

162860

ORIGINAL

DEPT. OF TRANSPORTATION
DOCKETS

02 APR 11 PM 9:41

**Proposal under the
Small Community Air Service Development
Pilot Program**

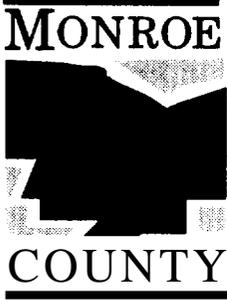
Greater Rochester International Airport
Monroe County, New York

County of Monroe Industrial Development Agency

Docket # OST2002-11590 - 9

April 2002

Docket Operations and Media Management Division
SVC-124, Room PL-401
Department of Transportation
400 7th Street, SW
Washington, DC 20590



Office of the County Executive

Jack Doyle
County Executive

April 10, 2002

Mr. Read C. Van de Water
Assistant Secretary for Aviation
and International Affairs
Docket Operations and Media Management
Division
SVC-124, Room PL-401
Department of Transportation
400 7th Street, SW
Washington, DC 20590

RE: "Proposal under the Small Community Air Service Development Pilot Program"

Dear Mr. Van de Water:

On behalf of Monroe County, I am submitting for your consideration the County's funding request under the Section 203 Program. The request, if funded, will greatly enhance air service in Monroe County and the western New York region by providing affordable air service to millions of business and leisure air travelers.

The Greater Rochester International Airport has been listed by the Department of Transportation in the top ten markets suffering from high air fares annually for the past number of years. The requested funding will complete a partnership between the Monroe County business community, the County, the Industrial Development Agency and AirTran Airways which will guarantee affordable air fare and stable air service for years to come.

Monroe County and our partners look forward to working with the Department of Transportation, upon the successful funding of our proposal, to create a pilot program and model for other communities to follow. If you have any questions, do not hesitate to contact me or the County Director of Aviation, Terry Slaybaugh, at (585) 464-6010. Thank you.

Sincerely,

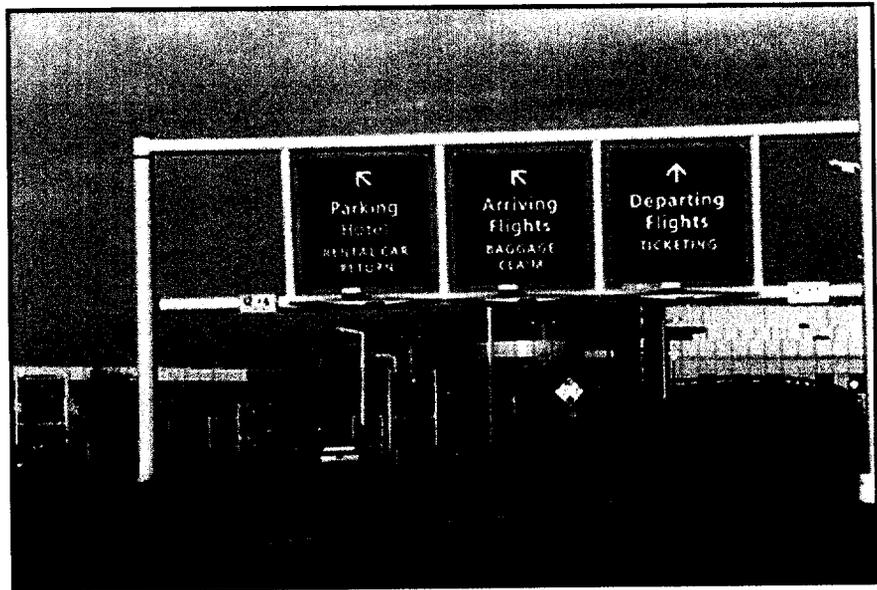


Jack Doyle
County Executive

cc: Terry Slaybaugh

Small Community Air Service Development

*Section 203 Grant Application
Rochester, New York
April 2002*



Submitted By:

Greater Rochester International Airport

And

County of Monroe

Industrial Development Agency





Section 203 Grant Application

Rochester, New York

April 2002



→ TABLE OF CONTENTS →

Introduction -----Page 1

Community Profile

Strategic Position of the Airport

Grant Request and Purpose -----Page 3

Grant Qualification -----Page 5

Recent Service History -----Page 7

Low Fare Responsiveness

Pent-Up Demand

Service Deterioration

Passenger Leakage to Buffalo

Proactive Initiatives -----Page 16

Action Plan -----Page 17

AirTran Benefits

Executive Summary -----Page 23

AirTran Support Letter ----- Appendix A

GRIA Airport Operating Budgets 1999 – 2001 ----- Appendix B

GRIA Airport Operating Budgets 2002 (Estimated) ----- Appendix C

Greater Rochester International Airport Brochure ----- Appendix D

County of Monroe Brochure ----- Appendix E

Industrial Management Council Letter of Support ----- Appendix F



Section 203 Grant Application

Rochester, New York

April 2002



→ INTRODUCTION →

Community Profile

Greater Rochester is the third largest metropolitan area in New York State, located directly across Lake Ontario from Toronto, Canada and strategically situated within a 400-mile radius of 14 Northeastern States. Rochester ranks as the Nation's 54th largest SMSA and is popularly referred to as "The World's Image Center." Today, over ninety optics and imaging firms and image-related divisions of large firms are located in the Rochester area in addition to the world headquarters of Eastman Kodak, Bausch and Lomb, Xerox and Frontier Communications. Rochester is also recognized as a global leader in the emerging photonics industry with its unique combination of Universities and both large and small companies driving both the research development as well as the application of the research in products thereby creating jobs and economic growth. (Within the eastern Great Lakes Region, Rochester Ranks #1 for high technology employment.)

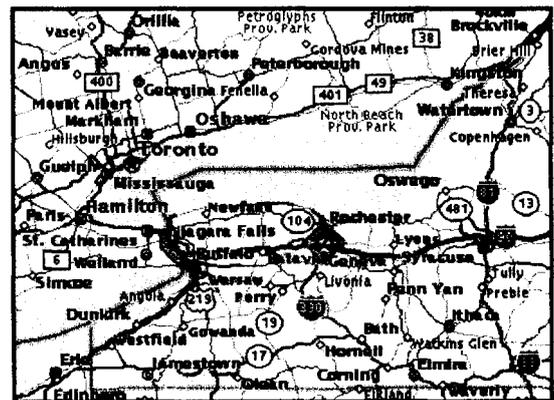
During the past decade, more than 1,500 small manufacturing firms have located in Rochester, reinforcing the community's ranking as the largest

exporter of manufacturing products on a per-capita basis in the United States. While larger companies are important to this area, Rochester's growth is primarily driven by the small to medium size companies who have suffered the most from higher airfares.

Strategic Position of the Airport

Greater Rochester International Airport (GRIA) is designated as a small hub, Part 139 airport serving Rochester, New York and Monroe County. Additionally, GRIA serves a disproportionately large catchment area in western New York given its convenient accessibility to interstate highways I90 and I190.

Western New York State



GRIA passenger traffic is predictably dominated by business travel as Rochester is home to several



Section 203 Grant Application

Rochester, New York

April 2002



of the Nation's largest corporations. Recent surveys indicate that over 70% of GRIA's total passenger air travel is business-oriented. This high ratio of *inelastic* corporate travel has created a *community dependency* for "network" carrier services provided by US Airways, American, United, Delta, Northwest and Continental.

Over the past ten years, these incumbent carriers have maintained nonstop and connecting service without any incentive to offer low fare access to their respective network systems. Consequently, their collective *market share dominance* and *control* of business travel (sponsored by corporate contractual alliances) has subjected the citizen's of Rochester to one of the *highest fare structures in the Nation, ranking as high as third according to the DOT Consumer Airfare report.*

Due to its repetitively high fare structure, Rochester's air traffic remained *essentially flat* throughout the 1990's while the Nation at large benefited from a sustained air travel boom fostered by new entrant low fare carriers. U.S. domestic passenger travel increased **40%** between 1990 and 2000 while Rochester total O&D traffic declined more than **2%**. Until recently, the major's capacity dominance relegated Rochester's

low fare service exposure to only a few ill-fated, under-financed new entrant services offering limited frequencies to principally **seasonal**, leisure destinations.

Additionally, the absence of significant new local competition has allowed the major incumbents to "downgrade" service, substituting "least-preferred" turboprop aircraft in markets previously served by jet aircraft. These service substitutions allowed the major's to reduce market capacity to only essential levels to accommodate the business market while reducing carrier cost. These actions have allowed Rochester's incumbent air carriers to extract disproportionately high profits from the local community to support more competitive National services, *to the detriment of Rochester's air travelers and the community's larger economic development plans.*

Rochester's extreme corporate dependency, coupled with an absence of competitive low fares, has produced a very delicate balancing posture for airport management and Monroe **County** officials. Marketing efforts to attract low fare services have required "tempered recognition" that smaller, limited network low fare services could potentially weaken incumbent hub service to a



Section 203 Grant Application

Rochester, New York

April 2002



point necessitating frequency reductions at the expense of the community's corporate citizenry.

Recently, two major western New York low fare service entries have made strides toward lowering the region's historically high airfares. However, both pose a significant threat in reducing incumbent carrier network capacity by diverting established hub traffic.

Mer several years of courtship by Rochester and Buffalo, Southwest Airlines chose to locate its Western New York service in the more heavily leisure-oriented Buffalo market in the fourth quarter of 2000. The inauguration of Southwest service at Buffalo produced immediate and extreme fare disparities for Rochester air travelers choosing to utilize **GRIA**. (Post-entry surveys indicate that Southwest's pricing differentials are causing traffic leakage from Rochester of 12% - 15% to effected leisure markets.)

