fifty seat regional jet aircraft.

- The primary target airlines for service to these hub airports include Sky West, Allegiant, Horizon, and American Eagle for service to Los Angeles; Sky West and Frontier for service to Denver; US Airways and Allegiant for service to Phoenix; American Eagle for service to Dallas/Ft. Worth; and Sky West and Horizon to the San Francisco Bay Area. All flights to all markets should be with jet aircraft. Service to Salt Lake City by Sky West should be upgraded to regional jet aircraft.

- An Air Cargo forecast was developed for the St. George Airport based on an econometric model. The forecast indicated a potential demand of 6.5 million pounds. At a 70% load factor, there is a large enough demand to support ten Cessna Caravan's per day or one DC-9-30F per day. The primary candidates for additional air cargo service are FedEx and UPS. The key will be to convince the air cargo carriers to move airfreight from SGU by air instead of by truck.

New Business Analysis

- The new St. George Airport can contribute to expanding the base of business for the community. The largest industrial park for the area will be located at the new Airport and the City of St. George owns a significant amount of land inside and outside the fence. The City of St. George and the Airport can optimize its revenue with an effective business development program targeted towards commercial aviation, air cargo, and aviation related businesses that fit the general business characteristics of the community.

- The new Airport is well designed to meet commercial passenger service, air cargo service, general aviation and corporate aviation. Various owners of land around the airport have planned for industrial and commercial business that will complement the business at the airport. The strengths of the Airport include: central location for residents in southern Utah, and parts of Arizona and Nevada, good highway access, lower cost land and facilities compared to Las Vegas, Salt Lake City, Phoenix, Denver, and Los Angeles, a major push for more tourism, and a strong business community. The main weakness of the new St. George Airport is the limited passenger air service.

- Companies in the United States are downsizing, outsourcing, and relocating. The requirements for relocating include: low cost labor, non-union work environment, low cost land, low taxes, pre-built or build to suit facilities, limited environmental restrictions, economic incentives, quality of life amenities, access to major markets, good air service, and strong community support for business. All of these requirements can be met in St. George and Washington County except for good air service. In most cases, airline and aviation related products and services need to be located on, or near an airport.

- There seems to be good opportunities for expanded corporate aviation, aviation related business, and business in the industrial and commercial areas surrounding the Airport. The major threat for a small airport is always business not materializing when new facilities are constructed. The lack of good rail access limits the amount and type of manufacturing that will locate in the area.

- Professional and Technical companies have the greatest flexibility in relocating. Mid and small sized companies are the primary targets. These companies are normally privately owned and the owners need to be sold on the economic benefits and "quality of life" benefit of the St. George and Washington County area. Target businesses and industries that best fit the attributes of the area include: Aerospace and Aviation Products and Services; Business Services; Consumer Products; Education and Training Services; Healthcare Research and Services; Leisure Products, Entertainment, and Tourism; Specialized Manufacturing; and Non-bank Financial Services.

- Aviation related options are focused on nine business opportunities: Aviation Training Center; Maintenance Repair Operation; General Aviation and Corporate Center; Aerospace Manufacture and Testing Center; Government Operations Center; Passenger Air Service; Air Cargo Center; Tour and Sightseeing Center; and Hospitality Center. Some of these programs can be developed with the Dixie Applied Technical College, the Convention and Tourism Bureau, and the existing

Fixed Base Operator.

Economic Impact

- The new passenger air service to the Airport and new businesses locating at or near the Airport will produce new jobs and revenue to the community. There will also be a cost associated with the activities required to attract and support the new service and new business.

- The air service analysis in this Plan indicated that the Airport has the demand potential to support regional jet flights to Salt Lake City and new flights to Los Angeles, Denver, Phoenix and San Francisco. The demand for air cargo can also support more flights and larger aircraft. To determine a minimum and maximum financial impact of air service at the Airport, three levels of service have been estimate for each type of air operation.

- More jobs in the hospitality industry will be required to support the new visitors to the St. George and Washington County area. Based on three different levels of air service, there will be a need for approximately 125 and 327 jobs to support the visitors that will arrive at the Airport. The greatest need will be in the hotel industry with a demand between 50 and 150 jobs. The restaurant and entertainment area will require between 30 to 90 jobs.

- Based on the revenue generated from visitor expenditures, airline payroll, fuel purchases and fees to the Airport, the total revenue impact for St. George and Washington County for air service is estimated to be between \$6.7 million and \$30.6 million depending on the level of air service. The "Airport Impact Model" indicates that there is a multiplier effect of money in the community and the average multiplier utilized in the model is 2.5. Based on the impact of the multiplier, the total revenue impact to St. George and Washington County area for the new air service is estimated to be between \$16.7 and \$76.5 million.

Recommendations

- It is recommended that the City and the Airport work with Sky West Airlines to upgrade to regional jet aircraft to Salt Lake City when the new Airport opens for service and add regional jet service to Los Angeles with the money saved by the change from EMB-120 turbo prop aircraft to CRJ-200 regional jets in the St. George-Salt Lake City market. Sky West will also have the opportunity to operate to Denver and San Francisco as United Express connecting to major hub operations for United Airlines.

- Other target airlines for air service include Horizon Air, American Eagle and Allegiant Airlines to Los Angeles; Frontier to Denver; US Airways and Allegiant Airlines to Phoenix; and Horizon Air to the San Francisco Bay Area. Continued marketing and sales efforts should be directed to these airlines. Secondary target airlines can include Vision Air and other commuter airlines. These airlines should be visited at the various airline-airport conferences and presentation packages should be sent to them.

- The air cargo forecast indicates a large enough demand to support additional air cargo flights with commuter type aircraft and small jet aircraft. A presentation should be developed to give to FedEx, and UPS to develop interest in adding more air cargo service.

- The St. George Airport has land for expansion of aviation related business. St. George and Washington County have a lower cost of doing business than Las Vegas, Los Angeles, and Phoenix and this should be attractive for business relocation. There is already some aviation related business at the new Airport and these clients should be contacted to see what additional facilities and services they may need. The Airport should initially focus the development of an aviation tour operation.

Section 1: Situation Analysis

STRATEGIC BUSINESS PLAN FOR ST. GEORGE AIRPORT

Section One
Situation Analysis

1.0 Introduction

The City of St. George has retained Tri-Star Marketing Company to develop this Business Plan for the new St. George Airport to determine how they can better utilize the "airport asset". The community leaders in St. George believe that the new Airport can be a key asset for economic development with additional passenger air service, air cargo service, and as a location for aviation related business. It is believed that through product development and more aggressive marketing, the new St. George Airport can play an important role in St. George, Washington County and the surrounding area.

The old St. George Airport was severely restricted due to its location on a Mesa and having a very short runway. The old Airport was also affected by cross winds on take offs and landing. Due to these problems the old Airport could not physically meet existing airline and corporate jet requirements, future design requirements, or customer requirements.

The new Airport is adjacent to the eastern side of the City of St. George and is expected to be open in January of 2011. It will have a 9,300 foot runway and a 34,500 square foot passenger terminal. It will be able to accommodate all regional jet aircraft and all standard twin jet aircraft. The terminal will have three aircraft parking positions, eight passenger check in counters, two departure lounges, four rental car counters, and a centralized baggage claim area.

The City of St. George owns all of the land inside of the Airport fence and also owns 200 acres of land outside the fence for a total of approximately 1,200 acres. To expand the passenger air service and air cargo service, and develop new aviation related business at the Airport, it was agreed that an overall business plan should be created. This Business Plan is comprised of a series of programs that will identify the best opportunities for passenger air service, air cargo service and new business for the Airport. After the Business Plan is completed and approved, a marketing action program will be developed to enhance the passenger airline service, air cargo service, and identify the best business targets for the Airport.

1.1 General Background

St. George is located in Washington County, the most southern county of Utah. St.

George was founded as a cotton mission in 1861 as part of a greater effort of the Church of Jesus Christ of Latter-day Saints to become self sufficient. St. George has become the population and commercial center for southern Utah. Due to its southern location and its early cotton farming, the area is sometimes known as "Dixie". The City of St. George is located on Interstate 15 and south of the starting point of Interstate 70. The City is 120 miles north of Las Vegas and 300 miles south of Salt Lake City.

The St. George Airport provides service to over 250,000 residents in southern Utah, northern Arizona, and eastern Nevada. St. George Airport is a small hub airport and has commuter service to one hub, Salt Lake City, with thirty seat turbo prop aircraft. St. George is also the gateway airport for six major National Parks and other popular destinations.

From 2000 to 2008, the population for the primary airport catchment area increased 53%. Washington County (where St. George is located) has seen a population increase of 66% since 2000, one of the largest county increases in the United States. The greatest economic impact has been the growth of retail sales. The primary catchment area has seen retail sales increase by 130% and effective buying income has doubled.

ECONOMIC DATA FOR ST. GEORGE AIRPORT MARKET AREA

Market	Population	Housing Units	Retail Sales/ Household	Median Income/ Household
Utah				
Washington County	139,640	54,690	$47,972	$46,822
Iron County	43,525	17,980	42,333	39,909
Sevier County	19,700	7,730	47,620	43,172
Kane County	6,520	4,850	20,204	41,274
Beaver County	6,090	2,870	27,770	41,632
Garfield County	4,530	3,320	17,125	42,398
Wayne County	2,520	1,450	22,715	38,566
Piute County	1,340	800	6,232	35,704
Arizona				
Page City	6,800	2,600	n/a	60,890
Colorado City	4,800	1,630	n/a	41,640
Fredonia City	1,050	455	n/a	39,275
Nevada				
Mesquite City	19,750	9,300	n/a	42,941
Total	250,415	107,675		

The St. George economy is service oriented. There is large employment in health, education, government, and tourism. The Washington County Economic Development Council is attracting new businesses that will contribute to the economic growth of the area.

1.2 Current Business Environment

The business environment, in the St. George Airport service area, is affected by the growth and health of the national economy, the state economy, and the local economy. As we know, the business climate is constantly changing. The following is an overview of the economic situation for business.

1.2.1 The Nation

The national economy is emerging from the largest recession since the great depression of the 1930's. The Gross Domestic Product expanded at a rate of 2.8% for 2010 and is projected is projected to pick up to over 3% in 2011. Unemployment is projected to be 9.4% by the end of 2010 and about the same for 2011.

The Congressional election in November of 2010 may change the course of the Obama Whitehouse. The GOP has taken control of the House of Representatives creating a divided government. It is estimated that the big spending programs sponsored by the Obama administration and Congress will be stopped. Climate control legislation, comprehensive immigration law, union card elections are expected to not proceed with the change in the House. Overall, it is expected that there will be a spending freeze similar to what the country experienced after the 1994 election.

An important help to the economy will come from the continued reduction in the cost of oil and gas prices. Crude oil is expected to be in the $65 to $75 per barrel range at the end of 2010. The lower cost of fuel will significantly help the domestic airlines. Passenger loads have increased in 2010 along with the implementation of fees for various services. The airlines reported strong profits for the third quarter of 2010 and are expected to be profitable in 2011.

Interest rates were reduced in the later part of 2008 to offset the impact of the mortgage crisis. The prime rate should hold steady at 3.25% until late 2011 with ten year Treasury notes yielding 3.5%. Housing starts have seen a small pickup in late 2010. Real estate investors are focusing on apartment buildings. There seems to be no fear of inflation with the rate projected between 1% and 1.5%.

Job creation is likely to be flat. The national unemployment rate has been over 10% with California over 14%. Pressure on wages is expected to be contained until the unemployment rate drops below 5%. Even though energy prices have dropped, it is estimated that higher energy prices could happen if OPEC cuts back production. Problems in Nigeria could keep oil prices on the higher side. Supplies are expected to remain tight in the face of strong demand from China and India. The cost of shipping is projected to decrease. Research indicates that rates will be 10% to 20% lower for the fall and winter of 2010 than last summer due to expiring long term contracts. Rates will firm up by spring of 2011 with the advent of new shipping contracts and the economy increasing somewhat.

Top trading partners will continue to be Canada, Mexico, China, Japan, Korea, Taiwan and Eastern Europe. The soft dollar continues to make U.S. exports cheaper abroad. U.S. companies that are enjoying a brisk business in China include construction equipment suppliers and manufacturers of medical equipment, pharmaceuticals and pollution controls. Trade officials will continue to press China to relax barriers on U.S. exports. A new free trade agreement with South Korea will help.

1.2.2 The Utah Economy

Utah was growing nominally as the recession began. The year-over-year percentage change in employment was 3%, much higher than the U.S. average growth rate of 0.8%. The state fared well during the initial phase of the economic contraction because housing prices had not inflated like those in Las Vegas or Phoenix. Moreover, as the U.S. economy expanded following the 2001 recession, the Wasatch Front, Cache Valley, St. George, and Cedar City attracted national attention as good locations for business.

Utah has a relatively diverse economic base with less exposure to housing and commercial real estate than the rest of the country at the beginning of the recession. However, as the financial crisis intensified in the fall of 2008, Utah began to track the national downturn. State leaders believe that the advantages of doing business in Utah still exist and will contribute to Utah's recovery.

According to the U.S. Census Bureau, Utah ranked second among the states, behind Wyoming, with a population growth rate of 2.1% from 2008 to 2009. It is estimated that Utah's population will increase by 1.5% in 2010 to just over 2.8 million. The drop in growth rate from the earlier period in this century is due to a lower net migration rate. Utah continues to have a distinctive demographic profile that includes the nation's youngest population, highest fertility rate, largest household size, and low mortality rate.

Personal income fell 1.3% during 2009. The 4.1% decline in wages, the largest component on personal income, was offset by increases in government transfer payments such as unemployment insurance. Utah's gross domestic product grew 4% from 2008 to 2009. While Utah grew more rapidly than the nation as a whole, this gain was substantially lower than 2007, when Utah had the fastest growth in the nation.

While Utah has fared better than its neighboring states, total personal income fell during 2009 like every other mountain state. Utah's quality of life measures continue to be among the best in the nation. The state's violent crime rated remains as one of the lowest in the United States, the poverty rate is below the national average, and the educational attainment is one of the highest. Utah ranks second in indicators of child well-being and second highest in overall health status.

NON-FARM EMPLOYMENT BY SECTOR – 2010

Sector	% of Total
Government	18.7%
Wholesale/Retail Trade	17.0%
Education/Health Services	16.6%
Manufacturing	9.7%
Professional Services	7.9%
Administrative/Support	6.5%
Finance/Insurance/Real Estate	6.4%
Construction	4.7%
Other Services	4.5%
Transportation/Utilities	3.9%
Information Technology	2.2%
Accommodation/Entertainment	1.1%
Natural Resources/Mining	0.6%

Source: Utah Bureau of Labor Statistics

The economic health of Utah is driven by Agriculture, Construction, Energy, Minerals, Technology, and Tourism. Agriculture is still significant in Utah. Unfortunately, the fall in commodity prices, most agricultural sectors in Utah were less profitable in 2009. As commodity prices firm, agriculture should be more profitable in 2010 and 2011. Construction was the hardest hit industry in Utah. The value of permits fell 25%, the lowest since 1996. Non-residential construction fell 37% and residential construction fell 15% in 2009. The development of residential units dropped from 20,500 in 2007 to 10,603 in 2008 and 10,150 in 2009. Residential construction had better numbers than non-residential due to the increase in apartment construction.

Although energy prices fell, Utah crude oil and natural gas production increased in 2009. Crude oil production in Utah has increased a remarkable 82% over the past six years, but it still only accounts for 44% of Utah's total consumption. Mineral production has declined 27% in 2009 due to decreased base metal and industrial mineral values and decreased crude oil and natural gas prices. The value of Utah's production of minerals ranks fourth in the nation. Utah's travel and tourism sector was not immune to the economic recession, but regional and close to home travel helped soften the downturn. On the positive side, the Utah ski industry experienced the third best season on record. Visitation to National and

State parks also had an increase. So far, 2010 has shown a small increase in travel to the state.

Most indicators suggest the recession ended during the second quarter or third quarter of 2009. After four quarters of decline, GDP grew 2.2% in the third quarter. The consensus outlook is for moderate growth in output in 2010 and 2011 with a two to three quarter lag in the labor market. Annual employment is expected to decline while GDP increases.
At September of 2010, Utah unemployment was 7.5% compared to a national average of 9.6%. Though Utah's near-term outlook remains soft, long-term economic and demographic projections point to a robust growth over the next half century. Utah's population is expected to more than triple from 2.2 million in 2000 to 6.8 million in 2060. As the state grows, new population centers off the Wasatch Front will emerge like Washington County.