The region's second largest low fare entry influence (Rochester's largest low fare influence) has been the introduction of JetBlue A320 service to New York, Kennedy. The service has enjoyed the greatest simulative effect in Rochester's history by reducing segment fares by more than 30%. While JetBlue's service has stimulated

Rochester's total market travel to New York City by more than 50%, it has also "diverted" traffic from incumbent carriers and reduced their market revenue participation by \$11 million annually.

Combined with the devastating events of September 11, 2001, these two low fare entries have created a significant liability for the major incumbent's to *retain* their current *excessive pricing structure*.

➔ GRANT REQUEST AND PURPOSE ➔

Rochester's grant application seeks *matching* funds totaling \$2 million over the proposed two-year program period (Year 1: \$1.0 million and Year 2: \$1.0 million) "*to provide assistance to an air carrier to subsidize service to and from an underserved airport for a period not to exceed three years.*" Sec. 203(d)(1). Grant funding and matching community monies will be utilized to provide revenue shortfall assistance to AirTran Airways during its newly introduced low fare network hub service initiatives to Atlanta and Baltimore. The shortfall **guarantee** will effectively subsidize anticipated AirTran segment operating losses until such time introductory traffic development achieves competitive market penetration levels.



Section 203 Grant Application

Rochester, New York

April 2002

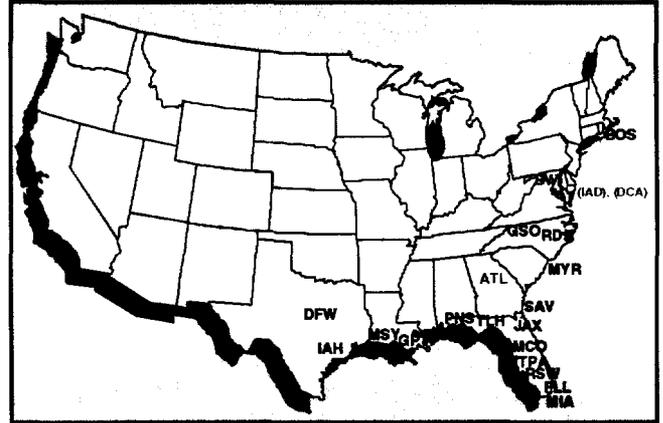


Approval of GRIA's two year grant request will enable Rochester to share initial service development risks inherent with introducing and establishing vitally needed low fare air service access to the National air service system *without* deleting or jeopardizing necessary ongoing airport programs.

This requested *shared* revenue shortfall assistance of AirTran's newly introduced low fare service has the express program objective of protecting *and expanding* Rochester's network access to the National Air Transportation System while lowering overall market fares. *AirTran's new nonstop low fare hub services to Atlanta and Baltimore will provide low fare access to 20 cities, including 11 of Rochester's top 20 O&D destinations.*

AirTran's low fare "network breadth" (combined with JetBlue's newly added services) will provide overall market stimulation. AirTran's uniquely affordable services will also stimulate Rochester's all-important business sector. There is strong historical evidence that stimulation of this magnitude will benefit all Rochester air carriers, including incumbents (SouthwestEffect).

AirTran's Network Reach



Rochester has included quantifiable industry documentation in its application which recognizes and **satisfies all four community conditions warranting priority consideration for the applied assistance**; namely (1) air fares higher than the average air fares for all communities, (2) the community will provide a portion of the activity cost, (3) the community has established a public-private partnership to facilitate air service to the public, and **(4)** the requested assistance will provide material benefits to a broad segment of the traveling public.

AirTran Airways commenced scheduled nonstop, low fare service to Rochester on March **14**, 2002, predicated upon the market potential **and** Rochester's commitment to provide revenue shortfall guarantees of up to \$2.0 million annually for a **two-year** period. (See Appendix A)



Section 203 Grant Application

Rochester, New York

April 2002



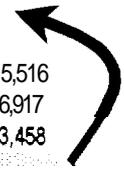
→ GRANT QUALIFICATIONS →

Greater Rochester International Airport enplaned 1,035,231 passengers or 0.19% of the U.S. total in

1997, qualifying the airport as a Small Hub airport as defined in Section 41731(a)(5). During 1997, Rochester ranked as New York State's largest Small Hub airport and ranked 80th in the Nation.

Rochester Qualifies as a "Small Hub" According to DOT 1997 Standards

Rank	Airport	Hub Size	1997 U.S. DOT T3 Data			
			Enplaned Passengers	% of Total U.S.	Scheduled	Non-Scheduled
80	Rochester, NY	ROC	Small	1,035,231	0.19%	21,672
Other New York						
19	New York, LaGuardia	LGA	Large	9,867,782	1.79%	115,516
20	New York, Kennedy	JFK	Large	9,731,321	1.77%	96,917
71	Buffalo	BUF	Medium	1,404,046	0.26%	23,458
83	Albany, NY	ALE	Small	844,557	0.15%	15,617
84	Syracuse	SYR	Small	833,195	0.15%	18,494
118	Islip	ISP	Small	376,150	0.07%	4,271
120	Newburgh	SWF	small	370,097	0.07%	6,116
122	Westchester county	HPN	small	329,346	0.06%	6,488
198	Binghamton	BGM	Non	84,369	0.02%	3,300
205	Elmira	ELM	Non	73,327	0.01%	3,474
206	Ithaca	ITH	Non	72,536	0.01%	3,173
388	Niagara Falls	IAG	Non	3,433	0.00%	52
396	Utica	UCA	Non	2,829	0.00%	32
415	Watertown	AFT	Non	1,453	0.00%	497



It has been well chronicled in the local and National media that Rochester, **NY** air travelers have historically paid unreasonably high fares. (This un-welcomed notoriety served as the catalyst for hosting an industry symposium on the

urgency and economic need for small community low fare access to the National Aviation network.) *During both 1999 and 2000, DOT reports ranked Rochester within the Top Five highest average fare markets in the country.*



Section 203 Grant Application

Rochester, New York

April 2002



Rochester's Worst Fare Disparities Fall Within Its Top Ten Markets 12 Months Ended June 2001

City	Itinerary	Rochester Miles	Rochester Yield	Stage Average					
				New York	ROC Diff.	Northeast	ROC Diff.	U.S.	ROC Diff.
1 New York/Newark	+NY	258	36.30	49.64	-26.9%	49.38	-26.5%	40.90	-11.2%
2 Orlando	+OR	1,117	9.46	12.64	-25.1%	12.54	-24.6%	13.08	-27.7%
3 Boston	+BO	349	42.46	38.39	106%	32.10	32.3%	28.27	50.2%
4 Chicago	+CH	538	30.92	31.38	-1.5%	28.18	9.7%	23.86	29.6%
5 Washington	+WS	302	48.77	38.39	27.0%	32.10	51.9%	28.27	72.5%
6 Tampa	+TP	1,158	10.08	12.64	-20.2%	12.54	-19.6%	13.08	-23.0%
7 Atlanta	+AL	786	22.06	24.22	-89%	21.93	06%	20.27	88%
8 Philadelphia/Camden	+PH	261	81.68	49.64	646%	49.38	654%	40.90	997%
9 Fort Lauderdale	+FF	1,277	9.36	13.05	-28.3%	12.54	-25.4%	12.94	-27.7%
10 Los Angeles	+LA	2,397	9.88	9.10	86%	8.48	164%	8.72	13.3%

Recent JetBlue service

Rochester's most extreme fare disparities have occurred in the community's largest O&D markets including New York City (prior to JetBlue), Boston, Chicago, Washington, Atlanta, Philadelphia and Los Angeles.

Historically, Rochester's average market yield has consistently averaged 20% above that of New York State and Northeast Regional totals. This fact is compounded by the reality that the Northeast Region of the U.S. has also consistently remained well above National averages. For six of the last nine years, Rochester's average yield has suffered *a premium penalty 30% above the Nation's yield performance.*

This 30% premium only tells part of the story because it weighs all travel including advance purchase discount travel. The cost per mile for

walk up and 3 day advance business travel is often in excess of \$1.00 per mile, negatively reducing and restricting business travel of the small to medium size companies who are unable to get the corporate discounts. Today, many of Rochester's small to medium size companies have a travel policy for their people, especially in groups of 2-4, to drive up to 8 hours to business destinations which, while necessary to save precious travel dollars, does negatively impact efficiency and dampen economic growth.

While JetBlue's new service addition to New York, Kennedy during the spring of 2001 positively impacted Rochester's traffic growth and produced significant segment savings, the carriers' relatively young network does not have the near-term prospect of extending beyond a limited number of markets.



Section 203 Grant Application

Rochester, New York

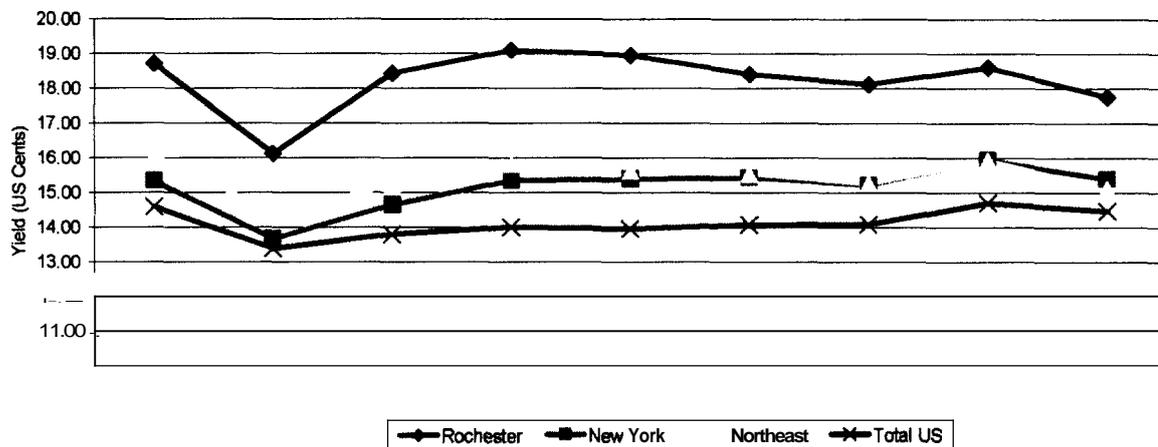
April 2002



Without additional low fare service opportunities, the market will remain only partially stimulated, leaving incumbent major carriers more dependent upon shifting capacity to maximize revenue in

noncompetitive business oriented markets and subjecting Rochester to a further deterioration of network services.