1.2.3 St. George and Washington County

Business in St. George and Washington County has been diverse with a combination of retail/wholesale trade, healthcare, government, hospitality and entertainment, and services accounting for 76% of the jobs. These jobs are with small companies with 77% at companies with less than 10 employees.

EMPLOYMENT BY SECTOR

Sector	Employment	% of Total
Retail/Wholesale	8,779	18.3%
Healthcare	7,493	15.5%
Government	7,202	15.0%
Hospitality/Entertainment	7,010	14.6%
Services	5,959	12.4%
Construction	4,021	8.4%
Transportation/Utilities	2,842	5.9%
Manufacturing	2,472	5.1%
Finance/Real Estate/Insurance	2,033	4.2%
Mining/Agriculture	276	0.6%

Source: Washington County EDC

Recent economic performance for the region has slowed. The economic growth for the past twenty years was fueled by the large increase in population. During the 1990-2000 time period, the population in Washington County increased 86%. During the 2000-2010 time period, the population increased 59%. During these same timeframes, the population of the State of Utah increased 30% and 23% respectfully. Washington County population compared to the U.S. average is higher towards younger people under 24 and people over 65. The younger population accounts for 39% of the total compared to a U.S. average of 34%. The senior population accounts for 18% compared to a U.S. average of 13%.

Population Growth for Washington County

Year	Population	Annual Growth
2005	127,120	--
2006	132,350	4.1%
2007	139,640	5.5%
2008	147,050	5.3%
2009	154,680	5.2%
2010	162,540	5.1%
2020	205,000	2.4%

Source: St. George Area Chamber of Commerce, 2009 and US Census Bureau for Washington County

The construction market has been hard hit in Washington County. It reached a high in 2005 when there was $604.1 million worth of building permits issued. This dropped to $411.8 million in 2006, $351.2 in 2007, and $119.3 million in 2008. The outlook for the near term is very modest, with new investment expected to give the labor market only a slight boost. Conditions look better for 2011 and beyond as a weaker dollar creates advantage for export products, and increase in foreign tourism.

The table below lists the major employers for the market area. Most of the companies are based in St. George. The area employment base has become more diversified with technology, health care, and services being the major employers. The largest employer in the private sector is Sky West Airlines.

LARGEST EMPLOYERS IN ST. GEORGE AIRPORT AREA

Intermountain Healthcare	Red Mountain Spa
City of St. George	Andrus Trucking
Dixie State College	Wilson Electronics
Sky West Airlines	Cross Creek Manor
Washington County	Western Rock Products
Federal Government	Centennial Group
Cabinetec	Interstate Rock Products
Sunroc Corp.	Spectrum Publishing
Ram Manufacturing	State of Utah
Washington County School District	Xanerra Resort

Community leaders want to continue to support existing employers while attracting new businesses that will contribute to the well being of the area. "*Quality of Life*" is a key ingredient for the people in St. George and Washington County and it is very important that every effort is utilized to maintain and enhance the quality of life. New business enterprises should fit the overall community goals. One of the major advantages to living and doing business in St. George and Washington County is the low cost of living. The lowest cost in comparison to other area is in housing, utilities, health care, and goods and services.

COMPARISON OF COST OF LIVING

Market	Cost of Living Index
St. George	**97.2**
Denver	103.8
Las Vegas	110.3
Los Angeles	145.4
Riverside	112.3
Phoenix	101.0
Salt Lake City	101.1
San Diego	140.3
San Francisco	169.5

Source: ACCRA Cost of Living Index, Second Quarter 2010

Tourism is a key sector for the St. George area. The community is located on Interstate 15, half way between Los Angeles and Salt Lake City. St. George is also the gateway to six National Parks which include: Arches National Park, Bryce Canyon National Park, Canyon Lands National Park, Capital Reef National Park, Grand Canyon National Park, and Zion National Park. Lake Powell and the Colorado River are also key attractions in the area. There are over 3,100 hotel and motel rooms with accommodations ranging from economy to deluxe.

St. George is a popular vacation spot for visitors for northern Utah and other Rocky Mountain states because of its mild winter climate, numerous attractions including 23 golf courses within an hour of downtown. The Dixie Conference center is the second largest in Utah and has a 47,500 square foot exhibit hall and twenty-one meeting rooms and seating for 6,200 in the concert center. The new airport will help all of the tourism attractions and the convention business by providing easier and lower cost access to the area. It will also open the door for many more international visitors.

1.3 Global Strategies

Business has changed in the United States. Demographics, economics, global competition, new technologies, communications, and new production methods have transformed the work place. The United States has become a service-based economy and is no longer the manufacturing center for the world. Organizations have merged and downsized with industrial and commercial programs being developed as worldwide partnerships or alliances. The federal government budget for defense and aerospace was drastically reduced. The surviving aerospace companies and defense contractors were re-engineered to a blend of "military and nonmilitary business" to remain competitive. Companies are relocating from the large centers of commerce to smaller towns with lower labor cost and to areas where business incentives will produce lower operating cost. Some of the business outsourced to overseas locations are returning to small communities that offer lower cost and good employees.

1.4 Current Situation

The market for business is global. Companies, large and small, are affected in all areas by global competition. The creation of the North America Free Trade Association linked the United States with Canada and Mexico as one homogenous market for the production and sales of goods and services. The combination of the technical skills of the U.S. and Canada along with the lower cost of labor in Mexico will allow for the production of high quality goods at competitive pricing. Many believe that the current attempt to offer immigrants the ability to attain legal status in the United States is part of the plan to expand the union between the three North American countries.

The manufacturing industry is reorganizing into smaller, more specialized units. The manufacturing industry is becoming broad, diverse, and segmented. It has found that there are increased global opportunities for U.S. products and this market wants quality products. Through the use of automation, U.S. companies have found that they can lower the cost of production and increase the quality of goods produced. The trend is for major companies to convert from mass production to lean production of specialty products. The key to this conversion will be keeping labor and operating cost lower and, at the same time, produce a quality product. There will be an increasing need for highly skilled workers and improved methods in quality control.

Throughout most of the 1900's, there appeared to be an abundance of American workers. Unskilled and semi-skilled workers were plentiful and companies could easily fill their needs. The recession changed much of this. Companies went through large lay-offs and overall production increased. The need today is for skilled workers with good technological backgrounds. Lower educated and trained people will have a hard time finding good jobs.

Over the past fifteen years, the growth in employment in the U.S. has come from companies with less than ten employees.

These smaller companies provide a specialized service for larger companies at a lower cost. Many individuals have found that with the new advances in communication and computer equipment, they can operate their companies from almost anywhere. Also, the concept of the "job" is changing drastically. The traditional 9-5 job as a career is being replaced, in many cases, by portfolio careers made up of contract, free lance, part time, consulting, and self employment. A generation ago, workers followed a rigid set of work place rules, whereas employees today may not even have job descriptions. Listed below is a comparison of the typical job 30 years ago and today.

CHANGES IN THE JOB MARKET

A Typical Job 30 Years Ago	Today's Jobs Include
* Fixed Position	* Assignments
* Long Term Employment	* Contracts
* Loyalty and security	* Employee adds value to company
* Limited job description	* Do whatever needs to be done
* Limited access to information	* Abundant access to information
* Fixed Salary	* Fee plus share of profits
* Conventional benefits	* Handle own benefits
* Escalator type advancement	* Career journey

1.5 Future Situation

Trends for the future will be centered on meeting customer satisfaction requirements through the use of new technology. Industry will have an increased need for highly trained workers and, at the same time, for lower production cost. There will be more emphasis on recruiting workers who can be trained the new advanced skills. The American worker has set "quality of life" as a major goal.

Companies have found that they can lower their labor and production cost by relocating away from the major cities. Outsourcing of certain task and production has produced good quality products at lower cost. Smaller communities like those in Utah are becoming more attractive locations for relocated companies, and new companies who sub contract to the major companies.

These smaller companies are looking for towns and communities that can offer lower cost labor, lower cost facilities, lower taxes, lower cost utilities, low crime rates, fewer environmental constraints, good transportation, access to universities and community education, and training programs. In order to attract and keep their management and staff, they are looking for areas that provide a better ***"Quality of Life"*** for the employee and their families.

1.6 St. George Airport Strategy

Community leaders were interviewed to determine the overall strategy for this plan. The views of this group were diverse, but there was concurrence in regards to the following.

1.6.1 Vision

The **vision** for St. George and Washington County is one where the culture and values will remain while the economy continues to grow. The community plans to support existing business and expand the infrastructure and transportation access. Economic development leaders will build on existing "clusters" and expand the hospitality base to support additional tourism. The Airport will be developed to become the transportation hub for the region and a key part of an industrial park to meet long term business needs.

1.6.2 Mission

The **mission** of the St. George Airport is to develop and operate the Airport and aviation facilities to serve the needs of the traveling public, cargo shippers, and the aviation related business in the area. The aviation facilities will be operated to the highest standards of safety and service.

1.6.3 Goals

In setting out to achieve its mission, the St. George Airport will seek to accomplish a number of key goals that are consistent with community standards:

- Create an atmosphere for the development of aviation and aviation related businesses at Airport.
- Determine passenger, cargo, and other aviation needs of the Airport.
- Recruit appropriate air service and aviation related business to the Airport.
- Support current Airport activities and clients.
- Plan for improvements necessary to meet customer needs.

1.6.4 Objectives

The business objectives for the St. George Airport can be quantified as follows;

Passenger Air Service Objectives

- Upgrade existing service to Salt Lake City from prop aircraft to regional jets.
- Re-establish service to Los Angeles International Airport with regional jets.
- Add service to Denver, Phoenix, and San Francisco.
- Help airlines achieve passenger loads at affordable fares that will produce profits.
- Have facilities available for more flights and increased passengers.

Air Cargo Objectives

- Increase air cargo service available to support major shippers.
- Add larger air cargo aircraft
- Create an air cargo center to facilitate increased air cargo operations.

General Aviation Objectives

- Identify requirements to facilitate growth in corporate and general aviation.
- Establish "sky tour" facility for National Park programs.
- Develop inbound receptive center for tour program.

New Business Development Objectives

- Identify target aviation related companies that could locate at the Airport.
- Determine improvements required to meet needs of target companies.
- Recruit new aviation related business.

1.7 Business Concept

The community is seeking to expand its base of business and the development of the new St. George Airport is one of the keys. The Airport will now have the terminal, runway and taxi-way to meet operational requirements of regional jet aircraft and standard twin jet aircraft for passenger service, air cargo, and corporate jet aircraft. The business concept should be based on the St. George Airport being a superior product for all of aviation and the market is ideal for new air service and new business.

1.8 Business Tactics

The business tactics are based on the strategies, objectives, and goals of the St. George Airport. In the ***near term*** (2010-2012), the business tactics should center on:

In the near term (2010-2012)

- Work with Sky West to upgrade its service to Salt Lake City from EMB-120 prop aircraft to CRJ regional jet aircraft.
- Work with Sky West to re-establish air service to Los Angeles International Airport with CRJ regional jet aircraft.
- Recruit an additional airline to serve Denver, Phoenix, and San Francisco.
- Help develop an "air tour" operation for flights to the National Parks
- Quantify air cargo demand and have cargo air service to meet the demand.
- Identify new business opportunities and establish recruiting program.

In the long term (beyond 2012)

- Initiate passenger service to additional hub airports – SEA, SAN, DFW
- Improve the facilities to meet the increased number of passengers.
- Meet the needs of corporate and general aviation clients.
- Have revenue sufficient to cover the cost of operation and future expansion.

1.9 Business Development

The community leaders of St. George and Washington County have been seeking new business opportunities that fit the overall characteristics for the community. The Washington County EDC is working with the developers in development of land for industrial business parks and the development of the Airport. The Chamber of Commerce supports existing companies to grow and be successful. The Visitors and Convention Bureau is working to expand tourism. The new St. George Airport will be a positive attribute in recruiting new business, expanding existing business , and development of tourism. The City of St. George has prime property inside and outside the fence that will be attractive to the recruitment of aviation related businesses.

1.10 Changing Environment

Since the nineties, businesses and individuals from major metro areas have been relocating to the suburbs and to smaller cities. As soon as the housing market regains its value, this trend is expected to continue. The high taxes in metro areas and the growth and environmental restrictions in many of the large markets are pushing these businesses and individuals to consider small and mid-size communities. The companies that are relocating tend to be in the $10 million to $50 million range of annual sales and are either owned by an individual or a partnership. The "quality of life" available in the St. George area may fit the needs of many of the aviation related businesses seeking to relocate.

1.11 Political Situation

The new St. George Airport is owned by the City of St. George. The new Airport is located three miles from downtown St. George in an undeveloped area east of the city. The Airport and its landing and takeoff patterns are away from the major population center, and the noise of the aircraft should not create noise problems. There is excellent highway access to the new Airport and congestion should not be a problem. Both the City and the County leaders support the growth and development of the new Airport.

1.12 Economic Issues

Approximately 250,000 people are located in the St. George Airport market area. This market area has exhibited very high growth in population in the 1990's and leveled off during the recession. Population is projected to increase at a 2% to 2.5% annual rate through 2030. Washington County is the primary market for the Airport and it contains 56% of the population and has the highest average retail sales per household and the highest average household income in the region.

1.13 Strategic Position for the Airport

1.13.1 Facilities

The new St. George Airport will be the newest and most modern of the regional airports in the West. It has a 9,300 foot by 150 foot runway with the ability to expand to 11,500 feet. The terminal is 34,500 square feet with three aircraft parking positions on the ramp in front of the terminal. There are eight passenger check in counter positions and two departure lounges. There are 400 parking spaces in the parking lot with the ability to double in the future. The new airport has been designed to be customer friendly and easy to use by the airlines.

General aviation and air cargo are located just north of the passenger terminal with extensive ramp area, and easy access to the taxi-ways and runway. There are two fixed base operators in this area along with the operation of two commuter airlines providing air cargo service for Fed Ex and UPS.

1.13.2 Support

The community is pro-business and has been working diligently to build a new airport that will be a key player in the economic growth for the area. Economic Development for Washington County is focusing on high tech companies and small manufacturing companies. The City is looking at the tourism market and the retirement market as key growth industries for the area.

1.13.3 Available Resources

The Community and the Federal Government have contributed $160 million to the development of a new airport. The FAA provided $127 million and the local match was $33 million. The local match included funds from the American Recovery and Reinvestment Act, Washington County Transient Room Tax, City of St. George Transportation Fund, Water Services Department, SITLA, and the Community Development Area Fund. No property taxes or sales taxes were utilized. When the airport opens in January of 2011, it will have all of the infrastructure in place to accomplish full operational requirements.

1.14 Competitive Situation

The closest commercial airport to the new St. George Airport is Cedar City Airport at approximately 60 miles and Las Vegas International Airport at approximately 120 miles. Cedar City is a small regional airport with service by 30 seat turbo prop aircraft to Salt Lake City. Las Vegas International Airport has low fare service to most major domestic markets and many international markets. There is competition for corporate aviation and general aviation at Hurricane Airport. Flights and aircraft are limited due to a short runway.

1.15 Strengths, Weakness, Opportunities, and Threats

The strengths, weakness, opportunities and threats analysis will point out existing advantages and disadvantages of the new St. George Airport. The limited passenger air service at the old airport is somewhat of a problem in attracting new air service.

1.15.1 Strengths

The key strength is the brand new facility and the central location of the Airport for the entire catchment area. The Airport is easily accessible for all of the catchment area due to its close proximity to Interstate 15. Current gas prices and the high cost of parking at the other airports is another advantage for St. George Airport. Sky West is the only airline providing air service at St. George, but the airline can provide service to Los Angeles, San Francisco, and Denver as part of its agreement with United Airlines.

1.15.2 Weakness

At the present time, the main problem for attracting more airline passengers is the lack of flight frequency and service to only Salt Lake City. More flights and additional destinations need to be added. Passenger service to another hub airport is critical.

1.15.3 Opportunities

The emphasis on the development of tourism will make St. George an excellent air market for passengers. The addition of an "air tour" program and a passenger receptive center can make St. George Airport a very popular airport for international travelers.

1.15.4 Threats

The new airport is currently dependent on one airline. If this airline were to leave the market and additional airlines are not recruited, the airport would face a major problem that would affect its overall viability.