Rochester's Average Market Yield Has Remained Consistently High



➔ RECENT HISTORY OF SERVICE ➔

Low Fare Responsiveness

There is little doubt that Rochester air travelers will respond to AirTran's new low fare service. In fact, the lack of any significant competitive low fare influence has stock-piled "pent-up" air travel demand that, with the proper stimulus, could permit the Rochester market to grow to levels that the majority of the Nation has achieved (even during the current economic downtime).

For example, Rochester travelers have demonstrated that any low fare service will stimulate the market. Eastwind Airlines introduced service from Rochester to both Boston and Washington beginning in the third quarter of 1998 and abruptly terminating in the fourth quarter 1998. Poor marketing and the dismal financial status of the airline did not allow Eastwind to fully develop the new service. Nevertheless, even this limited point-to-point service introduction confirms how effectively the Rochester market can be stimulated with low fare competitive service.



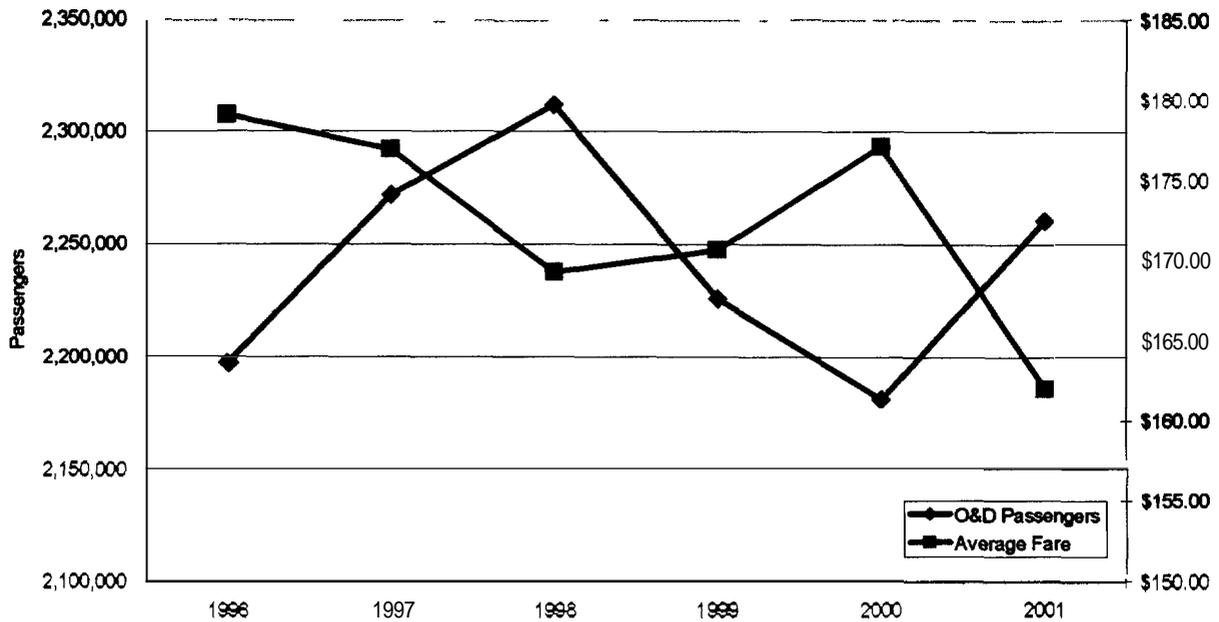
Section 203 Grant Application

Rochester, New York

April 2002



Rochester Has Responded To Fare Stimulus



Eastwind's Abbreviated Service Stimulation

Boston	30,390	33,010	27,960	33,660	33,180	33,150	27,400	33,370	43,600	40,210	30,620	36,830
<i>Change From Previous Year</i>	--	--	--	--	9.2%	0.4%	-2.0%	-0.9%	31.4%	21.3%	11.8%	10.4%
Washington	19,680	21,720	19,830	22,480	23,660	23,420	17,750	24,240	29,800	27,050	23,180	27,170
<i>Change From Previous Year</i>	--	--	--	--	20.2%	7.8%	-10.5%	7.8%	26.0%	15.5%	30.5%	12.1%

O&D Average Fare To/F from Rochester:

	3Q01											
Boston	\$158.97	\$138.29	\$145.55	\$137.96	\$133.34	\$132.93	\$146.18	\$134.94	\$106.83	\$112.87	\$130.85	\$131.02
<i>Change From Previous Year</i>	--	--	--	--	-16.1%	-3.9%	0.4%	-2.2%	-19.9%	-15.1%	-10.5%	-2.9%
Washington	\$155.31	\$144.12	\$171.97	\$160.60	\$150.64	\$147.93	\$164.50	\$153.31	\$131.26	\$141.83	\$158.28	\$149.12
<i>Change From Previous Year</i>	--	--	--	--	-3.0%	2.6%	-4.3%	-4.5%	-12.9%	-4.1%	-5.0%	-2.7%

Rochester's most recent and most successful low fare market entry has come from startup Carrier JetBlue. The JFK based airline introduced nonstop A320 jet service during the third quarter of 2000.

Since that time, the carrier has quickly become Rochester's third largest service provider and will most likely overtake American as the number two airline behind US Airways during 2002.



Section 203 Grant Application

Rochester, New York

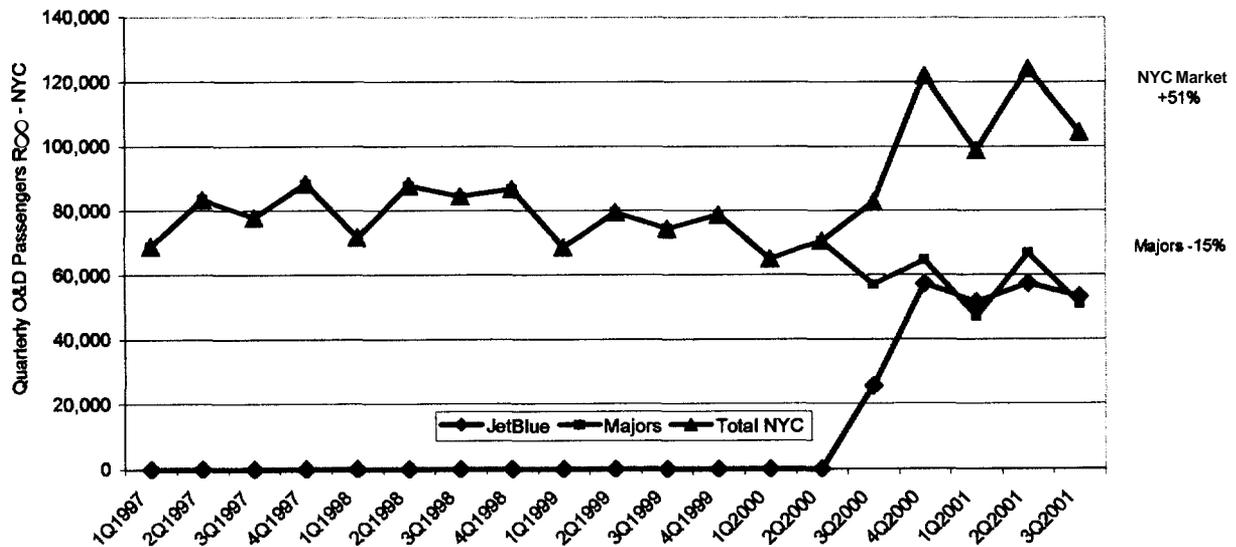
April 2002



A 1998 New York City travel survey sponsored by the Greater Rochester International Airport indicated overwhelming preference for service to New York's LaGuardia airport with Newark ranking a distant second. Less than 5% of those surveyed indicated they would utilize New York, Kennedy if given the option. Facing this fact, there was a degree of initial skepticism towards the success of JetBlue's Kennedy bound service.

Despite Kennedy's "least-preferred" area airport performance rating, JetBlue has stimulated Rochester's number one market to record levels. Within one year of service commencement, the JetBlue service has stimulated overall travel to New York City 51%, prompted by fare reductions of 32%. (Actual stimulation would most likely be even higher had these results not included the 19 days following September 11th.)

JetBlue's Low Fare Stimulus Effect on New York City



Market stimulation demonstrated by the JetBlue service addition to New York is the model on which the AirTran Action Plan is based. Following the "Southwest Effect", (under normal market conditions) the Rochester – New York City market will continue to grow over the next

several years until market saturation is reached. During that time, the incumbent carriers will also participate in the market growth and eventually recoup and possibly surpass market passengers and revenue initially "stolen" by the low fare initiative.