Section 2: Air Service Analysis

Section Two
AIR SERVICE ANALYSIS

2.0 Passenger Airlines

Prior to airline industry deregulation in 1978, the airlines were regulated by the Civil Aeronautics Board (C.A.B.) for Domestic and International air service. New routes were granted to the airlines and fares were approved by the C.A.B. The airlines were grouped into Trunk, International, Local Service, Cargo, and Charter. The Trunk Airlines were eleven large airlines that operated long haul routes across the United States. A few of the Trunk Airlines had international routes. The Trunk Airlines included American Airlines, Braniff Airways, Continental Airlines, Delta Air Lines, Eastern Airlines, National Airlines, Northeast Airlines, Northwest Airlines, TWA, United, and Western Airlines. The International Airlines operated only between the United States and a foreign territory. The International Airlines included Pan American World Airways, and Trans-Caribbean Airlines.

The Local Service Airlines were thirteen small airlines that had originally replaced rail service in many small markets. These airlines included Allegheny, Bonanza, Central, Frontier, Lake Central, Mohawk, North Central, Ozark, Pacific, Piedmont, Southern, Trans-Texas, and West Coast. The Cargo Airlines were also regulated by the C.A.B. for domestic and international routes. The major Cargo carriers included Flying Tiger, Seaboard, Southern Air Transport, Airlift International, and Zantop. There were eight major Charter Airlines and they had to receive C.A.B. authority for every flight they operated.

Some states like California, Texas, and Florida had jet service and commuter service provided by local companies. These airlines were certificated for intra-state service only and were regulated by their state Public Utilities Commissions. The intra-state airlines in California included Air Cal, PSA, Golden West, and Swift Air. Southwest Airlines was authorized to fly in Texas and Air Florida was certificated to operate in Florida.

The airlines serving California, Texas, and Florida provided high frequency service at very low fares. This type of service was very popular with the public and was admired by the Civil Aeronautics Board. In fact, the Civil Aeronautics Board modeled the deregulation plan after the success in California and they had envisioned that the *Airline Deregulation Act of 1978* would create a new type of airline industry that would provide low fare jet service to markets through out the United States and not just in California, Texas, and Florida.

The airline industry changed drastically since the passage of the Deregulation Act in 1978. This Act envisioned the industry expanding into a network of low fare high frequency jet service throughout the United States with easy access for new entrants. In 1979 and 1980, new airlines were started and the "intra-state" airlines ventured into interstate markets. The major trunk airlines, in most cases threatened by these lower cost airlines, moved to stop the new airlines. During the mid 1980's, the major airlines acquired most of the successful "intra-state" airlines, local service airlines, and smaller trunk airlines. To enhance their hold on the marketplace, the major airlines created operating hubs to control the flow of passengers. The "Hub" allowed the major airlines to funnel passengers from many cities into a connecting point where the customer would then connect on to another flight going to their ultimate destination. For the "Hub" concept to work, massive amounts of passengers needed to transit via the hub.

This strategy included and impacted smaller markets. Since the major airlines had higher cost, it became uneconomical for the major airlines to operate jet flights in the less dense markets. To keep control of the passengers from the smaller cities, the major airlines created feeder partners that operated propeller aircraft to a hub city from these smaller markets. Marketing agreements were signed between the major airlines and the commuter airlines allowing the commuters to use the name of the major airline and for the major airline to provide marketing and customer service support for the commuter airline. With the low cost competitors out of the market and with the hubs successfully in place, American Airlines, Delta Air Lines, Continental Airlines, and United Airlines launched a major expansion in the late 1980's and early 1990's into the international markets.

All of the major airlines suffered net losses in the early 1990's, resulting from the expansion into international markets, a rise in fuel prices, the impact of the first Gulf War, and the economic recession in the United States. The airlines have been able to lower their cost and increase their revenues which resulted in improved financial results. The major airlines made a comeback in the mid 90's and posted excellent profits from 1995 through 2000. In 2000 the profit dropped significantly due to increased prices of fuel and labor. The major airlines with international networks, began focusing more on what they do best ; *long haul flights at higher fares*. They started transferring the short haul markets to their regional and commuter partners.

Southwest Airlines continues to be very successful serving short haul and medium haul markets. The airline is expanding at a rate of over 15% per year. Southwest Airlines has become the dominant carrier in the west by replacing Air Cal and PSA in the "California Corridor" and by acquiring Morris Air, which gave Southwest Airlines access to the Pacific Northwest from a hub at Salt Lake City. Southwest then moved to the East serving satellite airport markets from Florida to New Hampshire. Southwest has stated that they will only enter a market that can support ten daily departures. This equates to 750,000 annual passengers.

Many of the niche airlines such as Alaska, Hawaiian, Frontier, and Horizon continue to meet specific market needs and expand. The success of the niche airline, along with ready access to low cost aircraft and low cost labor, has created a new resurgence in start up airlines during 1990's. Twelve new jet airlines started service, met stiff resistance from the major airlines and found that profits are hard to come by. Only Air Tran (previously ValuJet), Frontier, Jet Blue, and Spirit Airlines have survived.

DOMESTIC SCHEDULED PASSENGER AIRLINES

Legacy	Low Cost/Niche	Regional/Commuter
American Airlines	Air Tran	Air Wisconsin (US)
Continental Airlines	Alaska	American Eagle (AA)
Delta Air Lines	Allegiant Airlines	Atlantic Southeast (DL)
United Airlines	Frontier Airlines	Cape Air
US Airways	Go!	Chautauqua (AA,CO,DL,US)
	Hawaiian Airlines	Colgan (CO,UA,US)
	Jet Blue	Comair (DL)
	Southwest Airlines	Compass (DL)
	Spirit Airlines	Express Jet (CO, UA)
	Virgin America	Go Jet (UA)
		Great Lakes (F9, UA)
		Gulfstream (UA)
		Horizon (AS, AA, DL)
		Mesa (DL,US,UA)
		Mesaba (DL)
		Piedmont (US)
		Pinnacle (DL)
		PSA (US)
		Republic (FL, US)
		Sky West (UA,DL)
		Shuttle America (DL,UA)
		Trans States (UA)
		Vision Air

The greatest growth in domestic air travel has been by the regional/commuter airlines. The major airlines took control of the traffic in the smaller markets with their ownership or alliance agreements with the regional/commuter airlines. The major airlines provided mainline jet service between hub airports and major cities. The regional/commuter airlines provided service with propeller aircraft to the hub airports from smaller cities allowing for connections to the flights of the major airlines.

This system has worked so well that the regional/commuter airlines have gone to larger aircraft to meet the passenger demand. These larger aircraft include turbo prop aircraft seating from 30 passengers to 78 passengers and small jet aircraft seating from 30 passengers to 100 passengers. In most cases, the regional/commuter airlines have signed flight guarantee contracts with the major airlines guaranteeing a set fee for each hour flown. This fee program has made the regional/commuter airlines very profitable and allowed many of these airlines to purchase or lease large numbers of regional jets for future use. Small and mid size cities are now looking to the regional/commuter airlines as their main source of air service. Over half of the daily flights in the U.S. are now by regional airlines. The table below lists some of the key affiliations between the major airlines and the regional/commuter airlines.

MAJOR AIRLINE AFFILIATIONS AND CODE SHARING PARTNERSHIPS

Airline	Commuter Partner	Primary Hub
Alaska Airlines	Harbor Airlines	SEA
	Horizon Airlines	LAX, PDX, SEA
American Airlines	American Eagle	BOS, JFK, MIA, DFW, ORD, LAX
	Trans States	ORD, STL
Continental Airlines	Colgan Air	BOS, LGA
	Express Jet	CLE, IAH, EWR
Delta Air Lines	Atlantic Southeast	ATL
	Comair	CVG, MCO
	Compass	MSP
	Horizon	SEA
	Mesaba	DTW, MSP
	Pinnacle	MEM
	Sky West Airlines	SLC
Frontier Airlines	Great Lakes	DEN
United Airlines	Go Jet	ORD, DEN
	Gulfstream Int'l .	MIA
	Mesa	DEN
	Republic	ORD, IAD
	Sky West Airlines	DEN, LAX, SEA, SFO
US Airways	Air Wisconsin	PHL, IAD
	Colgan	BOS, LGA, PIT
	Mesa	CLT, LAS, PHX
	Piedmont Airlines	DCA, LGA,
	PSA	PHL, PIT, DCA
	Republic	LGA, PHL

The development of regional partners was so successful, that the major airlines expanded this concept with the development of "Alliances". These alliances are agreements between the major U.S. airlines – American, Continental, Delta, and United with major international airlines. These alliances are based on marketing and operating agreements with the U.S. carrier as the lead carrier in the alliance. There are currently three major alliances – Star Alliance, One World Alliance, and Sky Team. The Star Alliance was started by United Airlines and is the largest alliance with twenty-seven fully participating members counting United. The One World Alliance was started by American Airlines and it has eleven fully participating members counting American. Sky Team was started by Delta Air Lines and it has fourteen fully participating members counting Delta.

Star Alliance members

Adria, Aegean, Air Canada, Air China, Air New Zealand, All Nippon ANA, Asiana, Austrian, Blue 1- India, BMI, Brussels, Continental, Croatia, Egyptair, LOT Polish, Lufthansa, SAS, Singapore, South African, Spanair, Swiss, TAM, TAP Portugal, Thai, Turkish, United, US Airways

One World members

American, British Airways, Cathay Pacific, Finnair, Iberia, JAL, LAN Chile, Malev, Mexicana, Qantas, Royal Jordanian

Sky Team members

Aeroflot, Aero Mexico, Air Europa, Air France, Alitalia, China Eastern, China Southern, Czech Air, Delta, Kenya, KLM, Korean, Tarom, Vietnam

The members of each alliance has code sharing, interline, marketing, frequent flyer, and operational agreements with each other. This expands the reach of each airline without increasing the size of the airline.

2.0.1 Air Service in the West

Airline service in the West has made multiple changes in the past twenty-five years. In the 1970's, the west coast market was served by United and Western Airlines as domestic trunk airlines, Hughes Air West was the local service airline and PSA and Air Cal were the low cost California certificated airlines. Golden West, Golden Gate and Swift Air operated as commuter airlines.

The two California airlines, PSA and Air Cal, provided low cost jet service throughout the state of California. The cities served included: San Diego, Palm Springs, Ontario, Orange County, Long Beach, Burbank, Los Angeles, Fresno, Monterey, Stockton, San Jose, Oakland, San Francisco, Sacramento and Lake Tahoe. Since the two airlines were confined to operating as intra-state airlines, they both concentrated on feeding passengers to the major airports.

In November, 1978, the Deregulation Act was approved by Congress. This act allowed for the expansion of intra-state airlines beyond state lines, and for the start of new airlines. All existing certificated airlines were allowed to add cities on a limited basis for one year, then the airlines would be permitted to serve any U.S. market creating "free entry and free exit".

Western Airlines was one of the smaller trunk airlines but it had the vision to develop two hubs in the West – Los Angeles and Salt Lake City. It also had a large operation in Seattle connecting to its Alaska operation. Los Angeles was the corporate home for Western and its maintenance base. Salt Lake City was ideally geographically located and proved to be a successful hub airport for Western. It soon became the largest operation in terms of flights and passengers for Western.

With the ability to serve out of state markets, PSA and Air Cal reduced their focus on the California markets. In 1980, Hughes Air West was acquired by Republic Airlines, based in Minneapolis. By late 1981 Republic started reducing air service on the West Coast and by the end of 1982, Republic Airlines dropped all service in the West.

Air service in the West was further reduced in 1987 when PSA, Air Cal, Western Airlines and Jet America were acquired by US Air, American Airlines, Delta Air Lines, and Alaska Airlines respectively. With the elimination of PSA, Air Cal, Western Airlines, and Jet America in 1987, the West Coast markets were wide open for new air service. Even though PSA was acquired by US Air and Air Cal was acquired by American Airlines, their routes were totally abandoned in 1989 and 1990. Delta Air Lines did keep the Salt Lake City hub of Western Airlines in place and some of the north - south routes between California and the Pacific Northwest. Alaska Airlines absorbed Jet America and only kept the Orange County-Seattle/Portland routes.

Southwest Airlines took advantage of this void and moved quickly to create a major operating base at Oakland and San Jose with service to Burbank, Los Angeles, Orange County, Ontario, San Diego, Portland, and Seattle. The expansion by Southwest Airlines at Oakland has made Oakland International Airport the major passenger airport in terms of passenger boardings for the west coast travel. Alaska Airlines added flights from Seattle and Portland to the satellite airports of Oakland, San Jose, Orange County, Ontario, and Burbank. Alaska Airlines competes with Southwest in many markets.

In 1992, Southwest Airlines increased their market share in the West by acquiring Morris Air, a Salt Lake City based airline. Morris Air operated a fleet of twenty-one B-737 aircraft with a route system built around a hub at Salt Lake City. Morris Air had extremely low fares and flew to markets that were un-served or poorly served. The airline competed well with Delta Air Lines at Salt Lake City. After it acquired Morris Air, Southwest Airlines continued serving eight markets and added service to three new markets from Salt Lake City.

United Airlines met the challenge on the West Coast and created an airline-within-an-airline called *"Shuttle by United"*. This new service by United was an attempt to fill the void at San Francisco created by the loss of PSA and Air Cal. By building a shuttle or low cost airline, United hoped that it could keep Southwest from jumping into the San Francisco-Los Angeles market. The cost of the Shuttle operation was too expensive and United abandoned this program in 2004.

TOP AIRLINES IN THE WEST

Airline	Key Hub Markets
Alaska Airlines	Los Angeles, Seattle
Allegiant Air	Las Vegas, Los Angeles, Phoenix
American Airlines	Los Angeles
Delta Air Lines	Los Angeles, Salt Lake City
Horizon Air	Los Angeles, Portland, Seattle
Southwest Airlines	Las Vegas, Los Angeles, Oakland, Phoenix, Salt Lake City
United Airlines	Los Angeles, San Francisco
US Airways	Las Vegas, Phoenix

2.1 Future Passenger Airline Strategy

2.1.1 Major Airlines

From September 11, 2001 until the end of 2009, the U.S. airline industry has lost over $85 billion. They have been hammered by bloated cost structures, enormous debts, a backlash by business travelers fed up with paying high fares, and growing competition from the lower cost discount air carriers, and the economic recession. The legacy carriers have used massive cost cutting in an effort to stem the red ink. The low cost carriers spend less because they operate more efficiently. The legacy carriers are attempting to copy the operations of the low cost carriers with mixed results. Even though United Airlines, Delta Air Lines, and Northwest Airlines went into bankruptcy, drastically cut wages, improved work rules, and reduced money losing routes, the airlines are still struggling to operate at a reasonable profit.

In 2008, the airline industry was hit hard by the increase in the price of crude oil to over $140 per barrel. The high fuel cost was too much for some airlines to cover and some of the smaller airlines filed for bankruptcy and closed operations in early 2008. Delta Air Lines and Northwest Airlines merged and have combined operations. The legacy carriers continue to cut more flights and reduce service in smaller markets as they continue to retrench. For example, United has cut its fleet from 600 aircraft five years ago to 455 this year. Delta has done the same going from 830 aircraft five years ago to 535 aircraft today. Service in these markets will be replaced with flying by the regional airline partners with smaller regional jet aircraft.

A shift in buying behavior has been taking place among business travelers and the trend is accelerating. The collapse in air carriers ability to charge full fares came in 2000. In the eight months leading up to September 11th, 2001, revenue from full fare travel dropped by 30%. For the full year it dropped by 50%. The attacks on September 11th were merely a catalyst that is speeding up change, not the cause of the industries dire condition. Major network airlines have no choice but to improve their productivity by reducing their high cost structures.

Business travelers have become more price sensitive and more sophisticated about how to optimize schedules and savings. Expansion of low cost, low fare airlines and regional airlines route systems has been facilitating this trend. The strategic advantages of hubs used by major airlines have diminished somewhat as low cost airlines have increased the number of major cities they serve from secondary or satellite airports. The new security check-in procedures are also pushing airline passengers to secondary airport where there is less congestion. The major airlines will continue to reduce their flying, cut flights, eliminate markets, and reduce employment as a way out of their malaise.

Airline experts agree that the major hub-and-spoke airlines will not return to where they were in terms of profit levels or their ability to rely on business travelers even after the market rebounds. The economic pressure on the major airlines is not going away, they will be forced to make dramatic changes in how they operate. High-cost, short-haul operations will be eliminated and turned over to their commuter/regional airline partners. International alliances will be used to generate more passengers in competitive markets and reduce flying. The airlines will need to simplify their operations in regards to their aircraft fleets and use of personnel.