Section 203 Grant Application

Rochester, New York

April 2002

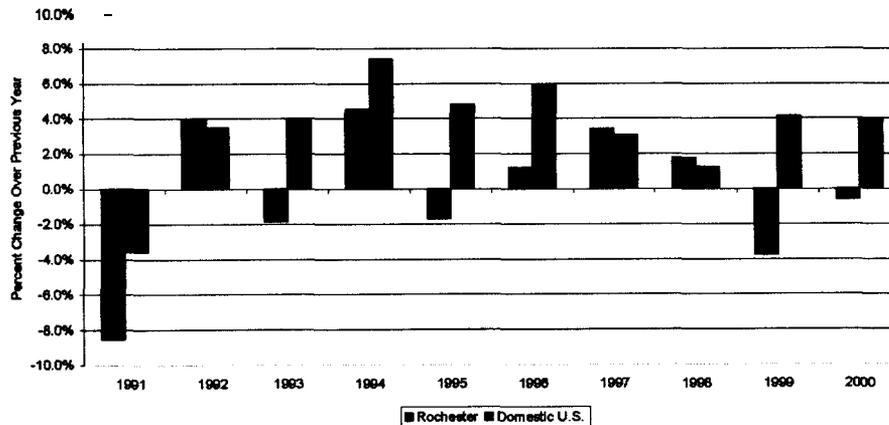


Market stabilization for the entire Rochester market (all destinations) will require a large low fare carrier with an existing route network. (Southwest Airlines had been the obvious primary choice to provide Rochester's needed low fare stimulus, however the carrier's recent Buffalo service effectively precludes any near-term prospect.)

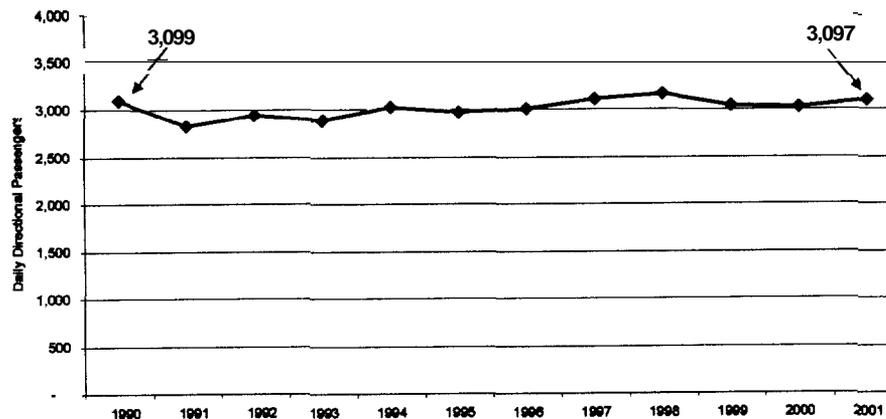
Pent-Up Demand

The *absence* of "affordable" airfares and declining jet capacity has *impeded Rochester's economic growth and business vitality and continues to be a major impediment in attracting and retaining the community's core corporate citizenry.* (See Appendix F- Statement of Support)

Rochester Has Not Participated In National Growth Throughout the 1990's



Rochester Passenger Traffic Has Remained Static





Section 203 Grant Application

Rochester, New York

April 2002



Assuming Rochester had simply matched the Nation's average growth rate throughout the 1990's, the **airport** would have served an additional 1,200 daily directional passengers above its static base of **3,100**.

Service Deterioration

Rochester is currently served by all six of the Nation's largest domestic network carriers with US Airways providing service to over 35% of the community's air travelers. JetBlue's nonstop service to its Kennedy hub has captured 12% of the total market in a period of only year. (Only 29% of JetBlue's total Rochester traffic is using

Kennedy for connections to the carriers somewhat limited, mainly Florida, leisure network).

The welcomed addition of AirTran nonstop service to both Atlanta and Baltimore earlier last month represents the markets only other low fare service. Rochester previously had service from Raleigh/Durham-based Midway Airlines until the carrier's bankruptcy this past fall. The carrier was able to attract only 3% of the total market via twice-daily RJ service to its RDU hub. (The carrier's inability to attract passengers can be mainly attributed to its lack of network flow and weak financial posture).

Rochester's Top O&D Carriers

12 Months Ended June 2001

City		Nonstop Miles	Annual O&D Passengers	% Change vs. 1997	PDEW	Average Fare	%Change vs. 1997	Yield	% Change vs. 1997	
1	US Airways	US	719	819,070	-19.3%	1,122.0	\$156.97	-2.7%	20.37	-4.9%
2	American	AA	1,143	310,140	32.4%	424.8	\$182.51	-12.6%	15.25	2.6%
3	JetBlue	B6	537	268,980	100.0%	368.5	\$83.01	--	14.14	--
4	United	UA	1,358	245,670	5.4%	336.5	\$217.56	-14.4%	15.15	-12.5%
5	Delta	DL	1,062	205,270	-3.3%	281.2	\$178.90	5.1%	14.90	-3.5%
6	Northwest	NW	907	119,380	-14.3%	163.5	\$225.84	9.4%	23.42	10.6%
7	Continental	CO	716	109,330	19.3%	149.8	\$177.66	12.5%	22.42	55.3%
8	Unassigned Commuter	XX	290	95,160	-51.5%	130.4	\$110.29	-1.0%	37.63	3.1%
9	Midway	JL	837	68,610	N/A	94.0	\$126.29	N/A	14.76	N/A
10	Chautauqua	RP	354	16,070	100.0%	22.0	\$157.10	100.0%	42.72	100.0%
	Others			3,140		4				
	Total			2,260,820	-0.5%	3,097.0	\$162.11	8.3%	17.78	-6.2%



Section 203 Grant Application

Rochester, New York

April 2002



Rochester's Top O&D Destinations and Nonstop Service 12 Months Ended June 2001

City		Nonstop Miles	PDEW	Nonstop Carrier(s)	Weekly Departures	Weekly Seats	Average Seats Per Departure	
1	New York/Newark	+NY	258	586.7	B6, co., US	122	9,325	76
2	Orlando	+OR	1,033	186.5	FL *	7	819	117
3	Boston	+BO	343	153.3	US	25	1,250	50
4	Chicago	+CH	528	148.5	AA, UA	63	6,568	104
5	Washington	+WS	293	121.7	UA, US	47	1,662	35
6	Tampa	+TP	1,079	105.7				
7	Atlanta	+AL	749	95.2	DL (FL*)	14	2,086	149
8	Philadelphia/Camden	+PH	257	79.3	US	34	4,391	129
9	Fort Lauderdale	+FF	1,184	70.9				
10	Los Angeles	+LA	2,272	58.2				
11	Dallas/Fort Worth	+DA	1,266	58.1				
12	San Francisco	+SF	2,361	53.5				
13	Denver	+DE	1,413	48.8				
14	Raleigh/Durham	RDU	503	48.5				
15	Fort Meyers	+FM	1,166	47.8				
16	Las Vegas	+LV	2,041	47.8				
17	West Palm Beach	PBI	1,141	46.5				
18	Baltimore	BWI	277	45.6	US, (FL*)	21	1,428	68
19	Detroit	+DT	296	45.3	NW	32	2,522	79
20	Phoenix	+PX	1,967	39.8				
21	Charlotte	CLT	572	35.4	US	14	1,708	122
22	Miami	+MF	1,204	32.8				
23	Minneapolis/St Paul	+MN	783	31.6				
24	Hartford	+HR	267	31.1	US	12	444	37
25	Pittsburgh	+PU	224	31.0	US	41	3,753	92
26	Seattle/Tacoma	+SE	2,166	29.1				
27	Houston	+HO	1,333	28.9				
28	San Diego	+SG	2,251	27.7				
29	San Juan	+SU	1,832	27.7				
30	New Orleans	+NR	1,142	24.4				
31	St Louis	+SZ	728	21.7				
32	Cincinnati	+CI	461	19.6	DL	21	1,050	50
33	San Jose	+SJ	2,346	19.1				
34	Albany, NY	ALB	198	18.7	CO, US	33	825	25
35	Santa Ana	+SN	2,253	18.6				
36	Salt Lake City	+JT	1,762	18.6				
37	Westchester County	HPN	248	18.2	CO	15	285	19
38	Jacksonville	+JX	899	17.9				
39	Indianapolis	IND	505	15.8				
40	Kansas City	+MK	925	14.9				
41	Portland	PDX	2,203	14.5				
42	Nashville	BNA	660	14.4				
43	Austin	+AS	1,414	14.1				
44	Sarasota/Bradenton	SRQ	1,118	13.9				
45	Norfolk	+OF	437	13.3				
46	Greensboro/H.PtWin-Sal	GSO	500	12.8				
47	Milwaukee	MIKE	518	12.4				
48	Providence	PVD	333	12.2				
49	Columbus	+CU	346	12.0				
50	Charleston	CHS	717	11.5				
51	Cleveland	+CL	245	11.4	CO	19	781	41



Section 203 Grant Application

Rochester, New York

April 2002



Today, Rochester has nonstop services to **15 U.S.** cities of which nine are major carrier hubs facilitating competitive connections throughout the U.S. and the world. American, United, Delta and Northwest provide only hub services while US Airways offers five point-to-point services; Continental with three point-to-point markets.

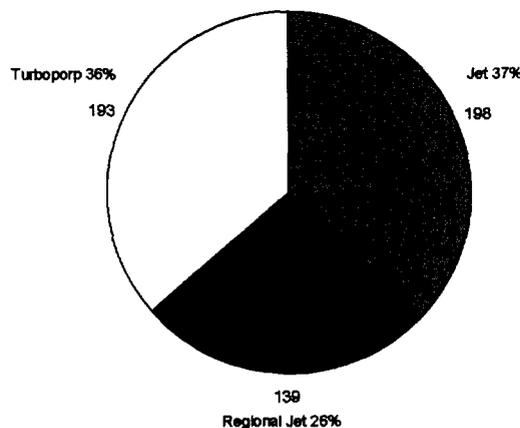
The community has received relatively consistent service to its nonstop destinations with the number of markets served changing very little over the past decade. Rochester's hub services are geographically diverse with tremendous connection capabilities via Philadelphia, Pittsburgh, Charlotte, Chicago, Washington, Atlanta, Cincinnati, Cleveland and Detroit. It is important to Rochester's flying public that existing network service be preserved.