2.1.2 Low Cost Airlines

During the past five years, only the low cost and efficient airlines like Southwest Airlines, Jet Blue Airways, Air Tran, Allegiant and the regional airlines have produced profits or operated near breakeven. Many airline experts feel that a dramatic transformation in the airline industry is underway. Emerging slowly but surely is a domestic airline industry that eventually could be dominated not by traditional hub-and-spoke airlines, such as United or

Delta, but by low cost carriers like Southwest and Jet Blue. Until a few years ago, the low cost airlines were cavalierly dismissed and begrudgingly tolerated.

It is estimated that by 2012, the domestic market share of the Legacy airlines will fall to 62% from the current 75% and drop to 50% by 2017 and settle in at around 45% by 2020. The low fare innovation has passed through its pioneering stage and has reached its rapid growth era. This is a classic pattern seen in other industries where a superior product replaces those of established producers.

There have been casualties in the low cost and niche airline sector, primarily to the high cost of fuel. In early 2008, Aloha Airlines, ATA, and Sky Bus ceased all operations. Express Jet abandoned its "branded flying" and returned to being a feeder for Continental Airlines. Frontier Airlines was hit hard by the price of fuel and filed for Chapter 11 bankruptcy protection. Frontier and Midwest were acquired by Republic Airways with Midwest being dissolved into Frontier Airlines.

2.1.3 Regional/Commuter Airlines

The Regional/Commuter Airlines can no longer operate as small, independent airlines meeting the air travel needs of the smaller communities. The Regional/Commuter Airlines have formed alliances with the major airlines and now provide connecting service to and from the small cities and the major airport for large airlines. The Regional/Commuter Airlines operate as wholly owned subsidiaries of the major airlines (American Eagle), as partially owned by a major airline (Comair), or as an independent airline with an exclusive marketing agreement with a major airline (SkyWest).

The Regional/Commuter Airlines operate twin engine propeller aircraft that seat between 19 and 78 passengers and regional jet aircraft that seat between 30 and 100 passengers. The mission of these airlines is to provide short haul, high frequency service and feed passengers to the major airlines. The Regional/Commuter Airlines operate flight schedules to meet certain time of day connecting banks at major airports. In the case of the St. George-Salt Lake City market, Sky West Airlines operates as the Delta Connection. In the case of the St. George-Los Angeles market, Sky West operates at United Express.

Most of the Regional/Commuter Airlines are restricted, by their agreements with their major airline partner, from flying jet aircraft that seat more than 70 passengers. The pilot's union at the major airlines, have scope clauses in their contracts that state flying standard type jets belongs to the major airline. A few of the Regional/Commuter Airlines are testing the viability of operating longer-range routes with small jet aircraft that carry 70 to 100 passengers.

The elimination of short haul routes by the major airlines affords the Regional/Commuter Airlines additional opportunities to expand. These airlines will either get additional aircraft to enter the new routes or they will reduce service in existing markets to free up aircraft for the new opportunities. With the recent reduction of flying by the major airlines, the Regional/Commuter Airlines will now fly in larger markets. For example, Sky West Airlines has replaced United Airlines in the Los Angeles-San Jose market and the Los Angeles-Oakland market. These two markets are traditionally high volume, low fare markets.

2.1.4 Start Up Airlines

Start up airlines are formed to fill the need in the short haul markets. Used aircraft and low cost labor are available for the new entrants. These new airlines will be competing with the Commuter Airlines to serve the markets abandoned by the Major Airlines.

There have been various start-up airlines in the West. In the late 1990's, Win Air operated Boeing 737 service at Long Beach Airport to Sacramento, Oakland, Las Vegas, and Salt Lake City. The airline had operational and financial problems and ceased operations in July of 1999 after eight months of operation. Another new entrant airline, Allegiant Air, started service at Long Beach in early 2000 and switched to all charter operations in 2001and then went back to scheduled flights to Las Vegas. Since the change to scheduled flights at Las Vegas, Allegiant has expanded to other vacation leisure markets in Florida, Phoenix Mesa Airport, and Los Angeles International Airport operating 54 MD-83 aircraft.

Many markets in the West are large enough to support new jet service. The major problem seems to be under-capitalization, poor management, and inadequate marketing. Even though the major airlines are dropping service to numerous markets, the high cost of operation and lack of capital will probably keep any new airlines on the drawing board.

2.2 Customer Requirements

In order to meet the travel needs of the St. George area customers, air service will need to satisfy certain customer needs. Research study's pertaining to passenger preferences has been developed by Boeing Aircraft Company. The studies define the broad categories of passenger preference factors; (1) Schedule related factors pertain to route network and frequencies offered when passengers want to fly, and to number of non-stop services and ability to connect with other flights; (2) Airline related factors pertain to the Airline's image from past experience or advertising, and to cost/quality trade-offs in fares, promotions, frequent flyer programs, and inflight service; (3) Airplane related factors pertain to the particular features and comfort aspects of particular aircraft. These factors include seat comfort, spaciousness, storage, size of aircraft, cabin appeal.

The Boeing Company research confirmed that the most important service features for a market like the Washington County Airport market were prime time schedules, frequency of flights, low fares, jet aircraft, and convenience. Safety is an essential element of any successful airline. However, once safety standards are proven, customer decisions are driven predominantly by schedules and fares. Scheduling, including timetables and punctuality, is a primary concern to business travelers. An airline that cannot promise and deliver reliable on-time performance is not fulfilling an essential requirement.

The Boeing study also indicated a high degree of price sensitivity, particularly among leisure travelers, who tend to be much more price sensitive than business travelers. Boeing's qualitative research indicated that most travelers want consistent, reliable high-quality service with the greatest emphasis on degree and nature of personal contact and comfort levels. However, at the same time, the research found that on short flights passengers are willing to forego certain comforts and services in exchange for significant fare reductions.

2.3 Cargo Airline Environment

2.3.1 Cargo Trends

With the worst economic crisis in decades, the impact of lower demand, lower net yields, and higher fuel cost, the air cargo carriers have faced reduced profits. Capacity reduction programs can only partially offset this loss of profits. Airfreight traffic declined drastically in 2008 with a leveling off in 2009. Since mid-year of 2010, airfreight has seen an increase in the international markets and domestic markets and should continue to see growth the remainder of 2010 and 2011.

2.3.2 Traffic growth

Trade volumes began to drop as the global economy in 2008, led by weakening demand from the United States. As the credit crisis unfolded, volumes slid further. Results for 2009 showed a large drop of 25% worldwide due to the economic slowdown and the reduction of aircraft flights and capacity. Experts are predicting a rebound in world airfreight traffic of 4.2% in 2010 and a growth over 5% for 2011 and 2012.

Meanwhile, escalating fuel costs caused an increase in rates and surcharges. In response to the increase in fuel cost, air cargo carriers did cut some capacity. Cutback for freighter service did not happen until the fourth quarter of 2008. The cutback in passenger flights was far more dramatic and will affect the belly freight. The fall off of China's air cargo business is a setback for air freight companies after years of double digit revenue growth.

June 2008 registered the first year over year decrease in air exports from China. No other countries will make up for the reduction in air cargo from China.

SUMMARY OF WORLD AIR CARGO – 2009
In Metric Tons

Region	Number of Airports	Total Cargo	Annual Growth	% of Total
Africa	176	1,944,332	(9.1%)	2.4%
Asia/Pacific	185	27,700,660	(4.3%)	34.7%
Europe	459	15,445,874	(10.9%)	19.3%
Latin America	269	4,178,973	(11.4%)	5.2%
Middle East	53	5,114,183	4.3%	6.4%
North America	212	25,403,412	(11.1%)	31.8%
Total	1,354	79,817,412	(7.9%)	

Source: ACI

The largest market is the North America - Asia and China market with a combine total of 33.7 billion freight ton kilometers in 2006. This market is over 20% larger than the North America – Europe market and the Intra North America market individually. The combined North America – Asia and China market are projected to hit 67.6 billion freight ton kilometers in 2016, an increase of 100% while the North America – Western Europe market is projected to increase by 15% and the Intra North America market is projected to increase 6%. It is obvious why the U.S. Air Cargo Airlines are focusing their expansion plans on the Asia and China market.

WORLD AIRFREIGHT FORECAST BY REGION
(Million of Freight Ton Kilometers)

Market	2006	2016
North America – Asia	23.6	36.7
North America – China	10.1	30.9
North America – Western Europe	27.3	31.1
North America – Latin America	6.9	12.6
Intra North America	25.0	26.5
Intra Asia	15.6	25.6
Intra Europe	2.2	4.5

2.3.3 Major Air Cargo Carriers

Federal Express transports more freight ton kilometers than any other airline in the world. Of the top fourteen cargo carrying airlines, half are Asian carriers, three are US carriers, and four are European carriers. Of the top airlines, five of the airlines are all-cargo carriers.

WORLDS TOP AIR CARGO CARRIERS – 2009

Rank	Airline	Freight Ton Kilometers (mil)
1	Federal Express	14,140
2	Air France/KLM	11,155
3	UPS	9,428
4	Korean Airlines	8,427
5	Cathay Pacific	8,256
6	Lufthansa	7,425
7	SIA Cargo	6,659
8	China Airlines	4,959
9	Cargolux	4,800
10	British Airways	4,537
11	EVA Air	3,630
12	Air China	3,496
13	Atlas/Polar	3,477
14	JAL	3,384

China will remain the dominant force in airfreight growth as it takes advantage of strong exports created by World Trade Organization membership, favorable monetary policies, and an ongoing relocation of multinational manufacturing to China. Beyond China, Japan will continue to be a significant contributor to Asian growth as Japan is pulling out of its long recession. While Asia is an important source of global airfreight, emerging regions such as the Middle East pose an interesting opportunity. Airports such as Dubai and Bahrain have become significant international airfreight centers. These two airports ranked just behind Hong Kong and Shanghai as the strongest performers.

2.3.4 *Air Cargo Issues*

Increasing Oil Prices

The major concern of cargo carriers moving forward is oil prices. Persistent high fuel prices reduce carrier earnings, force rate increases, and create a significant drag on economic growth. It is difficult for airfreight providers to earn money in this environment, but the major risk is that continued increases in oil prices would significantly impact the U.S. economy. The United States' economy is the most important factor in forecasting worldwide airfreight growth.

Competition from expedited trucking

A significant trend within the United States is the shift to expedited trucking in the domestic express delivery market. A significant air-to-ground shift has taken place over the last few years, driven by the lower cost requirements of shippers and the improved reliability of expedited trucking operations. Integrated carriers such as UPS, FedEx, and DHL have all significantly expanded their ground operations. Their reaction to the decline in air express traffic and yields within the United States has been to push into international markets.

2.3.5 Electronic booking

The movement of airfreight (when contrasted with the integrated express and small package segment dominated by UPS, FedEx, and DHL), still resembles trading enterprises, with business being conducted largely by telephone. Airfreight is often seen as a commodity by shippers, with price being the determining factor in carrier selection. Therefore, the airfreight industry is focused on cost reduction through increased use of electronic booking, tracking, and tracing, through the use of multi-carrier portals.

2.3.6 Role of freight forwarders

International freight forwarders play an integral part in the transportation process. They act on behalf of the exporters in arranging transportation services. Most freight forwarders handle ocean and air transportation, but usually in separate departments. Freight forwarders provide a number of services including: quotations of cost, booking space on a carrier, export documentation, arranging insurance, guidance on packing, and export clearance.

Integrated carriers are expanding into international markets and traditional airfreight carriers are focusing on increasing productivity through electronic booking. By doing so, they are reducing costs by dealing directly with shippers, thus bypassing freight forwarders. Airfreight margins of freight forwarders are declining and this has resulted in consolidations throughout the industry.

Although a handful of specific process or geographic expert niche players remain, the trend is toward the large multinational freight forwarders which are growing larger as they acquire smaller competitors in a quest for economies of scale. The population of freight forwarders is expected to shrink dramatically. The Air Forwarders Association has approximately 185 members throughout the U.S.

2.3.7 Fastest growing shipment categories

Capital equipment will be the fastest growing shipment category in 2004-2008, followed by computers, intermediate materials, and perishables. The top ten types of shipments in terms of growth are (the top ten categories account for 79.5% of all new FTKs).

FASTEST GROWING SHIPMENT CATEGORIES

Category	Millions of New FTKs	Share of New FTKs
Capital Equipment	6,603	19.0%
Computers	4,689	13.5%
Intermediate Materials	4,308	12.4%
Perishables	2,560	7.4%
Consumer Products	2,283	6.6%
Apparel	1,932	5.6%
Telecommunications Equipment	1,690	4.9%
Transportation Equipment	1,350	3.9%
Technology Products	1,143	3.3%
Textiles	1,125	3.2%

Source: MGI Global Air Freight Flow Model/Air Cargo World

2.3.8 U.S. Cargo Airlines

The number of air cargo airlines has decreased due to mergers, acquisitions, and companies terminating service. As stated previously, the integrated/consolidated air cargo carriers have become dominant and control most of the business. There are sixteen air cargo airlines that operate jet aircraft. The size of the companies will range from Fed Ex with over $19 billion in annual revenue to USA Jet with $20 million in revenue. The fleets will range from modern large all-freighter aircraft like the B-747-400, B-767, or Airbus A-310 to old DC-8-70 and DC-9 aircraft that were built over 30 years ago. The air cargo airlines have outperformed the passenger carriers financially for the past few years.

The major integrated consolidated air cargo airlines that operate ground and air includes Fed Ex, and UPS. Fed Ex is 4.5 times greater than UPS. DHL has decided to close down its integrated consolidated operation in the United States and transfer the business to UPS. DHL will concentrate on international air cargo. The merger of Atlas and Polar has created the third largest air cargo carrier but Atlas and Polar do not operate as an integrated consolidated air carriers. They only operate in contract carriage as do the other air cargo airlines.

TOP DOMESTIC AIR CARGO CARRIERS

Rank	Airline	Annual Revenue (mill)	Fleet Size
1	Federal Express	$19,962	386
2	UPS	4,421	248
3	Atlas/Polar	1,507	28
4	ABX	697	103
5	Kalitta	644	19
6	Evergreen	466	14
7	Omni International	440	18
8	Astar	318	43
9	Arrow Air Cargo	222	17
10	Air Transport Int'l	220	19

Source: Air Transport World, June 2010

2.4 The St. George Airport Passenger Market

2.4.1 Market Area

The Airport primary market includes residents in eight counties of Utah, and four border cities in Arizona and Nevada. This market has a base population of over 250,000. The closest major airport is Las Vegas International Airport, approximately two hours from downtown St. George.

2.4.2 Historical Air Service

The St. George Airport received its first air mail service in 1938 and has had scheduled passenger air service since 1959. St. George Airport has been served continuously since 1972 by Sky West Airlines. In the early years, Sky West shuttled business travelers to Salt Lake City. In the 1990's the airline started nonstop service to Las Vegas with flights continuing on to Phoenix. In 2000, new nonstop service was added to Los Angeles International Airport and this service replaced the service to Las Vegas. On September 1, 2009, Sky West terminated service to Las Angeles. The airline has continued to provide nonstop service to Salt Lake City. All flights to Salt Lake City are operated with 30 seat EMB-120 aircraft due to the restrictions at the current St. George Airport.

HISTORICAL NONSTOP SERVICE AT ST. GEORGE

	Los Angeles		Salt Lake City		All Markets	
Year	Flts/wk.	Seats/wk.	Flts/wk.	Seats/wk.	Flts/wk.	Seats/wk.
2000	14	420	37	1,110	51	1,530
2001	14	420	42	1,260	56	1,680
2002	14	420	42	1,260	56	1,680
2003	14	420	48	1,440	62	1,860
2004	14	420	42	1,260	56	1,680
2005	14	420	41	1,230	55	1,650
2006	12	360	56	1,680	68	2,040
2007	14	420	56	1,680	70	2,100
2008	14	420	45	1,350	59	1,770
2009	14	420	44	1,320	58	1,740
2010	0	0	45	1,350	45	1,350

Source: Official Airline Guide, Summer editions for 2000- 2010.

2.4.3 Current Air Service

Sky West currently operates forty-five flights per week between St. George and Salt Lake City utilizing the 30 seat EMB-120 turbo prop aircraft. These flights are operated as the Delta Connection. These frequent flights meet the needs of the local passenger going to Salt Lake City for a day trip to conduct business or visit friends and relatives and for passengers making connections to Delta Air Lines flights, other Sky West flights, and the flights of other airlines.