New York City is by far the number one O&D market representing nearly one fifth of Rochester's air travel. Orlando ranks a distant second.

Further substantiation of Rochester's business market *dependency* is the fact that 7 of the community's top 10 markets are business-oriented destinations. Roughly 15% of Rochester's total passenger traffic is destined for three of the Nation's major business centers: Boston, Chicago and Washington.

Collectively, over 82% of Rochester's total O&D passenger traffic is between business-oriented markets.

Weekly Departures By Aircraft Type





Section 203 Grant Application

Rochester, New York

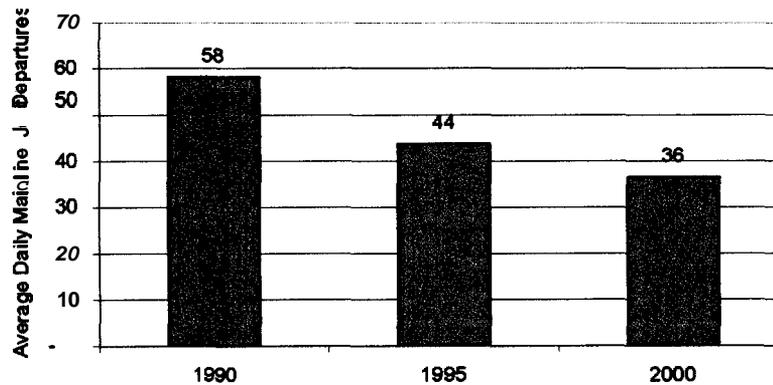
April 2002



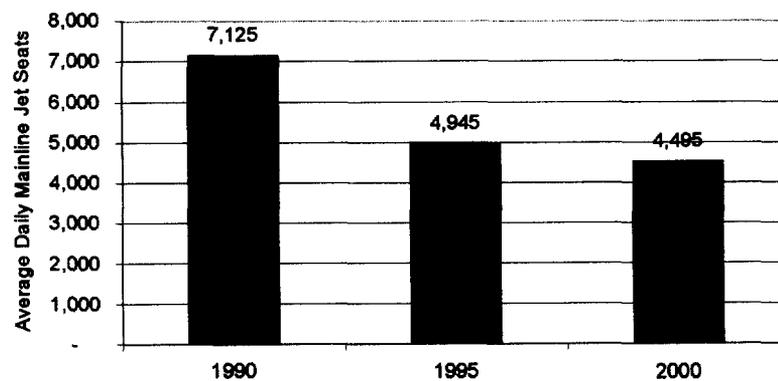
Rochester is currently served by a mix of jet, turboprop and regional jet aircraft, with only 37% of its daily departures serviced by jet aircraft having more than 100 seats. Although the community's mix of aircraft type utilization appears proportional, key business destinations such as New York, Boston and Washington still receive a relatively high number of turboprop departures.

The Rochester market has experienced significant downgrades in mainline jet service since 1990, losing more than one-third of its mainline jet departures and seats. These "lost" jet services were replaced, in some cases, by turboprops or regional jets. More often, they were simply *quality of service reductions while Rochester's air fares continued to rise.*

Mainline Jet Departures Have Declined Significantly



Mainline Jet Seats Have Declined Significantly





Section 203 Grant Application

Rochester, New York

April 2002



Passenger Leakage to Buffalo

Rochester's Potential Leakage To Southwest Markets

12 Months ended June 2001 vs. 12 Months ended September 2000

Markets Served By JetBlue		ROC O&D Passengers			Rochester Fare	Buffalo Fare	Percent Difference
		Before WN Entry	After WN Entry	Percent Change			
		261,580	295,490	13.0%			
Orlando	+OR	131,530	136,140	3.5%	\$ 105.60	\$ 89.99	17.3%
Tampa	+TP	66,060	77,160	16.8%	\$ 116.77	\$ 90.37	29.2%
Fort Lauderdale	+FF	39,630	51,770	30.6%	\$ 119.47	\$ 98.50	23.8%
New Orleans	+NR	16,580	17,800	6.7%	\$ 134.56	\$ 108.15	24.4%
Oakland	+OA	3,770	8,020	59.7%	\$ 270.21	\$ 179.19	50.8%
Ontario/San Berndn	+ON	3,890	6,600	69.7%	\$ 220.34	\$ 177.16	24.4%
Markets Without Low Fare Influence at Portland		227,897	236,173	-4.1%			
Chicago	+CH	103,520	108,370	4.7%	\$ 168.47	\$ 97.11	71.4%
Los Angeles	+LA	47,380	42,520	-10.3%	\$ 236.78	\$ 163.06	45.2%
Dallas/Fort Worth	+DA	45,050	42,440	-5.8%	\$ 164	\$ 111.64	104.8%
San Francisco	+SF	45,110	39,070	-13.4%	\$ 255.27	\$ 186.03	37.2%
Raleigh/Durham	RDU	31,040	35,390	14.0%	\$ 145.31	\$ 98.37	47.7%
Las Vegas	+LV	38,900	34,870	-10.4%	\$ 175.34	\$ 136.71	29.2%
Baltimore	BWI	28,740	33,290	15.8%	\$ 144.59	\$ 57.51	151.4%
Detroit	+DT	36,110	33,100	-8.3%	\$ 244.16	\$ 236.87	3.1%
Phoenix	+PX	34,100	29,030	-14.9%	\$ 199.33	\$ 135.66	46.9%
Hartford	+HR	22,230	22,730	2.2%	\$ 198.04	\$ 128.09	55.5%
Seattle/Tacoma	+SE	21,940	21,270	-3.1%	\$ 230.25	\$ 176.09	30.8%
Houston	+HO	23,760	21,120	-11.1%	\$ 216.40	\$ 131.26	64.9%
San Diego	+SG	21,080	20,190	-4.2%	\$ 217.00	\$ 161.68	43.1%
St Louis	+SZ	17,610	15,870	-9.9%	\$ 184.82	\$ 167.53	10.3%
San Jose	+SJ	15,050	13,940	-7.4%	\$ 353.92	\$ 193.98	62.5%
Santa Ana	+SN	15,720	13,580	-13.6%	\$ 250.69	\$ 228.27	9.8%
Salt Lake City	+UT	11,870	13,580	14.4%	\$ 195.75	\$ 216.26	-9.5%
Jacksonville	+JX	11,170	13,060	16.9%	\$ 129.42	\$ 101.58	27.4%
Indianapolis	IND	11,900	11,530	-3.1%	\$ 217.41	\$ 167.52	29.8%
Kansas City	+MK	10,260	10,860	5.8%	\$ 211.00	\$ 124.46	88.5%
Portland	PDX	10,530	10,600	0.7%	\$ 266.45	\$ 200.60	32.8%
Nashville	BNA	13,200	10,510	-20.4%	\$ 180.14	\$ 125.94	43.0%
Austin	+AS	10,220	10,320	1.0%	\$ 236.61	\$ 137.16	72.5%
Providence	PVD	9,210	8,880	-3.6%	\$ 183.23	\$ 179.41	2.1%
Columbus	+CU	9,570	8,790	-8.2%	\$ 194.11	\$ 224.73	-13.6%
Cleveland	+CL	11,250	8,340	-25.9%	\$ 284.25	\$ 277.71	2.4%
Tucson	+TU	8,760	6,960	-20.5%	\$ 201.22	\$ 206.91	-3.7%
San Antonio	+SO	8,140	6,940	-14.7%	\$ 220.31	\$ 155.16	42.0%
Albuquerque	+AB	6,550	6,200	-5.3%	\$ 204.93	\$ 190.47	7.6%
Manchester	MHT	3,890	5,730	55.3%	\$ 175.66	\$ 188.33	3.7%
Omaha	+OH	4,230	4,270	0.9%	\$ 181.30	\$ 196.28	-7.6%
Sacramento	+SQ	4,960	4,240	-14.9%	\$ 251.98	\$ 180.13	39.9%
Louisville	+LU	4,450	3,910	-12.1%	\$ 194.60	\$ 139.12	39.9%
Reno	RNO	4,290	3,830	-10.7%	\$ 185.81	\$ 164.82	12.7%
Oklahoma City	+OL	3,390	3,540	4.4%	\$ 218.91	\$ 212.09	3.2%
Birmingham	BHM	4,370	3,400	-22.2%	\$ 200.35	\$ 154.81	29.4%
Tulsa	TUL	3,230	3,230	0.0%	\$ 244.59	\$ 231.80	5.6%
Long Island	+LI	4,340	3,020	-30.4%	\$ 138.70	\$ 148.38	-7.9%
El Paso	+EL	2,150	2,420	12.8%	\$ 286.86	\$ 203.32	41.1%
Boise	BOI	1,760	2,040	15.9%	\$ 270.19	\$ 202.24	33.6%
Little Rock	+LK	2,600	1,890	-27.3%	\$ 210.40	\$ 192.52	9.3%
Spokane	+SK	1,170	1,100	-6.0%	\$ 334.96	\$ 208.73	60.5%
Jackson	JAN	1,110	970	-12.6%	\$ 316.84	\$ 186.65	69.8%
Lubbock	+LB	620	610	-1.6%	\$ 261.98	\$ 177.17	47.9%
corpus Christi	+CS	550	360	-34.5%	\$ 238.52	\$ 219.17	8.8%
Amarillo	AMA	300	260	-13.3%	\$ 189.79	\$ 230.21	-17.6%
Hartigan	HLR	300	170	-43.3%	\$ 157.30	\$ 144.79	8.6%
Midland/Odessa	+MZ	200	180	-20.0%	\$ 177.81	\$ 209.65	-15.2%
Burbank	+BR	190	111	-63.2%	\$ 125.83	\$ 13.79	-5.9%



Section 203 Grant Application

Rochester, New York

April 2002



Southwest Airlines' entry into the Western New York Region at Buffalo has created significant passenger leakage liability as passengers "migrate" to lower fare service options not offered in the Rochester market. (Initial leakage estimates made indicated the market could potentially lose 10% to 15% of the airport's total traffic.)

JetBlue's competing low fare service has certainly mitigated a portion of the passenger losses to Buffalo, however, if left unchecked, the remaining non-competitive Southwest markets ~~from~~ Buffalo could continue to divert a larger portion of Rochester's traffic.

→ PROACTIVE INITIATIVES →

Since 1996, Rochester has actively commissioned deficiency studies, carrier specific fare-parity analysis, close-proximity airport leakage assessments, passenger airport preference surveys and local travel agent ticket lift sampling to identify and prioritize local ridership needs. GRIA will continue to expand its market research to include detailed fare samplings and ridership characteristics of its new AirTran patronage. At present, there is no plan to hire additional full-time equivalent positions to enact this action plan as GRIA intends to rely upon in-house resources

in addition to continuing its project-specific aviation consultancy service which has conducted all of the previously enacted competitive studies during the past five years.

Rochester Pro-Active Initiatives

- \$150 million Airport Renovation and Expansion Program.*
- Airport Landing Fees Reduced to Lowest in New York State.
- New York City Air Travel Assessment and Market Preference Survey.
- Low Fare Carrier New Service Presentations: Southwest, America West, AirTran, JetBlue, Midway, Vanguard.
- Carrier Route-Specific Fare Parity Studies.
- Flight-Specific Route Evaluations to Identify Capacity Constraints for Additional Frequency Considerations and/or Equipment Upgrades:
- Major Carrier Presentations: American, Delta, Northwest, TWA, United, US Airways.
- Startup Airline Feasibility Study
- Low Fare Leakage Assessments of Close-Proximity Airports.

* No additional **airside** or **groundside** capacity-related program **expenditures** required to accomplish **Action Plan goals**.



Section 203 Grant Application

Rochester, New York

April 2002



Rochester's **revenue guarantee** shortfall **obligation** to AirTran is an *essential community commitment* in securing new low fare nonstop jet services to Atlanta and Baltimore. The Plan's primary business objective is to provide *limited monetary assistance* to the carrier during its *initial service ramp-up and market penetration* which competitively dictates substantial upfront promotional expenditures and deeply discounted fare inducements to stimulate consumer awareness and increase ridership. The express intent of the *partnership* is to *share developmental risks* necessary to *establish and sustain* long-term aviation system *access* for the benefit of Rochester's core corporate citizenry (upon which the community's future economic viability is *dependent*. *Without the \$4.0 million revenue shortfall guarantee to cover the first two years of service, AirTran would not have initiated current service or planned future service opportunities.*

Rochester's newly introduced AirTran services provide the community a new carrier, new nonstop jet hub access, additional jet frequencies and *affordable, less restricted fares* for both leisure and business travelers. (AirTran's business class product is especially welcomed as an

important *service value enhancement* for Rochester's corporate travel departments which prohibit first class travel.)

Most importantly, AirTran's low fare "network" access provides a sufficiently large competitive influence to create (Southwest Effect) *total market stimulation*. Overall market stimulation will help sustain continuous, competitive hub service for the low fare carriers *as well as incumbent network carriers*.

Approval of Rochester's grant request will enable the community to *share* in the introductory underwriting of AirTran's sorely needed *fare relief* and *value added services* during this most critical National period of **air** service unpredictability. Grant participation will help insure the near-term viability and longer-term prospect for *sustaining* and *growing* AirTran's new service benefits for Rochester without jeopardizing the airport's future local landing opportunities. Grant approval will afford Rochester an *ample period to demonstrate sufficient customer responsiveness to establish market viability*. Additionally, Rochester's new Fair Air Fare Alliance was formed for the express purpose of securing community and corporate commitments to support AirTran service and has succeeded in receiving **firm** commitments. It will



Section 203 Grant Application

Rochester, New York

April 2002



continue to assist AirTran in achieving its economic objectives after the second year and growing beyond.

Rochester's revenue *shortfall* guarantee obligation program with AirTran is a carrier-specific funding commitment with definitive mission objectives limited to 2 years. Simply stated, the goals of this program are to provide revenue shortfall funding guarantees to AirTran, on a monthly basis for a period of two years, to share developmental *financial* risks establishing new network air carrier low fare services for the community. Total revenue shortfall guarantees to AirTran are capped at \$2 million annually. The mutual goal of all participating parties, including the requested "equal-sharing" grant assistance, is to minimize developmental financial risks for both the airline (AirTran) and community (Rochester) while assuring adequate financial sponsorship to

enable a sufficient period to establish market and financial maturity.

While this Action Plan limits stated goals to a two-year funding assistance period, the community has the more idealistic and long-term objective of stabilizing total market service levels for all existing service providers and simultaneously lowering average market fares.

The effectiveness of the Plan will be monitored on a monthly basis by way of *joint* reconciliation of passenger and revenue records as reported by AirTran to DOT.

The Action Plan budget reflects a quarterly estimate of anticipated shortfall guarantee support which may require adjustment within each calendar year based on actual need. However, in no instance will total guarantees exceed the annual program cap of \$2 million.

Budget for Immediate Action Plan
Program Objectives Limited to Two Years

	Initial 1st Year Funding	2002				2nd Year Funding	2003			
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Anticipated Local Share Local Government	\$1.35 Million	\$ 600,000	\$ 425,000	\$ 200,000	\$ 125,000	\$1.0 Million	\$ 350,000	\$ 300,000	\$ 200,000	\$ 150,000
Expected Federal Share Grant Funding	\$1.0 Million	\$ 400,000	\$ 275,000	\$ 200,000	\$ 125,000	\$1.0 Million	\$ 350,000	\$ 300,000	\$ 200,000	\$ 150,000
Total Funding Requirement	\$2.35 Million	\$ 1,000,000	\$ 700,000	\$ 400,000	\$ 250,000	Million	\$ 700,000	\$ 600,000	\$ 400,000	\$ 300,000

1) 90 days by introductory promotional fares, pre-operative advertising and aircraft expenses
First year required to be \$2.35 million; second year, primarily seasonal maturity: \$2 million

1) ADDITIONALLY: GRIA is providing an in-kind services.



Section 203 Grant Application

Rochester, New York

April 2002



GRIA In-Kind Services

- **50%** Reduction in Authority Rates & Charges (First ~~Year~~)
- Fuel Flowage Fees Waiver (First Year)
- Provide All Roadway and Terminal Signage
- Provide Preferential Usage of Gate 6B, Loading Bridge and Holding Room
- Capitalize and Install Second Jetbridge for AirTran Preferential Use
- Furnish **(2)** Back-Offices & **(4)** Ticket Counter Locations
- Use of County Ground Service Equipment, Including Pushback, Baggage Tugs & **Carts**, GPU, Airstart Unit and Baggage Loading Equipment

Rochester's newly introduced AirTran nonstop jet services to Atlanta and Baltimore represent the community's *last chance to secure low fare access* to a significant low fare carrier network system. Consequently, it was imperative that Rochester accept AirTran's conditional entry provision of providing *capped* revenue shortfall guarantees to offset anticipatory operating losses inherent in promoting and marketing the new arrivals' local market penetration and establishment of network services. These revenue shortfall guarantees will afford AirTran ample

time to *establish* and *sustain* competitive, value-added low fare services to 19 of Rochester's top 25 O&D markets without incurring traditionally prohibitive, upfront developmental risks.

After many years of diligent carrier campaigning, this was the one and only option available for Rochester. (Attached is a statement from AirTran affirming their commitment and request for favorable consideration for Rochester's Section 203 Grant application.)



Section 203 Grant Application

Rochester, New York

April 2002



AirTran Benefits

AirTran ranks as the Nation's largest National carrier, serving 38 domestic destinations with an all jet fleet principally comprised of new generation B717 aircraft.