CURRENT ST. GEORGE-SALT LAKE CITY SERVICE
Fall 2010

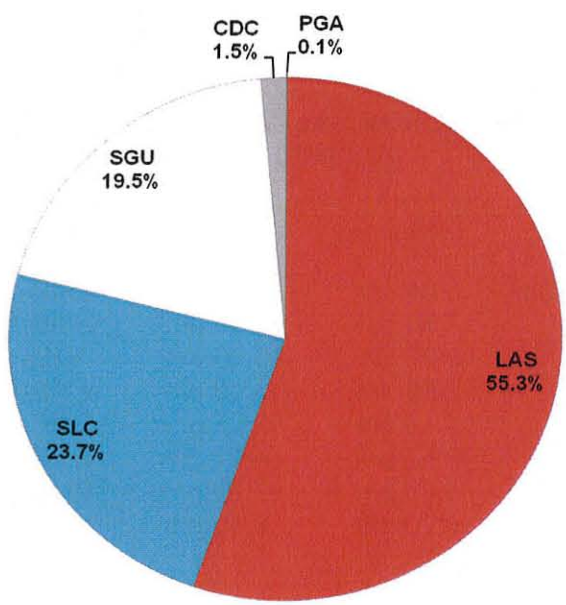
Market	Depart	Arrive	Aircraft	Frequency
St. George – Salt Lake City	6:04 am	7:25 am	EMB-120	x Sa, Su
	7:50 am	9:10 am	EMB-120	Daily
	9:00 am	10:20 am	EMB-120	Daily
	11:50 am	1:10 pm	EMB-120	x Sa, Su
	1:10 pm	2:25 pm	EMB-120	Sa
	2:55 pm	4:14 pm	EMB-120	x Sa
	5:45 pm	7:00 pm	EMB-120	Daily
	7:20 pm	8:40 pm	EMB-120	Daily

Market	Depart	Arrive	Aircraft	Frequency
Salt Lake City – St. George	7:25 am	8:50 am	EMB-120	x Sa, Su
	10:10 am	11:40 am	EMB-120	x Sa, Su
	11:00 am	12:25 pm	EMB-120	Daily
	3:20 pm	4:40 pm	EMB-120	Daily
	5:05 pm	6:25 pm	EMB-120	Daily
	7:50 pm	9:15 pm	EMB-120	Daily
	9:30 pm	11:05 pm	EMB-120	Daily

2.4.4 High Air Fares

With air service to only Salt Lake City, passengers to and from the cities in southern California, Hawaii, and the Pacific are paying a premium air fare. For example, a passenger flying from St. George to Los Angeles will need to connect at Salt Lake City International Airport and pay a one way fare of approximately $215.00. The one way trip time is approximately 4 hours. A passenger flying from St. George to Honolulu will need to also connect in Salt Lake City and pay a one way fare of approximately $740.00. The one way trip time is approximately 9 to 10 hours.

A leakage analysis developed by Sabre Airline Solutions in 2009 found that over 80% of the St. George airline customers went to other airports with 55% of the passengers using Las Vegas. The average fares for the top ten markets for St. George for the past five years have been 40% to 60% higher than fares available at Las Vegas.



2.4.5 Top Markets for St. George

There were 75,260 origin and destination passengers for St. George Airport in 2009. The St. George-Salt Lake City market is the number one market and accounted for 47.3% of the total passengers. The top ten markets accounted for 71.5% of the total passengers. The leakage study developed by Sabre showed that the St. George-Salt Lake City market captured 88% of all of the bookings in the local St. George market. On the other hand, over 86% of the passengers going to destinations other than Salt Lake City utilized another airport. Listed below are the top origin and destination markets for St. George for 2009 compared to the "true passengers" (O&D plus diverted).

TOP PASSENGER MARKETS FOR ST. GEORGE AIRPORT

Market	O&D Passengers	True Passengers
Salt Lake City	35,620	37,810
Los Angeles	7,010	18,100
Denver	2,480	13,290
Seattle	1,900	8,390
Boise	1,310	6,720
Portland	1,240	3,290
San Francisco	950	20,880
Sacramento	950	2,480
Chicago	880	19,710
Atlanta	800	5,040
Total	53,140	135,710

The air service at St. George (origin and destination passengers) for the top ten markets only produced 39% of the passengers. If Salt Lake City is excluded, then the air service only accounted for 18% of the passengers in the top markets.

2.4.6 Air Service Comparison

When the St. George Airport market area is compared to other markets that have similar populations, it is clear that St. George is falling short on air service. The following table compares five cities that have an average population of 252,000 compared to the St. George market area of 250,000. These markets average 24 daily flights to 5 cities while St. George has 7 daily flights to one city.

AIR SERVICE COMPARISON FOR ST. GEORGE

Metro Area	Population	Cities Served	Daily Flights
St. George	255,000	1	7
Lubbock, TX	260,000	6	35
San Luis Obispo, CA	258,000	4	12
Gulfport, MS	250,000	5	22
Lafayette, LA	247,000	4	20
Cedar Rapids, IA	245,000	7	33
Average	252,000	5	24

2.5 Passenger Forecast

Normally, historical trending is utilized for passenger forecasts. This type of passenger forecast for a market is developed by creating a trend line from a historical period and then estimating future growth. Various mathematical models can be utilized to produce a reasonable estimate of future passenger demand. This will not work for the St. George Airport since it has only had a consistent level of air service to one market, Salt Lake City.

HISTORICAL ST. GEORGE ENPLANED PASSENGERS

2000	42,472	2005	45,110
2001	42,347	2006	53,777
2002	32,621	2007	53,690
2003	38,075	2008	46,607
2004	47,734	2009	39,037

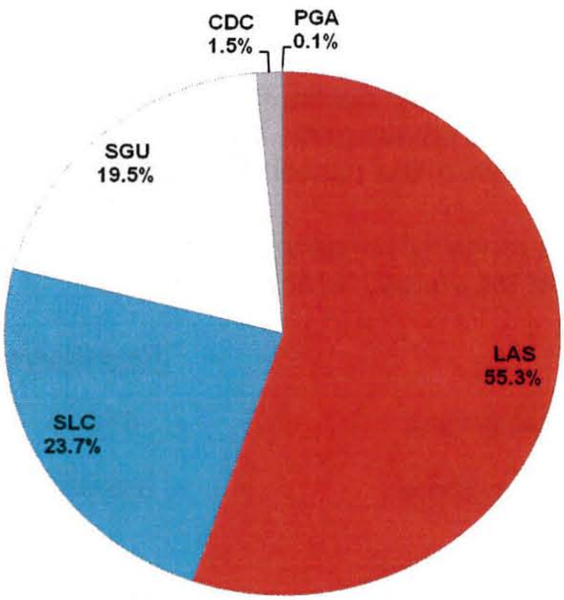
Another method of forecasting is the use of a model based on the economics of an airport market area. This type of "econometric model" can be very effective in markets that have not had air service or are under served. Over the years, effective forecast have been developed utilizing a communities share of the total U.S. economy based on its buying power index as developed by Sales Management magazine in its Survey of Buying Power. Effective forecast have also been developed based on an areas economic share of a total metro market.

Using the econometric model, we find that the buying power index for the St. George Airport catchment area is .067. This is equated to 0.067% of the total U.S. economy. The total domestic passengers for the twelve months ending December 2009 were 769,000,000. The passenger potential for St. George Airport based on its economic share of the U.S. is estimated to be 515,000.

A third method of forecasting is the use of passenger reservation bookings. Data is available from the global distribution systems like Sabre that will give us the outbound passenger booking data on a zip code basis for an airport catchment area. In the case of St. George Airport, the catchment area includes all of the zip codes for the eight counties of southern Utah, and the four border cities in Arizona and Nevada.

An analysis of passenger bookings was developed by Sabre Airline Solutions for the twelve months ending March 2008. This analysis showed that there were 122.1 passengers per day in the Airport catchment area that utilized St. George Airport. This equated to 44,600 annual passengers, very close to the actual for 2008. This analysis also showed that 504.9 passengers in the Airport catchment area utilized other airports, primarily Las Vegas. This gave us a total of 627 outbound passenger bookings per day from residents of the Airport catchment area. This equates to 229,000 outbound passengers and 458,000 local round trip passengers. Assuming that visiting passengers are equal to outbound passengers then it is estimated that the total market is over 900,000 per year.

CHOICE OF AIRPORT FOR ST. GEORGE AREA PASSENGERS



Based on U.S. Department of Transportation origin and destination survey data, there were 75,260 origin and destination passengers for St. George Airport in 2009. The St. George-Salt Lake City market is the number one market and accounted for 47.3% of the total passengers. The top ten markets accounted for 71.5% of the total passengers. The leakage study developed by Sabre showed that the St. George-Salt Lake City market captured 88% of all of the bookings in the local St. George market. On the other hand, over 86% of the passengers going to destinations other than Salt Lake City utilized another airport. Listed below are the top origin and destination markets for St. George for 2009 compared to the "true passengers" (O&D plus diverted).

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Market	O&D Passengers	True Passengers
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Los Angeles	7,010	18,100
Denver	2,480	13,290
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Sacramento	950	2,480
Chicago	880	19,710
Atlanta	800	5,040
Total	53,140	135,710

The air service at St. George (origin and destination passengers) for the top ten markets only produced 39% of the passengers. If Salt Lake City is excluded, then the air service only accounted for 18% of the passengers in the top markets.

The forecast produce a wide range of passenger estimates for the St. George Airport. Listed below are the results of the various forecasts.

Methodology	Passengers
1. Based on Historical Passengers	89,000
2. Based on SGU Economic Share of total US market	515,000
3. Sabre Passenger Booking Analysis	458,000

2.5.1 Top Destinations

The Sabre Study produced passenger booking data by market for airline customers residing in the Airport catchment area. The passenger bookings for the twelve months ending March 2008 totaled 627.0 outbound trips per day. The largest overall market area was Salt Lake City with 51.8 passenger bookings per day. The three airports in the San Francisco Bay area accounted for 37.8 passenger bookings per day. San Francisco International Airport was 29.5 passenger bookings per day. The five airports in the Los Angeles area accounted for 37.3 passenger bookings per day. Los Angeles International Airport accounted for 24.8 passenger bookings per day. Listed below are the top destinations for St. George Airport catchment area passengers.

TOP DESTINATIONS FOR ST. GEORGE PASSENGERS

Rank	Market	Outbound Bookings
1	Salt Lake City	18,900
2	San Francisco Area	13,800
3	Los Angeles Area	13,600
4	Chicago	9,850
5	Orlando	7,300
6	Phoenix	6,800
7	Denver	6,600
8	New York City	6,200
9	Honolulu	5,000
10	Seattle	4,200
11	Boston	3,600
12	Boise	3,400
13	Philadelphia	2,700
14	Houston	2,600
15	Atlanta	2,500

Most air service in the United States today is directed to hub airports. The flights to these hub airports will have local passengers and connecting passengers onboard thereby creating more passengers and a higher load factor. The hub airports that can be easily served from St. George Airport include Denver, Los Angeles, Phoenix, Salt Lake City, and San Francisco.

The Sabre Study indicated that all of these hubs could support frequent service with fifty seat regional jet aircraft. Los Angeles International Airport and San Francisco International Airport can each support three round trip flights per day. Denver International Airport and Phoenix International Airport can support four round trip flights per day. Salt Lake City International Airport can support seven round trip flights per day. All flights are assumed to be with 50 seat regional jets. Larger aircraft would provide fewer flights or have a lower load factor.

POTENTIAL FLIGHTS TO HUB AIRPORTS

Segment	Total Onboard Passengers	Daily RT Flights
SGU-DEN	114,000	4.4
STS-LAX	92,000	3.5
STS-PHX	113,000	4.3
STS-SLC	174,000	6.7
STS-SFO	87,000	3.3

2.6 Air Service Opportunities

Representatives of the City of St. George have had meetings with several airlines about providing new air service to the new St. George Airport. The airlines include: Allegiant Air, American Airlines, American Eagle, Delta Air Lines, Frontier Airlines, Horizon Airlines, Sky West Airlines, Southwest Airlines, United Airlines, and US Airways.

Discussions were held with Allegiant Air about providing service to Los Angeles International Airport and Phoenix-Mesa Airport with 150 seat MD-83 aircraft. The flights would operate at least twice per week. Allegiant has made a management change in its planning department and follow up discussions need to be held with the new management. Two meetings were held with representatives of American Airlines and American Eagle regarding service to Los Angeles International Airport, Dallas/Ft. Worth International Airport, and San Francisco International Airport. The American Airlines management person said that they were involved in a new service program for LAX and it would be announced in the Fall of 2010. They would consider SGU for service to LAX. They felt that the SFO and DFW markets should not be considered at this time.

The planning staff at Delta Air Lines was contacted and a meeting with one of the route development managers was held in March 2010. The Delta manager said that they were looking at upgrading service between St. George and Salt Lake City from turbo prop aircraft to regional jets. This decision would be based on aircraft availability of Sky West CRJ-200 50 seat regional jets. Delta does not have an agreement with Sky West for service to Los Angeles International Airport. United Airlines is their marketing partner at LAX.

Frontier Airline management stated that they have access to smaller regional jet aircraft now and that St. George may fit into their route system with flights between St. George and Denver. Frontier Airlines provided St. George with a letter of support in the Small Community Air Service Development program in August of 2010. Additional discussions with Frontier need to be considered.

Two meetings were held with the Route Development Manager for Horizon Air. The airline operates the 76 seat Q-400 aircraft and has marketing agreements with Alaska Airlines, American Airlines, and Delta Air Lines. Based on Horizons negative experience recently at Flagstaff and at Prescott, it is doubtful that Horizon will fly between St. George and Los Angeles without a large revenue guarantee.

Based on the recommendation of Delta Air Lines, a meeting with held with management at Sky West Airlines. It was stated that the EMB-120 will stay in the Sky West fleet for another five years to provide service at airports that could not handle regional jet aircraft. The new St. George Airport can handle regional jets and Sky West is considering replacing the current seven daily EMB-120 flights to Salt Lake City with fifty seat CRJ-200 aircraft. This upgrade of aircraft is not only good for the customer, but it will be more cost effective for Sky West. Discussions were held regarding reinstating service to LAX with a regional jet and adding new service to San Francisco and Denver with regional jets. Sky West manager stated that all three of these markets would involve United Airlines as the marketing partner but United would not guarantee these flights as contract flying. Sky West would have the risk and would need to be sure that service to any of these three markets would be financially viable.

A meeting was held with staff of Southwest Airlines. They were curious about the new St. George Airport and the market potential. Under its current fleet plan and operations, it is doubtful that Southwest would consider St. George since the passenger demand is too small for the Southwest type of operation.

Meetings have not been held with United Airlines management as yet. United Airlines is important since it will be the marketing partner for Sky West if regional jet service is added to Denver, Los Angeles, or San Francisco. United may become a priority if Sky West indicates that it needs St. George officials to meet with United staff.

Discussions have been held with US Airways management. Currently, US Airways is reducing and eliminating service at markets the size and character of St. George. Mesa Airlines is the regional partner for US Airways, and Mesa is reducing the number of 50 seat regional jets in its fleet. Allegiant Airlines offers an alternative for service to the Phoenix area with MD-83 flights to Mesa/Williams Gateway Airport.

DESTINATIONS AND FLIGHTS – NEAR TERM

Market	Airline	Weekly RT Flights	Aircraft	Weekly Seats
SGU-SLC	Sky West	28	CRJ-200	1,400
SGU-LAX	Sky West	7	CRJ-200	350
SGU-LAX	Allegiant	2	MD-83	300
SGU-DEN	Frontier	14	ERJ-145	700
Total		51		2,750

This level of service will produce 51 flight departures per week and 2,750 outbound seats per week. At a reasonable load factor, this level of service is estimated to generate 100,000 outbound passengers per year.

DESTINATIONS AND FLIGHTS – LONG TERM

Market	Airline	Weekly RT Flights	Aircraft	Weekly Seats
SGU-SLC	Sky West	35	CRJ-200	1,750
SGU-LAX	Sky West	14	CRJ-200	700
SGU-LAX	Allegiant	2	MD-83	300
SGU-DEN	Frontier	21	ERJ-145	1,050
SGU-PHX	Allegiant	2	MD-83	300
SGU-SFO	Sky West	14	CRJ-200	700
Total		88		4,800

This level of service will produce 88 flight departures per week and 4,800 outbound seats per week. At a reasonable load factor, this level of service is estimated to generate 175,000 outbound passengers per year.