AirTran Service Schedule Effective March 2002

Dept. Time	Arr. Time	Frequency	Routing
Rochester to Atlanta			
7:00 am	9:00 am	Daily	Nonstop
4:30 pm	6:30 pm	Daily	Nonstop
Atlanta to Rochester			
1:55 pm	3:55 pm	Daily	Nonstop
8:50 am	10:50 pm	Daily	Nonstop
Rochester to Baltimore			
6:20 am	7:20 am	Daily	Nonstop
5:40 pm	6:45 pm	Daily	Nonstop
Baltimore to Rochester			
3:55 am	5:00 pm	Daily	Nonstop
7:05 pm	8:10 pm	Daily	Nonstop

AirTran Serves 19 of Rochester's Top 25 Markets

	Nonstop Miles	Annual O&D Passengers	Average Fare	Average Yield	Nonstop Service
1 New York, LaGuardia	254	170,710	\$134.88	52.80	AA US
2 Orlando	1,033	131,530	\$107.44	9.69	
3 Boston	343	127,820	\$142.48	40.68	AA US
4 Chicago, O'Hare (FUMDW)	528	102,490	\$180.25	33.41	AA UA
5 New York, Newark	246	75,870	\$144.05	58.46	CO US
6 Atlanta	749	66,970	\$190.56	24.34	DL
7 Tampa	1,079	66,080	\$120.95	10.39	
8 Philadelphia	257	61,010	\$199.22	75.43	US
9 Washington, National (FUIAD)	286	60,360	\$154.13	49.28	US
10 New York, Kennedy	264	52,500	\$83.40	31.60	AA B6
11 Los Angeles	2,272	47,380	\$259.81	10.88	
12 San Francisco	2,361	45,110	\$276.37	11.06	
13 Dallas/Fort Worth	1,266	44,820	\$220.43	16.19	
14 Ft. Lauderdale	1,184	39,630	\$127.76	9.95	
15 Las Vegas	2,041	38,900	\$185.27	8.70	
16 Washington, Dulles	289	37,640	\$138.00	46.62	UA
17 Detroit	296	36,110	\$240.53	78.97	NW
18 Denver	1,413	35,400	\$221.86	14.44	
19 Phoenix	1,967	34,100	\$208.36	10.06	
20 West Palm Beach (FUFL)	1,141	33,220	\$121.09	9.92	
21 Raleigh/Durham	503	31,050	\$161.44	28.63	
22 Fort Myers	1,166	30,490	\$126.60	10.04	
23 Baltimore	277	28,710	\$189.26	66.33	US
24 Miami	1,204	28,110	\$141.77	10.54	
25 Pittsburgh	224	28,000	\$187.17	82.53	US

AirTran Service



Section 203 Grant Application

Rochester, New York

April 2002



AirTran Will Save Rochester Passengers \$9.7 Million in the First Year

Rochester To/From:	Unstimulated Annual Passengers	Rochester Originating	Average O.W. Market Fare	Percent Discount	Total Passenger Savings
Segment 1 ROC - ATL					
Atlanta	69,693	35,822	\$173.43	20.0%	\$1,242,531
Connecting Markets:					
Orlando	125,130	102,319	\$105.60	10.0%	\$1,080,487
Tampa	66,730	47,045	\$116.77	10.0%	\$549,340
Ft. Lauderdale	43,920	31,816	\$119.47	10.0%	\$380,102
Dallas/Fort Worth	39,660	22,063	\$230.77	20.0%	\$1,018,289
Raleigh/Durham	34,340	16,390	\$145.31	20.0%	\$476,340
Fort Myers	31,110	23,967	\$124.36	10.0%	\$298,055
Miami	22,140	17,216	\$143.50	10.0%	\$247,051
New Orleans	16,710	13,537	\$134.56	10.0%	\$182,151
Jacksonville	10,320	6,748	\$129.42	10.0%	\$87,336
Greensboro	8,650	3,901	\$141.54	20.0%	\$110,434
Myrtle Beach	5,200	4,224	\$123.46	20.0%	\$104,311
Savannah	4,420	3,079	\$130.32	20.0%	\$80,239
Tallahassee	2,910	1,735	\$143.23	20.0%	\$49,699
Pensacola	1,940	1,215	\$188.71	20.0%	\$45,850
Houston, Hobby	1,800	968	\$218.29	20.0%	\$42,247
Gulfport/Biloxi	540	335	\$217.66	20.0%	\$14,575
TOTAL ATL	485,213	332,379			\$6,009,035
<hr/>					
Baltimore	30,110	15,287	\$144.59	20.0%	\$442,065
Dulles (Via BWI)	34,650	17,325	\$133.50	20.0%	\$462,578
National (Via BWI)	58,200	34,251	\$155.77	20.0%	\$1,067,046
Connecting Markets:					
Boston	117,860	57,433	\$148.13	20.0%	\$1,701,515
TOTAL BWI	240,820	124,296			\$3,673,204
Total Rochester Passenger Savings					\$9,682,239



Section 203 Grant Application

Rochester, New York

April 2002



AirTran Passenger Stimulation Will Add \$6.4 Million to the Local Economy in the First Year

Rochester To/From:	Estimated Annual Stimulated Passengers	Inbound To Rochester	Average Visitor Expenditure*	Annual Increased Revenue
Segment 1 ROC - ATL				
Atlanta	27,877	13,548	\$125.00	\$1,693,542
Connecting Markets:				
Orlando	31,283	5,703	\$125.00	\$712,850
Tampa	13,346	3,937	\$125.00	\$492,134
Ft. Lauderdale	6,588	1,816	\$125.00	\$226,957
Dallas/Fort Worth	3,966	1,760	\$125.00	\$219,964
Raleigh/Durham	1,717	897	\$125.00	\$112,184
Fort Myers	4,667	1,071	\$125.00	\$133,929
Miami	1,107	246	\$125.00	\$30,775
New Orleans	4,178	793	\$125.00	\$99,183
Jacksonville	2,064	714	\$125.00	\$89,294
Greensboro	433	237	\$125.00	\$29,680
Myrtle Beach	1,300	244	\$125.00	\$30,485
Savannah	221	67	\$125.00	\$8,384
Tallahassee	582	235	\$125.00	\$29,376
Pensacola	291	109	\$125.00	\$13,597
Houston, Hobby	360	168	\$125.00	\$20,808
Gulfport/Biloxi	81	31	\$125.00	\$3,848
TOTAL ATL	100,059	31,576		\$3,946,970
<hr/>				
Baltimore	12,044	5,929	\$125.00	\$741,158
Dulles (Via BWI)	3,486	1,733	\$125.00	\$216,563
National (Via BWI)			\$125.00	\$0
Connecting Markets:				
Boston	23,572	12,085	\$125.00	\$1,510,671
TOTAL BWI	39,081	19,747		\$2,468,391
Total Local Revenue Gain				\$6,415,381



Section 203 Grant Application

Rochester, New York

April 2002



EXECUTIVE SUMMARY



- **Rochester's** airfares have *consistently* been among the Nation's *highest* during the past decade, resulting in essentially *static local traffic* while U.S. domestic passenger traffic jumped 40% for the same period. The *prolonged absence of lowfare network access* has been a detriment to the community's economic vitality and continues to be a major impediment in attracting and retaining its core corporate citizenry.
- **Rochester's** grant application *need* meets *all* qualifying criteria and satisfies *each* of the four community conditions warranting *priority consideration* for requested assistance under Section 203: Improved Air Service to Airports Not Receiving Sufficient Service.
- **Rochester's** grant request seeks *matching* funds totaling \$2 million over a two-year period. These assistance monies do not include additional dedicated GRIA *in-kind services valued at \$350,000*. The community's revenue shortfall obligation to AirTran represents an *essential local business commitment* to secure new low fare air service for the benefit of Rochester's future economic competitiveness.
- Approval of Rochester's two year program grant assistance will enable the community to equally share initial service developmental risks inherent with introducing and establishing vitally needed low fare service access the National Air Service System *without* deleting or jeopardizing necessary ongoing airport improvement programs.



Section 203 Grant Application

Rochester, New York

April 2002



- ➔ AirTran's newly introduced daily low fare nonstop jet frequencies to the Atlanta and Baltimore hubs will provide *immediate* and *substantial* fare savings to 20 cities, including 11 of Rochester's top 20 O&D destinations. Local Rochester originating passengers are projected to save almost \$10 million over current fare offerings during the first year, with newly stimulated visitor traffic adding another \$6 million to the local economy within the initial year of service.
- ➔ The projected *grant's* revenue sharing shortfall *participation* is limited to a two year term and is capped not to exceed *distribution & contingent operating loss shortfall guarantees & \$1 million annually; \$2 million* over the two year program life.
- ➔ Success of the Rochester/AirTran initiative can serve as an effective model for other US small hub airports being penalized with **high** fares and insufficient service. This innovative Section 203 Pilot Program will provide welcomed assistance to smaller hub airports seeking to improve or expand their respective economic contributions to the benefit of their local communities.

Respectfully Submitted,

Mr. Terrence Slaybaugh
 Airport Director
 Greater Rochester International Airport
 1200 Brooks Avenue
 Rochester, New York 14624
 (585) 464-6010

Mr. Rocco DiGiovanni
 Executive Director
 County of Monroe Industrial Development Agency
 8100 City Place, 50 West Main Street
 Rochester, New York 14614
 (585) 428-5260

All correspondence and inquiries relating to this grant application should be directed to the above sponsors.

Appendix A

AirTran Airways Support Letter



April 10, 2002

U. S. Department of Transportation

Re; Greater Rochester International Airport section 203 Grant Application dated April xx, 2002

Dear DOT,

AirTran Airways commenced air service in Rochester New York effective March 14, 2002 under a unique public-private partnership program with the County of Monroe and State of New York which minimizes the risk of expansion for the airline by establishing a Guarantee to cover any operating revenue shortfall for a period not to exceed two years capped at \$2.0 million per year. The benefit to the community is improved air service to Baltimore-Washington and Atlanta with low fare connecting service to the Southeast United States.

This two-year period is our best estimate of how long it will take to establish profitable and viable operations in this market. The partnership addresses the many barriers to entry faced by low cost carriers, including: incumbent carrier response, frequent traveler incentive programs, corporate and agency override programs. The structure of the partnership mitigates the risk of expansion in an uncertain economy by addressing the competitive and potential predatory issues the airline will face in this market. Rochester has historically had some of the highest fares in the country which has had a detrimental impact on the economy of the region. The low fare air service will have a substantial impact in the region and will improve the business environment in this important upstate New York community.

AirTran Airways is committed to offer improved service at a substantially lower price structure in these market as well as others. In addition we plan to connect to underutilized markets as they can be integrated into our system.

We ask your support for this section 203 Grant application for the Greater Rochester International Airport.