2.7 Incentives for New Air Service

Since there are more cities that are seeking new air service than there are airlines available to provide air service, the cities and airports are finding it advantageous to offer incentives to attract new air service. The incentives listed below are the programs that airports and cities have found to be successful in recruiting new air service.

- Moratorium on Rent, Landing Fees, Utilities, Fuel Tax and Overnight Parking for new air service for six months to one year.

- Funds to hire, train airline airport staff, and cover wages for first few months of operation.

- Airport to provide equipment for baggage and ground handling.
- Community to provide aircraft or guarantee loans for new air service.
- Airport to provide alternate transportation for weather cancellations.
- Airport and community to provide a revenue guarantee for airline during the first six months of operation by new airline.
- Airport and community to fund local marketing and advertising program.

2.8 Air Cargo Forecast

The econometric model is also effective for forecasting air cargo. It has been found that communities tend to ship airfreight at the same rate as their economic share. In the case of the St. George Airport catchment area, the Buying Power Index is 0.067 which equates to 0.067% of the total U.S. economy. Based on this share, the local Airport catchment area has the potential to produce 13 million pounds of airfreight. This equated to 6.5 million pounds of originating airfreight.

FORECAST OF POTENTIAL AIR CARGO

SGU Potential Air Freight	13,000,000 lbs.
SGU Potential Outbound Air Freight	6,500,000 lbs.
SGU Potential Outbound Air Freight/Day	25,000 lbs.
Number of Flights per Week (5 day week)	
Cessna Caravan	50
DC-9-30	6
B-757	2
A-310	2

Based on a forecast of 6.5 million pounds and a 70% load factor, there is a large enough demand to support frequent flights with the small commuter aircraft. The demand is large enough to support ten Cessna Caravan's per day or one DC-9-30F per day. The primary candidates for additional air cargo service are FedEx and UPS. The key will be to convince the air cargo carriers to move airfreight from SGU by air instead of by truck.

Section 3: New Business Analysis

Section Three
NEW BUSINESS ANALYSIS

3.0 Overview

This section of the Business Plan analyzes and recommends business activities that should be pursued specifically by the St. George Airport and for St. George and Washington County in general.

The business opportunities analyzed have been developed using "standard categories of Business Products and Services" as developed by Business Week. These categories follow the Standard Industrial Classification system of the U.S. Department of Commerce. Under the Business Week program, there are twenty-eight categories of Business Products and Services. These categories cover all of the classifications for any type of business that operates in the United States.

The review of the current business situation in the St. George area and at the Airport was developed using the Standard Business Products and Service categories. These categories include: Aerospace, Agriculture, Automotive, Banking, Business Services, Chemicals, Conglomerates, Consumer Products, Containers and Packaging, Discount and Fashion Retailing, Educational Services, Electrical and Electronics, Food, Fuel, Health Care, Housing and Real Estate, Leisure Time Activities, Manufacturing, Metals and Mining, Non-bank Financial, Office Equipment and Computers, Paper and Forest Products, Public Administration, Publishing and Broadcasting, Service Industries, Telecommunications, Transportation, Utilities and Power. Based on the community interviews with various community leaders and business leaders, it seems that the goal of the community is to help existing business expand and attract companies supporting and generating tourism, expand cluster activities in health-care, small manufacturing and expand business in the high tech industry.

The initial businesses in a community are consumer products and services companies and they generally include: Apparel Sales; Appliance Sales and Repair; Auto Parts, Auto Repair, and Auto Sales; Building Materials; Business Services; Electronic Products and Repairs; Food and Drug Stores; Floor Coverings; Furniture Sales; Hospitals and Nursing Homes; Hotels and Motels; Insurance Agencies; Medical and Dental Services; Real Estate Services; Restaurants; Service Stations; Stockbrokers; Tire Sales and Repair; Transportation services; and Travel Agencies. The Washington County communities have businesses in all of these products and services.

The other business products and services in a community follow the geographical characteristics and attributes of an area. The attributes are historical and provide a general base for business. The natural attributes and location of the Washington County communities tend to attract retail, education, financial and real estate, construction, tourism, and service industries. The following table lists the various categories of business products and services that are commonly located in a community.

CATEGORIES OF BUSINESS PRODUCTS AND SERVICES

Aerospace	Health Care
Agriculture	Housing and Real Estate
Automotive	Leisure Activities
Banks	Manufacturing
Business Services	Metals and Mining
Chemicals	Non Bank Financial
Conglomerates	Not for Profit
Consumer Products	Paper & Forest Products
Containers and Packaging	Public Administration
Fashion	Publishing/Broadcasting
Education	Service Industries
Electrical	Telecommunications
Food	Transportation
Fuel	Utilities

3.1 Current Situation at the new St. George Airport

The new St. George Airport can contribute to expanding the base of business for the community. The largest industrial park will be located at the airport and the City of St. George owns a significant amount of land inside and outside the fence. The City of St. George and the Airport can optimize its revenue with an effective business development program targeted towards commercial aviation, air cargo, and aviation related businesses that fit the general business characteristics of the community.

The new Airport is well designed to meet commercial passenger service, air cargo service, general aviation and corporate aviation. Various owners of land around the airport have planned for industrial and commercial business that will complement the business at the airport.

The strengths of the Airport include: central location for residents in southern Utah, and parts of Arizona and Nevada, good highway access, lower cost land and facilities compared to Las Vegas, Salt Lake City, Phoenix, Denver, and Los Angeles, a major push for more tourism, and a strong business community. The main weakness of the new St. George Airport is the limited passenger air service.

There seems to be good opportunities for expanded corporate aviation, aviation related business, and business in the industrial and commercial areas surrounding the Airport.

The major threat for a small airport is always business not materializing when new facilities are constructed.

3.2 Business Products and Services in Washington County

The table below sets forth an inventory of business products and services currently located in the Washington County area listed by the standard categories developed by Business Week. Of the seventy-five categories of products and services, three of them are located at or near the Airport, forty-seven are located in the county and twenty-five are not located in the county. The major products and services not represented in Washington County are primarily in the areas of manufacturing like motor vehicles, chemicals, oil, gas, and coal.

The lack of good rail access limits the amount and type of manufacturing that will locate in Washington County. The current manufacturers are connected to metro markets by highway transportation. The table below lists an inventory of business products and services located in the St. George and Washington County area.

INVENTORY OF BUSINESS PRODUCTS & SERVICES LOCATED IN ST. GEORGE AREA

Product/Service	At Airport	In Area	Not in Area
1. Aerospace/Aviation			
a. Govt. & DOD	X		
b. Non-Govt.	X		
2. Agriculture			
a. Production		X	
b. Processing		X	
3. Automotive			
a. Vehicle Manufacturing			X
b. Parts Manufacturing			X
c. Sales & Service		X	
d. Tire & Rubber			X
4. Banks		X	
5. Business Services		X	
6. Chemicals			X
7. Conglomerates			X
8. Consumer Products			
a. Apparel			X
b. Appliance & Furnishings		X	
c. Beverages		X	
d. Personal Care			X
9. Containers & Packaging			
a. Glass, Metal, Plastic			X
b. Paper			X
10. Fashion			X

Product/Service	At Airport	In Area	Not in Area
11. Education			
a. Services		X	
b. College		X	
12. Electrical/Electronics			
a. Electrical Products		X	
b. Electronics		X	
c. Instruments		X	
d. Semi Conductors			X
13. Food			
a. Distribution		X	
b. Processing			X
c. Retailing		X	
14. Fuel			
a. Coal			X
b. Oil and Gas			X
c. Petroleum Services		X	
15. Health Care			
a. Drug Manufacturing			X
b. Research			X
c. Medical Services		X	
d. Medical Products		X	
16. Housing & Real Estate			
a. Building Materials		X	
b. Construction		X	
c. Real Estate Sales		X	
17. Leisure Activities			
a. Eating Establishments		X	
b. Entertainment		X	
c. Hotel/Motel		X	
d. Recreation Products		X	
18. Manufacturing			
a. Fabricated Metal			X
b. Furniture		X	
c. House wares			X
d. Machine/Hand tools			X
e. Primary Metals			X
f. Rubber & Plastics			X
g. Textiles			X
19. Metals and Mining		X	
20. Non Bank Financial			
a. Financial Services		X	
b. Insurance		X	
c. Thrift and Loan		X	
21. Office Equipment/Computers			
a. Business Machines/Services		X	
b. Computers/peripherals		X	
c. Software Services		X	
22. Paper & Forest Products			X
23. Public Administration			

Product/Service	At Airport	In Area	Not in Area
a. Federal Government		X	
b. State Government		X	
c. Local Government		X	
24. Publishing & Broadcasting			
a. Broadcasting		X	
b. Publishing and Printing		X	
25. Service Industries			
a. Advertising		X	
b. Construction		X	
c. Distribution		X	
d. Engineering		X	
e. Consultants		X	
f. Other Services		X	
26. Telecommunications			
a. Equipment & Services			X
b. Telephone Companies		X	
27. Transportation			
a. Airlines	X		
b. Bus		X	
c. Rail			X
d. Ship			X
e. Truck		X	
28. Utilities & Power		X	

3.3 Airport Tenants

The City of St. George is building the passenger terminal at the new airport. All other facilities and hangars inside the fence at the new Airport will need to be constructed by the occupants. The major tenants include two fixed base operators – Direct Aviation doing business as St. George Jet Center and Above View plus A Flight Above who is a helicopter operator. Direct Aviation will have a 22,000 square foot hangar and two smaller corporate size hangars that are rented to two primary clients. The Airport will have twenty small hangars and sixteen corporate size hangars for lease.

The air cargo is handled on the ramp area near the fixed base operators. The airlines operating at the Airport along with rental car companies will rent space in the terminal from the City of St. George. Currently, Sky West Airlines is the only airline and there are four rental car companies. The rental car companies will also occupy space in the parking lot.

3.4 Business and Industrial Parks at the Airport

A plan has been developed for commercial and industrial development on land at the entrance of the new Airport off of Southern Parkway and Airport Parkway. This area will be referred to in this Business Plan as land at the airport, outside the fence. The City of St.

George owns some of the land but majority of the land is owned by six developers and the Bureau of Land Management. The six developers include Desert Canyons, Land Baron, Utah LLC, Airport Business Park, Pinnacle Investment Properties, and Scott Peterson. The land across runway from the terminal will house general aviation. The commercial and industrial land in this area is owned by SITLA.

Desert Canyon's airport land is part of a 2,600 acre master planned community. The community will include 7,000 residential units plus hundreds of acres of commercial and industrial parcels. Desert Canyons has approximately 400 acres of land on both sides of Airport Parkway, the entrance to the new Airport. Desert Canyons is further along on their development with a complete plan for their land. It will include warehouse distribution facilities, light industrial, flex office space, regular office space, retail, commercial and hospitality.

The Airport Business Center has various plans for the use of their land that is located on the northern side of the outside of the fence property. They would like to combine their land with an inside the fence operation or an air cargo operation that will be inside the fence. Their other option is an industrial and commercial plan that seems to need an interchange to give them access to the Southern Parkway.

The other developers have not provided plans for the use of their land outside the fence at the new Airport. It is assumed that these developers will also use their land for commercial and industrial projects. When completed, this airport area will be the largest industrial/commercial area in St. George.

Other industrial/commercial parks near the airport include the Ft. Pierce Industrial Park which is a joint venture between SITLA and Vantage Real Estate. It was originally developed in the mid 1980's. The industrial park has 1,400 acres with 122 tenants occupying 500 acres. The land is sold and not leased.

Other business and industrial parks in St. George include the St. George Industrial Park and the Mill Creek Industrial Park. All of the business parks and industrial parks work closely with the Dixie Business Alliance.

3.5 Resources

When the new Airport opens in January 2011, all of the infrastructure necessary to accomplish full operational requirements will be in place. The airport terminal will be able to accommodate ticket counter and check in space for three airlines. Additional airlines can be handled by airlines that have terminal space. Airport parking will initially have 400 parking spaces and the ability to double if necessary. The runway is long enough and strong enough to handle large commercial transport aircraft.

3.6 Incentives for Business

Business recruitment in the area is handled by the Dixie Business Alliance. Financial aids for new companies relocating to the area include small business loans, industrial revenue bonds, tax-free leasing, and business and industry loans through the U.S. Department of Agriculture. Educational and training grants are available through Dixie State College and the local applied technical college. The Airport will need to develop its own incentive program to attract new air service. Grants are available through the U.S. Department of Transportation and through the U.S. Department of Commerce.

3.7 Community Benefits

The excellent quality of life and low cost of living are the best selling points for the St. George area. The area has a good education system through the college level. The area is very scenic with National Parks, State Parks, local recreation all within a close proximity to the Airport. The community leaders favor new business for the area that fits the general plan. The St. George Area Convention and Tourism Bureau has done a good job of developing tourism related business for the area. A good airport and good air service is essential for the growth of this industry.

3.8 Customer Requirements

The key to the recruitment of a new business to the St. George and Washington County area and to the new Airport is the ability to meet the requirements of that business. The potential customer will create jobs for the area residents and contribute to the overall aviation passenger and cargo business at the Airport. In various surveys that have been performed regarding relocation, the following are considered the most important requirements of the customer.

KEY CUSTOMER REQUIREMENTS

- Low Cost Labor and Non Union Environment
- Low Cost Land and Low Taxes for Facility
- Pre Constructed Facilities and Build to Suit
- Limited Environmental Restrictions
- Economic Incentive and Availability of Training Funds
- Location that offers "Quality of Life" for employees
- Transportation Access to major markets
- Good Passenger and Cargo Air Service
- Strong Community Support for Business

St. George and Washington County have relatively low cost labor and low cost land. The cost of labor and land is lower than other metro areas like Las Vegas, Phoenix, and Salt

Lake City which allows this area to be very competitive in this region. The developers have indicated that they have some empty facilities available and are willing to build to suit the client requirements. The City of St. George will "fast track" developments which is very positive.

During the due diligence, all of the interviewees indicated that the *"quality of life"* is the number one attribute of the area. Housing in the area is very reasonable and the area has very low crime. Family values and education are key to the area. The local Chamber of Commerce and Economic Development favor new business but also state that the lack of rail service hinders the recruitment of larger manufacturing companies. Community leaders would like to see companies in the fifty employee size or smaller with higher wages. The good highway access on interstate 15 and the development of the new Airport are key assets.

3.9 Market Trends

The population of the area had very strong growth rate in the 1990's but had leveled off over the past five years. High birth rates and incoming new residents will help the community to have a growth rate above the average for the mountain west. The community leaders have set forth a goal of concentrating on four areas of business for the area: (1) additional companies in high tech; (2) expanding tourism and the tourism infrastructure; (3) adding retail to support local residents; and (4) expansion of existing health services.

3.10 Tourism

The lynchpin of the area tourism is the six National Parks and other outdoor recreation activity. Currently, the fly-drive business is coming in from Las Vegas. No air tour programs are available at the St. George Airport. Zion National Park is a major attraction with 2.8 million visitors per year. Approximately 30% of the visitors are from international locations.

The St. George Area Convention and Tourism Bureau manages the tourism business for St. George and Zion. It is funded by the transient and restaurant tax for the area. They have an annual promotional budget of $500,000 per year. This is spent on television, magazine, and golf promotions. Web advertising is also a major part of the budget. The major markets for tourist are California, Colorado, Utah, Pacific Northwest, and Canada. Golf packages are very popular and can be reserved through the Convention and Tourism Bureau. The State of Utah Tourism Department coordinates the development of international visitors. Recent studies indicate that visitor spending is approximately $150 per day per person with an average length of stay of 2.5 nights.

3.11 Utah Support of Aerospace and Aviation Companies

The Utah Aerospace and Aviation Tax Increment Financing (AATIF) program was created in 2003 to encourage the growth of the aerospace and aviation manufacturing industry in Utah. Companies creating new aerospace and aviation manufacturing jobs in Utah may apply for a partial rebate (30%) for up to 20 years on state revenues. Eligible projects must be at or around airports that have: Instrumental landing system, manned air traffic control tower, and land available for commercial development. Qualifying companies must create new jobs paying at least the median state wage. All EDTIF incentives are evaluated and approved by the Governor's Office of Economic Development Board.

3.12 Market Characteristics for Airport Related Business

There are certain products and services that are directly related to aviation and airlines. These products and services, by their nature, may be required to be located at the Airport or near the Airport. In reviewing various aviation guides and directories, a list of fifty-two aviation and airline products and services has been developed.

In reviewing the list we found that, in most cases, the airline and aviation-related products and services need to be onsite or near the airport. In our survey we identified that thirty-nine of the fifty-two activities need to be at the airport or near the airport. These activities are the service related businesses that support airline passenger and freight service and general aviation services. These products and services are totally dependent on the airport.

We identified thirteen activities that do not depend on an airport location to operate effectively. These products or services included manufacturing, engineering, training, publishing, and consulting. These products and services could be located at an airport or near an airport as long as the cost of operation is lower than a location away from the airport. The table below lists the location characteristics for aviation related businesses. As mentioned in the Customer Requirements section of this plan, the need for low cost land, low taxes, build-to-suit facilities, economic incentives, and limited environmental restrictions are the market drivers for companies that would also locate in a Business or Industrial Park.

LOCATION CHARACTERISTICS OF AVIATION RELATED PRODUCTS AND SERVICES

Aviation/Airline Activity	Onsite at Airport	Near Airport	No Airport Requirement
1. Accessory manufacturers			X
2. Acoustics			X
3. Air Ambulance	X		

Aviation/Airline Activity	Onsite at Airport	Near Airport	No Airport Requirement
4. Air Cargo	X		
5. Air Charters	X		
6. Air Courier		X	
7. Air Taxi	X		
8. Aircraft Brokers			X
9. Aircraft Cleaning Services	X		
10. Aircraft Interior, Design, & Mod.			X
11. Aircraft manufacturer	X		
12. Aircraft Parts manufacturer			X
13. Airframe repair and overhaul	X		
14. Associations/Clubs	X	X	
15. Auto Parking Lots	X	X	
16. Auto Rental	X	X	
17. Aviation Attraction	X	X	
18. Aviation Fueling	X		
19. Aviation Medical Services		X	
20. Avionics Distrib/Dealers	X	X	
21. Aviation Training School	X	X	
22. Catering	X	X	
23. Component Design Engineering			X
24. Computer software			X
25. Electrical repair		X	
26. Engine repair and overhaul	X		
27. Flight Planning Services			X
28. Freight Forwarder		X	
29. General Aviation Center	X		
30. Gift/retail shop	X		
31. Ground equipment manufacturer			X
32. Ground equipment repair			X
33. Government Agency	X	X	
34. Helicopter Charter	X		
35. Helicopter repair/overhaul	X		
36. Hotel		X	
37. Flight Attendant Training			X
38. Instrument manufacturer			X
39. Instrument repair	X	X	
40. Modifications, repair, painting	X		
41. Passenger Terminal	X		
42. Pilot Training	X		
43. Publications			X
44. Reservations Training			X
45. Restaurants/Food Service	X	X	
46. Safety and Emergency Equipment			X
47. Scheduled Airline	X		
48. Scheduled Airline Corporate Office		X	
49. Scheduled Airline Maintenance Base	X		
50. Simulators		X	
51. Weather Services	X	X	
52. Window, windshield, shade repair			X

3.13 Market Segmentation

The Airport is dealing with a very broad and diverse market in its efforts to find companies that will relocate to the St. George and Washington County area. The numbers of options available are numerous, widely scattered, and varied in their selection requirements. Some of the Airport's competitors are in a better position to serve certain segments of the market. Instead of competing everywhere, it is in the best interest of the Airport to identify the most attractive segments of the market that it can serve most effectively.

The market consists of companies that differ in their wants, resources, geographical location requirements, buying attitudes and practices. These Industrial markets can be segmented by variables such as: demographic variables, operating variables, business character, situational factors, and personal characteristics.

MARKET SEGMENTATION VARIABLES

Demographic

Industry: which industry should we focus on?

Company: what size companies should we focus on?

Location: what geographical areas should we focus on?

Operating Variables

Technology: what customer technologies should we focus on?

Customer capabilities: should we focus on customers needing many or few services?

Character of the Business

Power structure: should we focus on companies that are engineering dominated, financially dominated, marketing dominated, etc.?

Nature of existing relationships: should we focus on companies and industries already represented in Washington County or go after the most desirable companies?

Sales criteria: should we focus on companies that are high volume with many employees or on companies that are high tech and high income?

Situation Factors

Urgency: should we focus on companies that need a quick and sudden change of location?

Specific application: should we focus on certain product or service applications rather than all applications?

Size of client: should we focus on large or small clients?

Personal Characteristics

Buyer-seller similarity: should we focus on companies whose people and values are similar to ours?

Attitudes toward risk: should we focus on risk-taking or risk-avoiding companies?

Loyalty: should we focus on companies that show loyalty to their customers, suppliers, employees, and community?

Based on the market segment variables for Industrial Markets, the segmentation strategy for the St. George and Washington County should be centered on the following;

1. ***Demographic*** –Area population experienced very high growth from 1990 to 2005 and has since leveled off. Currently, good growth when compared to other metro markets in the West. Low cost of living makes the area very attractive to younger families and retirees.

2. ***Operating Variables*** - Company's will need a low cost and skilled labor force to be competitive . Land and building cost will need to be very competitive. New Businesses will need high end internet and communications capability.

3. ***Character of the Business*** - Professional and Technical companies that have the greatest flexibility in locating in the smaller metro markets. The Dixie Alliance should continue to add to its existing areas of business specialty niches and clusters.

4. ***Situation Factors*** - In the short term, St. George, Washington County and the Airport should focus on companies that need a quick change of location. Companies seeking to leave the high crime areas in the large metropolitan areas would be best candidates.

5. ***Personal Factors*** - The companies that St. George, Washington County and the Airport are seeking to attract, in most cases, are privately owned. The existing location of these companies is based on various business factors and the companies are close to where the owner wants to live. "Quality of Life" and lower cost of operations are the key selling points of the area and this should be stressed.

3.14 Business Selection Criteria

Each of the business or industry types is profiled based on certain criteria to determine if this business or industry type meets the goals and objectives of the community. The development of the profile is based on the business attributes of St. George and Washington County. Each of the business or industry types is matched against the business attributes of the area to find which segment presents the best target of opportunity. The following table creates a matrix matching characteristics of the community against major categories of businesses.

BUSINESS SELECTION CRITERIA

BUSINESS ATTRIBUTES OF SGU MARKET AREA

Business or Industry Type	Lower Cost Land*	Lower Cost Labor*	Semi-Skilled Labor	Lower Cost Housing	Space for small/mid size bus.	Small Town Environ.	Access to College Facilities	Access to Metro Markets	Shipping for all Freight	Fits Community Objectives
Aerospace	x	x	x	x	x	x	x	x	x	x
Agriculture										
Production	x	x		x	x	x		x	x	
Processing	x	x		x	x	x		x	x	
Automotive										
Manufacturing	x	x	x					x	x	
Sales/Service	x	x	x	x	x		x	x	x	x
Banking	x	x	x	x	x	x	x	x		x
Business Services	x	x	x	x	x	x	x	x		x
Chemicals	x	x		x			x	x	x	
Consumer Products	x	x	x	x	x	x	x	x	x	x
Containers	x	x						x	x	
Fashion	x	x			x				x	
Educational Services	x	x	x	x	x	x	x	x	x	x
Electronics	x	x	x	x	x	x	x	x	x	x
Food	x	x		x	x	x		x	x	
Fuel Products	x	x						x	x	
Health Care										
Research	x	x	x	x	x	x	x	x	x	x
Services	x	x	x	x	x	x	x	x	x	x
Housing Materials	x	x	x	x	x	x		x	x	
Leisure Activities										
Entertainment	x	x	x	x	x	x	x	x	x	x
Rec. Products	x	x	x	x	x	x	x	x	x	x

BUSINESS SELECTION CRITERIA

Business or Industry Type	Lower Cost Land*	Lower Cost Labor*	Semi-Skilled Labor	Lower Cost Housing	Space for small/mid size bus.	Small Town Environ.	Access to College Facilities	Access to Metro Markets	Shipping for all Freight	Fits Community Objectives
	BUSINESS ATTRIBUTES OF SGU MARKET AREA									
Manufacturing										
Advanced	x	x	x	x	x	x	x	x	x	x
Metal	x	x	x	x	x	x		x	x	x
Furniture	x	x	x	x	x	x		x	x	x
Housewares	x	x	x	x	x				x	
Machine Tools	x	x	x	x	x	x	x	x	x	x
Rubber/Plastics	x	x	x	x				x	x	
Textiles	x	x	x	x				x	x	
Metals & Mining	x	x	x	x					x	
Natural Resources	x	x	x	x					x	
Non Bank Financial	x	x	x	x	x	x	x	x	x	x
Office Equip/Computers										
Business Machines	x	x		x	x	x	x	x	x	x
Computers & Per.	x	x		x	x	x	x	x	x	x
Software	x	x		x	x	x	x	x	x	x
Paper Products	x	x				x		x	x	
Publshng & Brdcstng	x	x	x	x	x	x	x	x		x
Public Administraton	x	x	x	x		x	x		x	x
Service Industries										
Construction	x	x	x	x	x	x		x	x	x
Distribution	x	x	x	x	x	x		x	x	x
Environ. Mgmt.	x	x	x	x	x	x	x	x	x	x
Printing & Advert.	x	x	x	x	x	x	x	x	x	x
Telecommunications										
Equipment	x	x	x	x	x		x	x	x	x
Services	x	x	x	x	x	x			x	x
Transportation										
Airline	x	x	x	x	x	x	x	x	x	x
Motor Coach	x	x	x	x	x	x		x		x
Rail	x	x						x	x	
Trucking	x	x	x	x	x	x		x	x	x
Water	x	x							x	
Utilities										
Electric	x	x	x	x				x	x	
Water	x	x	x					x	x	
Gas	x	x	x					x	x	

* Compared to the Metro areas of Las Vegas, Phoenix, and Salt Lake City

3.15 Target Markets

The market segmentation analysis revealed the opportunities for St. George and Washington County area by Business and Industry Type. The fifty segments have been evaluated by segment size and growth, segment attractiveness, and objectives, resources of the community, and fit with community objectives.

Based on the business segmentation criteria presented on the previous pages, the areas that show growth, attractiveness, and best fit the objectives and resources of St. George and Washington County are: (1) Aviation and Aerospace; (2) Banking and Financial Services; (3) Business Services including retail and wholesale trade; (4) Consumer Products; (5) Educational and Training Services; (6) Electronics; (7) Health Care Research and Services; (8) Leisure Products, Services, and Tourism; (9) Specialized Manufacturing; (10) Non Bank Financial Services like Real Estate, Insurance, and Finance; (11) Office Equipment and Computers: (12) Publishing; and (13) Transportation. Listed below are some of the products and services not now in St. George and Washington County that may fit local objectives.

1. **Aviation, Aerospace, and Airline Services** - There are numerous aviation, aerospace, and airline products and services that could be located at the Airport. The location of St. George to the various government and military testing ranges in Nevada are a plus for new high tech aviation equipment.

2. **Business Services** – retail and wholesale trade is a large employer in the area and the push for more tourism will increase the amount of customers to the area. Resort related business providing receptive services and ground packages for domestic and international tourism are good opportunities.

3. **Consumer Products** – a strong demand for health care products and personal care products. Can easily fit the business attributes of the area.

4. **Educational and Training Services** - The primary companies in this business area engage in providing educational development and services in training and development. These companies provide training hardware, training software, off the shelf published material, and provide seminars and conferences for this $235 billion market. This field of business is seeking low cost operations and presently operates from mid size towns.
5. **Healthcare Research and Services** - the community already as a medical cluster and should be adding medical research and bio-technology to its list of industries. Additional services will be needed for the large increase of seniors.

6. **Leisure Products, Entertainment, and Tourism** - the growth in outdoor recreation

has created a large demand for recreational products for camping, hunting and fishing, mountain biking, water sports, and off road activities to name a few. Entertainment has expanded in the area and Tourism is one of the top targets for economic development.

7. **Manufacturing** - advanced manufacturing to support aerospace, electronics, telecommunications, and healthcare products is needed. Specialized machine tool companies will be needed to support other industries. Land is available and there is excellent ground transportation to metro markets.

8. **Nonbank Financial Services** - Insurance companies, investment companies, credit card companies, and mortgage companies that do large amounts of information processing and customer service support by telephone are locating in the area.

3.16 Business Opportunities for St. George Airport

Since the new Airport will be following a Master Plan and the developers located by the Airport will also be following an approved plan, the Airport and the land around the airport will have an excellent chance to be an effective and successful project. The Aviation and Airline business area of this Business Plan has been segmented into forty-eight products and services for the Airport. Of the forty-eight products and services, seventeen are presently at the Airport, none are near the Airport, and thirty-one are not at or near the Airport. Some of the products and services listed at the Airport are not full time operations and should either be upgraded or an additional company should be added.

TARGET AVIATION AND AIRLINE RELATED PRODUCTS AND SERVICES FOR ST. GEORGE AIRPORT

Activity	Onsite at Airport	Near Airport	Not At Airport
1. Accessory Manufacturer			X
2. Aerospace Manufacturer			X
3. Air Ambulance	X		
4. Air Cargo	X		
5. Air Charters	X		
6. Air Taxi	X		
7. Aircraft Broker			X
8. Aircraft Cleaning	X		
9. Aircraft Modification			X
10. Aircraft Manufacturer			X
11. Aircraft Parts Maker			X
12. Airframe Repair			X
13. Airline Terminal	X		

Activity	Onsite at Airport	Near Airport	Not At Airport
14. Associations			X
15. Auto Parking Lot	X		
16. Auto Rental	X		
17. Aviation Attraction			X
18. Aviation Fueling	X		
19. Aviation Medical			X
20. Aviation Training	X		
21. Catering			X
22. Cargo Facility	X		
23. Electrical Repair			X
24. Engine Repair			X
25. Fire Crash Rescue	X		
26. Firefighting			X
27. Freight Forwarder			X
28. General Aviation Center	X		
29. Gift/Retail Shop			X
30. Government Agencies	X		
31. Ground Equip Manufacturer			X
32. Ground Equip. Repair			X
33. Helicopter Repair			X
34. Hotel			X
35. Inflight Training			X
36. Instrument Manufacturer			X
37. Instrument Repair			X
38. Maintenance Training			X
39. Pilot Training	X		
40. Repair & Painting	X		
41. Reservations Training			X
42. Restaurant			X
43. Safety Equip. Manufacturer			X
44. Security Training			X
45. Simulator Training			X
46. Sightseeing & Air Tours	X		
47. Weather Service			X
48. Window Repair			X

3.17 Aviation Related Businesses That Need Airport Access

The various aviation business options that need airport access to conduct business can be combined into nine business opportunities:

1. Aviation Training Center – Pilot training and maintenance training
2. Maintenance Repair Operation – Airframe repair and painting, avionics and instrument repair, electrical repair, and engine repair.
3. General Aviation and Corporate Center - Fuel sales, aircraft sales, hangar rental, and corporate aircraft servicing.

4. Aerospace manufacturing and testing – manufacture and development of light aircraft and equipment to support the military.
5. Government Operations Center – support various government aviation programs that need hangar and office space.
6. Passenger Terminal – scheduled passenger air service that needs an air terminal and support.
7. Air Cargo Center - operations will need air cargo loading, ramp access for trucks, and warehousing facilities.
8. Tour and Sightseeing – the National Parks near St. George are ideal tour attractions that can be visited by air.
9. Hospitality – hotel, restaurant, and gas station to handle inbound customers and tourist visiting the area.

3.17.1 Aviation Training Center

There is a large demand in the airline industry for maintenance and operations people. Most of the people in this field have been trained through technical schools and community colleges. Few of the programs include inflight training, airport operations, reservations, security training, or a program for fire, crash, and rescue. These programs may be good programs for Dixie Applied Technical College. Utah State University in Logan has an excellent pilot and maintenance program that leads to a four year degree. Airlines have expressed interest in helping with these types of training programs. There may be federal funds or state funds for the development of a security training program.

3.17.2 Maintenance Repair Operation

Due to major financial difficulties and constraints, the scheduled air carriers are contracting out more and more of their maintenance work. There is a major need for outside vendors to provide airframe and engine overhaul work on larger aircraft. Maintenance repair and engine repair companies need facilities where they can perform work twenty-four hours per day and have an airport facility that can handle any size of aircraft. The new St. George Airport runway and operations fit this requirement.

3.17.3 General Aviation and Corporate Aviation

There are services and facilities for general aviation and corporate aviation at the Airport. The FBO will have the facilities to handle larger corporate aircraft. The Airport will also have hangar facilities for lease and can add more hangars if necessary. The FBO claims that it can provide maintenance repairs, but it seems to be very limited to small aircraft. Fueling for scheduled passenger aircraft and for cargo aircraft will be done by the FBO.

3.17.4 Aerospace Manufacturing and Testing

The military actions in the Middle East have created new types of aircraft that are more unique and specific to perform their task. These aircraft are the drones. Many of the drones (UAV) are manufactured near testing facilities. The testing ranges nearby in Nevada may be beneficial for the manufacture of these aircraft in St. George.

3.17.5 Government Aviation

Another potential client for the Airport is the government. Various departments of the federal government have aviation related groups. The recent discovery of pot farms in the market area could lead to the need for a helicopter operation by the DEA. The Bureau of Land Management operates and maintains aircraft at many small airports in the West for live stock and wild animal control. Even though, the Department of Forestry maintains its fleet of firefighting aircraft at Cedar City, this group should be contacted to consider the new St. George Airport.

3.17.6 Passenger

The new Airport has ticket counter and operations facilities to handle three airlines. When the airport opens for operations in January, 2011, Sky West will be the only airline. The City of St. George has a recruitment program in place and is seeking new air service to Los Angeles, Denver, Phoenix and San Francisco

3.17.7 Air Cargo

Air Cargo will have a ramp area near the General Aviation center to off load and load airfreight. This airfreight will need to be trucked from facilities by Fedex and UPS from facilities in town for these flights. The addition of a common cargo facility for both air cargo airlines would simplify the operation and allow for air cargo growth and expansion.

3.17.8 Tour and Sightseeing

The tour and sightseeing business at Las Vegas is a major supporter of the overall tour market for Las Vegas. These small airlines operate at airports around Las Vegas primarily to the Grand Canyon. The local helicopter company plans to operate from the new St. George Airport to the National Parks in the area. To expand into the international market, a motor coach operation will need to be established. This would complement the helicopter operation and any small aircraft operation that may be started.

3.18 Non Aviation Business

Hotels and restaurants located at an airport seem to do well. The development of international tourism will need a receptive center and this can be combined with the hotel and restaurant. The Motor Coach operation could be based at this location. The rental cars and visitors to the airport will need a gas station to meet their needs to buy gasoline and other services.

Based on experience at other airports, the non-aviation businesses that may be interested in locating at the Airport Industrial Park are small manufacturing or service related companies and would employ from 10 to 50 employees. Some other business opportunities that can locate at the new Business and Industrial Parks at the Airport may include manufacturing of recreational products and personal care products.

A multi-use building could be attractive to small enterprises that perform specialty services. Attorney's, accountants, consultants, architects, financial services, marketing companies, and computer support companies are examples of what would be candidates for this type of building. These companies will range from one employee to ten employees.

The Marketing Action Plan will provide a list of companies that fit the overall profile that could move to the business parks at the new Airport.

3.19 Business Opportunities for St. George Airport

Based on review, the Airport is very unique in that it can meet the requirements of all of the aviation related businesses and most all of the non-aviation related businesses that locate near airports. The table below lists the aviation related products and service opportunities for the new Airport.

AVIATION AND AIRLINE RELATED PRODUCT AND SERVICE OPPORTUNITIES FOR ST. GEORGE AIRPORT

Activity	Opportunity for Airport
1. Air Cargo Service	Yes
2. Airframe Repair and Overhaul	Yes
3. Aviation Training Programs with DATC	Yes
4. Aerospace Manufacturing and Testing	Yes
5. Corporate Air Center	Yes
6. Engine Repair and Overhaul	Yes
7. Government operations	Yes
8. Instrument Repair	Yes
9. Safety and Emergency Equipment Manufacturing	Yes

10. Security Training	Yes
11. Scheduled Passenger Service	Yes
12. Sightseeing and Hospitality Center	Yes

The table below indicates the best location for target business at the Airport. Based on the facilities and land at the Airport and the business characteristics of the community, the following aviation related businesses are recommended:

TARGET BUSINESS FOR ST. GEORGE AIRPORT

Business	Ramp Access	Best Location
1. New Air Cargo Service	Yes	General Aviation Center
2. Airframe repair and overhaul	Yes	General Aviation Center
3. Aviation Training Center	No	Conjunction with DATC
4. Aerospace Manufacturing	Yes	Opposite side of Airport
5. Corporate Center	No	Airport Industrial Park
6. Engine Repair and Overhaul	Yes	General Aviation Center
7. Government Operations	Yes	On and off airport
8. Hospitality Center	No	Airport Industrial Park
8. Instrument Repair	No	Airport Industrial Park
9. Safety & Emergency Equip.	No	Airport Industrial Park
10. Security Training	No	Airport Industrial Park
11. Scheduled Passenger Service	Yes	Air Terminal
12. Sightseeing by Air	Yes	Air Terminal
13. Sightseeing by Motor Coach	No	At Hospitality Center

3.20 New Business Economic Example

Based on the recommended aviation and non-aviation business for the Airport and based on the examples of potential business listed above, new business at the Airport will generate significant economic activity for the area. Listed below is a chart showing a typical scenario for potential new business at the new St. George Airport.

ECONOMIC EXAMPLE FOR ST. GEORGE AIRPORT

	Jobs	Wages	Economic Impact
Corporate Aviation Center	20	$1,000,000	$2,500,000
Sightseeing and Tourism	20	$1,000,000	2,500,000
Maintenance Repair Center	10	500,000	1,250,000
Flight Training Center	8	400,000	1,000,000

Section 4: Economic Impact

4.0 New Business

The new passenger air service to the Airport and new businesses locating at or near the Airport will produce new jobs and revenue to the community. There will also be a cost associated with the activities required to attract and support the new service and new business. This section of the Business Plan will analyze the impact of new air service and the addition of new business enterprises on a stand-alone basis.

New air service will generate new business. This analysis will include estimated expenditures by new visitors using the new passenger air service, new revenue to the Airport, and expenditures for the new air service. The analysis for new business enterprises will include an estimate of jobs and payroll created by new companies and a forecast of revenue from these potential ventures.

The concluding part of this section will cover the capital and assets required by the Airport to get additional airline service and the new business enterprises. This will be followed by a conclusion and recommendation.

4.1 Levels of Service

The air service analysis in this Plan indicated that the Airport has the demand potential to support regional jet flights to Salt Lake City and new flights to Los Angeles, Denver, Phoenix and San Francisco. The demand for air cargo can also support more flights and larger aircraft. To determine a minimum and maximum financial impact of air service at the Airport, three levels of service have been estimate for each type of air operation.

LEVELS OF SERVICE

Passenger Airline Service

- Minimum Service – Air service by Sky West with four regional jet flights per day to Salt Lake City and one regional jet flight per day to Los Angeles. All flights with 50 seat CRJ-200 regional jet aircraft.

- Mid Level Service – Sky West adds one additional daily regional jet flight to Salt Lake City and one additional daily regional jet flight to Los Angeles. Sky West starts service to Denver with two daily regional jet flights and starts service to San Francisco with two daily regional jet flights.

- Maximum Service – Sky West continues with same service to Salt Lake City, Los Angeles and Denver. Allegiant Air starts MD-83 service to Phoenix with two flights per week.

ESTIMATED LEVELS OF PASSENGER AIR SERVICE

Airline	Market	Aircraft	Weekly Flights	Annual Seats	Enplaned Passengers
Minimum Service					
Sky West	SLC	CRJ-200	28	73,000	40,000
	LAX	CRJ-200	7	18,250	10,000
			35	91,250	50,000
Mid Level Service					
Sky West	SLC	CRJ-200	35	91,250	50,000
	LAX	CRJ-200	14	36,500	20,000
	DEN	CRJ-200	14	36,500	20,000
			63	164,250	90,000
Maximum Service					
Sky West	SLC	CRJ-200	35	91,250	50,000
	LAX	CRJ-200	21	54,750	30,000
	DEN	CRJ-200	21	54,750	30,000
	SFO	CRJ-200	14	36,500	20,000
Allegiant	PHX	MD-83	2	15,600	14,000
			107	252,850	144,000

Cargo Airline Service

- Minimum Service – UPS service with five flights per week and Fed Ex service five flights per week. All flights with small commuter aircraft.
- Mid Level Service – UPS with ten flights per week and Fed Ex with ten flights per week. All flights with small commuter aircraft.
- Maximum Service – UPS with fifteen flights per week and Fed Ex with fifteen flights per week. All flights with small commuter aircraft.

4.2 New Visitor Expenditures

Economic Research Associates has developed an "Airport Economic Impact Model" to determine the associated economic impact of adding or losing passenger air service. This model has been designed to produce a systematized economic impact analysis for an airport while providing for specific inputs reflecting the characteristics of the particular airport and the local area. In determining the economic impact of the new air service on St. George and Washington County, the methodology employed in the "Airport Economic Impact Model" is utilized. The base variable for the model is airline passengers.

In analyzing the financial impact of new air service on Washington County, the three levels of service previously listed are utilized. The minimum service is estimated to produce approximately 50,000 annual arriving passengers, the mid level service is estimated to produce approximately 90,000 annual arriving passengers, and the maximum service is estimated to produce 124,000 annual arriving passengers. It is estimated that half of these passengers are local residents and half are visiting from other locations. In 2009, the airport had approximately 38,000 enplaned passengers and approximately the same number of arriving passengers.

Based on data from the St. George Area Convention and Tourism Bureau, the average stay is estimated to be 2.5 days and the average daily expenditure is $150 per day per person. It is estimated that the daily hotel expenditure is $70 per visitor, rental car is $30 per day per visitor, meals and entertainment is $40 per day per visitor and other expenses come in at $10 per day per visitor. These air service levels are estimated to produce between $2.6 million and $20.2 million in visitor expenditures to St. George and Washington County area.

VISITOR EXPENDITURES GENERATED BY NEW AIR SERVICE

	Minimum Service	Mid Level Service	Maximum Service
Estimated Arriving Passengers	50,000	90,000	144,000
Estimated New Passengers	14,000	54,000	108,000
Estimated New Visitors	7,000	27,000	54,000
Estimated Visitor Days in the area	17,500	67,500	135,000
Average Daily Expenditures	$150	$150	$150
New Visitor Expenditures	$2,624,000	$10,125,000	$20,250,000

4.3 New Jobs

More jobs in the hospitality industry will be required to support the new visitors to the St. George and Washington County area. In some cases, additional staff will be needed to support the increased demand and in some cases, new hotels and restaurants will be built to support the increased demand. Based on industry averages for staffing and wages, an estimate of the number of jobs that could be required has been developed. It must be noted that in some cases, some of the new visitors may be handled by existing facilities and staff but at some point service levels will require more jobs.

It is estimated that the three levels of air service can require between approximately 125 and 327 jobs to support the visitors that will arrive at the Airport by commercial passenger air service. The greatest need will be in the hotel industry with a demand between 50 and 150 jobs. The restaurant and entertainment area will require between 30 to 90 jobs. The total jobs that may evolve from the air service would contribute greatly to the area.

ESTIMATED JOBS IN TRAVEL/HOSPITALITY INDUSTRY
CREATED BY AIR SERVICE AT SGU

	Minimum	Mid Level	Maximum
Daily Flight Arrivals	5	9	15
Estimated Jobs Required			
Airline	10	18	22
Rental Car	25	30	35
Hotel/Motel	50	100	150
Restaurant/Entertainment	30	60	90
Other	10	38	30
Total	125	246	327

4.4 Airport Revenue

Other revenue from the new air service includes airline payroll, fuel purchases, and fees to the Airport. Based on the three levels of service, it is estimated that the airlines will employ a minimum of ten full time-equivalent employees and a maximum of 22 at St. George Airport. Since the proposed flights will average between approximately 1.5 hours per flight, the airlines will most likely be required to purchase fuel in St. George. It is also estimated that the airlines will purchase between 800,000 gallons and 2.3 million gallons of fuel annually. It is difficult to determine what the price of fuel will be in the near term and future. For this analysis, it has been estimated at $2.75 per gallon including into-plane fees.

AIRPORT RELATED REVENUE

	Minimum Service	Mid Level Service	Maximum Service
Airline Payroll			
Number of Airlines			
Passenger	1	1	2
Cargo	2	2	2
Total	3	3	4
Number of Employees			
Passenger	10	18	22
Cargo	4	5	6
Total	14	23	28
Annual Payroll	$560,000	$920,000	$1,120,000

	Minimum Service	Mid Level Service	Maximum Service
Fuel Purchases			
Annual Flights			
Passenger	1,820	3,276	5,564
Cargo	520	1,040	1,560
Charter	700	1,000	1,400
Total	3,040	5,316	8,524
Gallons of Fuel			
Passenger	821,000	1,478,000	2,300,000
Cargo	78,000	156,000	234,000
Charter	210,000	300,000	420,000
Total	1,109,000	1,934,000	2,954,000
Est. Fuel Expenditure	$3,049,750	$5,318,500	$8,123,500
Airport Revenue			
Landing Fees	$96,000	$175,000	$293,000
Fuel Tax	66,000	116,000	177,000
Passenger Facility Charge	225,000	405,000	648,000
Terminal Rent and Charges	80,000	80,000	80,000
Total Airport Revenue	$467,000	$776,000	$1,109,000

Based on the revenue generated from visitor expenditures, airline payroll, fuel purchases and fees to the Airport, the total revenue impact for St. George and Washington County for air service is estimated to be between $6.7 million and $30.6 million. This does not include the new jobs in the hospitality industry that will result from the passenger air service.

The "Airport Impact Model" indicates that there is a multiplier effect of money in the community and the average multiplier utilized in the model is 2.5. Based on the impact of the multiplier, the total revenue impact to St. George and Washington County area for the air service is estimated to be between $16.7 and $76.5 million.

TOTAL REVENUE IMPACT OF NEW AIR SERVICE

	Minimum Service	Mid Level Service	Maximum Service
Visitor Expenditures	$2,624,000	$10,125,000	$20,250,000
Airline Payroll	560,000	920,000	1,120,000
Fuel Expenditures	3,049,750	5,318,500	8,123,500
Airport Revenue	467,000	776,000	1,109,000
Total Revenue	$6,700,750	$17,139,500	$30,602,500
Output Multiplier	2.5	2.5	2.5
Total Revenue Impact	$16,751,875	$42,848,750	$76,506,250

Section 5: Recommendations

5.0 Recommendations

The new Airport will open in January 2011 with the ability to now handle more airlines, more flights and larger aircraft. The City of St. George and Airport management will need to continue their air service development and recruitment program. This will include the upgrade to regional jet service in the St. George-Salt Lake City market and add regional jet service to hub airports at Los Angeles, Denver, Phoenix, and San Francisco.

It is recommended that the City and the Airport work with Sky West Airlines to upgrade to regional jet aircraft to Salt Lake City when the new Airport opens for service and add regional jet service to Los Angeles with the money saved by the change from EMB-120 turbo prop aircraft to CRJ-200 regional jets in the St. George-Salt Lake City market. Sky West will also have the opportunity to operate to Denver and San Francisco as United Express connecting to major hub operations for United Airlines.

Other target airlines for air service include Horizon Air, American Eagle and Allegiant Airlines to Los Angeles; Frontier to Denver; US Airways and Allegiant Airlines to Phoenix; and Horizon Air to the San Francisco Bay Area. Continued marketing and sales efforts should be directed to these airlines. Secondary target airlines can include Vision Air and other commuter airlines. These airlines should be visited at the various airline-airport conferences and presentation packages should be sent to them.

The air cargo forecast indicates a large enough demand to support additional air cargo flights with commuter type aircraft and small jet aircraft. A presentation should be developed to give to FedEx, and UPS to develop interest in adding more air cargo service.

The St. George Airport has land for expansion of aviation related business. St. George and Washington County have a lower cost of doing business than Las Vegas, Los Angeles, and Phoenix and this should be attractive for business relocation. There is already some aviation related business at the new Airport and these clients should be contacted to see what additional facilities and services they may need. The Airport should initially focus the development of an aviation tour operation.

5.1 Next Steps

The next step will be the development of the Marketing Action Plan. The Marketing Action Plan will recommend the marketing and promotional strategies that will work best for the St. George Airport. This Plan will identify primary target companies that should be part of the recruitment program and marketing strategies to attract these companies.

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7. Ed Rogers – St. George Area Chamber of Commerce
8. Murray Gruber – St. George Area Chamber of Commerce
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