Sincerely

Joe Leonard, Chairman

Appendix B

GRIA Airport Operating Budgets 1999 – 2001



Statements of Revenues and Expenses

1999 - 2001

	<u>1999</u>	<u>2000</u>	<u>2001</u> <u>Unaudited</u>
Operating Revenues			
Landing Fees	\$ 2,762,002	\$ 2,963,096	\$ 2,931,631
Rental Fees	\$ 8,981,217	\$ 8,067,997	\$ 8,228,760
Car Rental Commissions	\$ 2,713,555	\$ 2,638,400	\$ 2,484,287
Parking Commissions	\$ 2,869,329	\$ 3,031,671	\$ 2,095,653
Concessions	\$ 2,474,216	\$ 2,711,832	\$ 2,730,570
Fuel Farm	-	<u>\$ 304,059</u>	<u>\$ 225,000</u>
	\$ 19,800,319	\$ 19,717,055	\$ 18,695,901
 Operating Expenses			
Operating and Maintenance	\$ 10,002,030	\$ 10,789,580	\$ 11,169,702
Depreciation and Amortization	\$ 5,146,614	\$ 5,173,140	\$ 3,705,563
Rent Expense	\$ 630,945	\$ 654,898	\$ 827,854
Other	<u>\$ 252,654</u>	<u>\$ 214,138</u>	<u>\$ 364,694</u>
	\$ 16,032,243	\$ 18,831,756	\$ 16,067,813

Appendix C

GRIA Airport Operating Budget 2002 (Estimated)

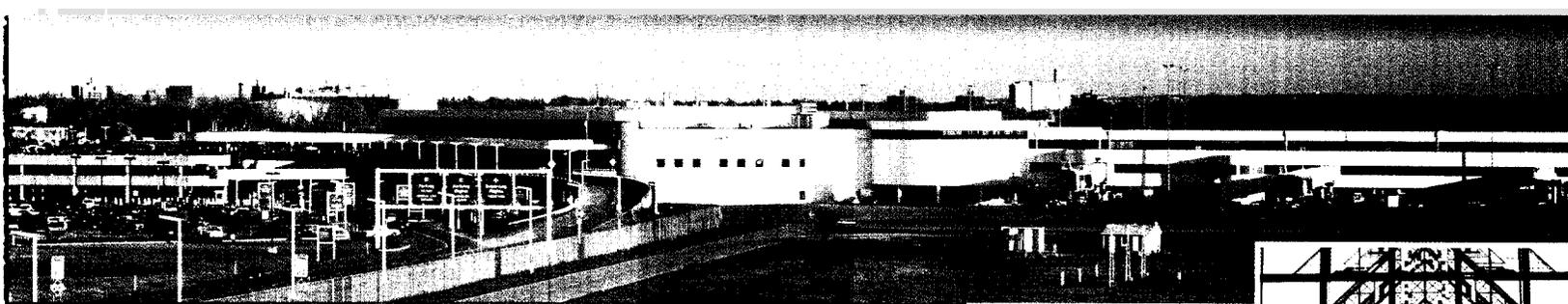


2002 GRIA Operating Budget

FY 2002 Operating Budget	<u>Expenses</u>		
Administration	\$ 2,168,213	Terminal O&M	\$ 6,254,124
Security	\$ 1,943,932	Parking	\$ 213,429
Fire Rescue	\$ 1,651,226	Airfield & Other	\$ 6,413,295
Field Maintenance	\$ 3,520,315		
Custodial Services	\$ 1,962,586		
Building Operations	\$ 1,634,576		
Total	\$ 12,880,848		
O&M Expenses	\$ 12,880,848		
Capital Charges	\$ 9,145,839		
Capital Charge Coverages	\$ 2,194,402		
	\$ 24,221,089		
Non-Airline Revenues	\$ 11,401,750		
Investment Earnings	\$ 1,056,994		
Terminal Facility Use Fee	\$ 1,185,501		
Aircraft apron Fees	\$ 614,706		
transient Landing Fees	\$ 1,300,000		
Other Availble Funds Application	\$ 1,081,690		
	\$ 16,700,641		
Signatory Terminal Rentals	\$ 5,429,920		
Signatory Landing Fees	\$ 2,090,528		

Appendix D

Greater Rochester International Airport Brochure



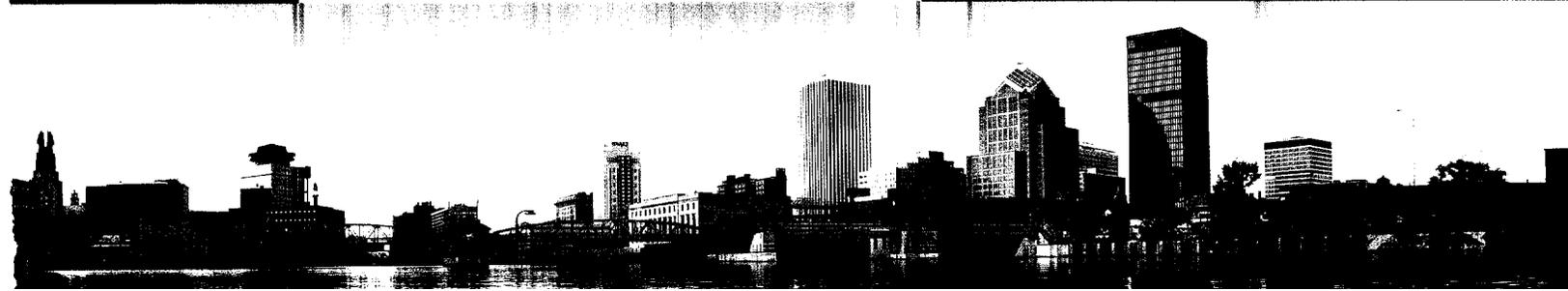
GREATER ROCHESTER INTERNATIONAL AIRPORT



*Connecting Western New York
To The World.*



GREATER ROCHESTER
INTERNATIONAL AIRPORT



At the
center of
western
New York's
dynamic
economic
market.



GRIA handles 220 flights per day to 20 cities, serving more than 2.5 million passengers annually. The airport's upgraded concourses and terminals, along with its proximity to surrounding communities, make traveling comfortable and convenient.

The Greater Rochester International Airport (GRIA) is strategically positioned, within close proximity to surrounding communities and more importantly the City of Rochester. A city with a professional spirit and a big heart.

Located on Interstate 390 and just 10 minutes from the New York State Thruway, GRIA is the most convenient airport in upstate New York. And its position—centrally located between Buffalo to the west, Syracuse to the east, and Toronto to the north—makes GRIA the gateway to western New York.

Rochester, the third largest metropolitan area in New York State, is directly across Lake Ontario from Toronto, Canada—with just an hour commute to the Canadian border at Niagara Falls. GRIA provides competitive air travel services to people from all communities, serving a population of more than three million people.

Business professionals and the public are serviced through six major carriers, 12 commuters, corporate jets and numerous charters throughout the year. GRIA is a medium hub airport which handles 220 flights per day to 20 cities (23 airports), serving more than 2.5 million passengers annually. Moreover, thanks in part to Rochester's renowned stable, growing economy, 60 percent of the airport's passengers are business travelers.



Monroe County, New York Proven success.

Rochester is nestled comfortably in the County of Monroe, a region with a strong manufacturing and high-technology employment base, and home to more than 90% of the nation's optics and imaging firms. On a per capita basis, Monroe County's industries export more manufactured goods than any other community in the United States. In fact, Monroe County exports more products than at least 40 of the 50 states.

Monroe County proudly serves as World Headquarters to three fortune 500 companies—Eastman Kodak Company, Xerox and Bausch and Lomb as well as large manufacturing facilities like General Motors, Xerox and Johnson and Johnson.

Traveler's choice.

GRIA provides vital air transportation services to cities in the northeast and to major hubs in the Midwest. In addition, it serves as an important economic component of the air transportation network connecting western New York to other parts of the nation and world.



**ROCHESTER, NEW YORK. VOTED ONE OF
THE TOP 10 FRIENDLIEST CITIES IN AMERICA.**

GREATER ROCHESTER OUT-EXPORTS AT
LEAST 40 OF THE 50 STATES, AND IS ONE
OF THE LEADING, PER CAPITA EXPORTING
REGIONS IN THE COUNTRY.



GRIA provides vital air transportation services and business opportunities for corporate travelers. Undeveloped acreage surrounding the facility lends itself to continued growth and expansion.



Contemporary, convenient, customer-focused.

GRIA is a competitively superior, modern facility with an outstanding reliability record in inclement weather.

In 1993, GRIA completed a \$110 million dollar expansion adding 380,000 square feet of new terminal space. Upgraded concourses and terminals exceed today's traveler's expectations with future growth in sight. Ample counter space and gates are available, and in excess of 30 acres is ready for development.

Hospitality services at GRIA are also the best available. GRIA offers: a full service business center; corporate meeting rooms; a hotel/motel telephone reservation system; and an Ambassador program to assist travelers with flight information, cancellations, delays and directions.

Also, the airport affords passengers parking just a few steps away from the terminal and services such as on-site airport parking, short-term/long-term/weekly parking, shuttle services, and Zoom Lanes for frequent flyers.

For business customers and international flights, United States Customs Operations are open 24 hours, seven days a week. The airport's central location and proximity to major business destinations makes GRIA ideal for cargo operations.

Professional. Reliable.

Convenient, reliable air transportation services are provided daily at GRIA. Whether traveling to and from, or doing business with the airport—professional, accommodating services are guaranteed.

*Monroe County is
home to three
Malcolm Baldrige
National Quality
Award winners
and has over 88
ISO-9000 registered
companies.*





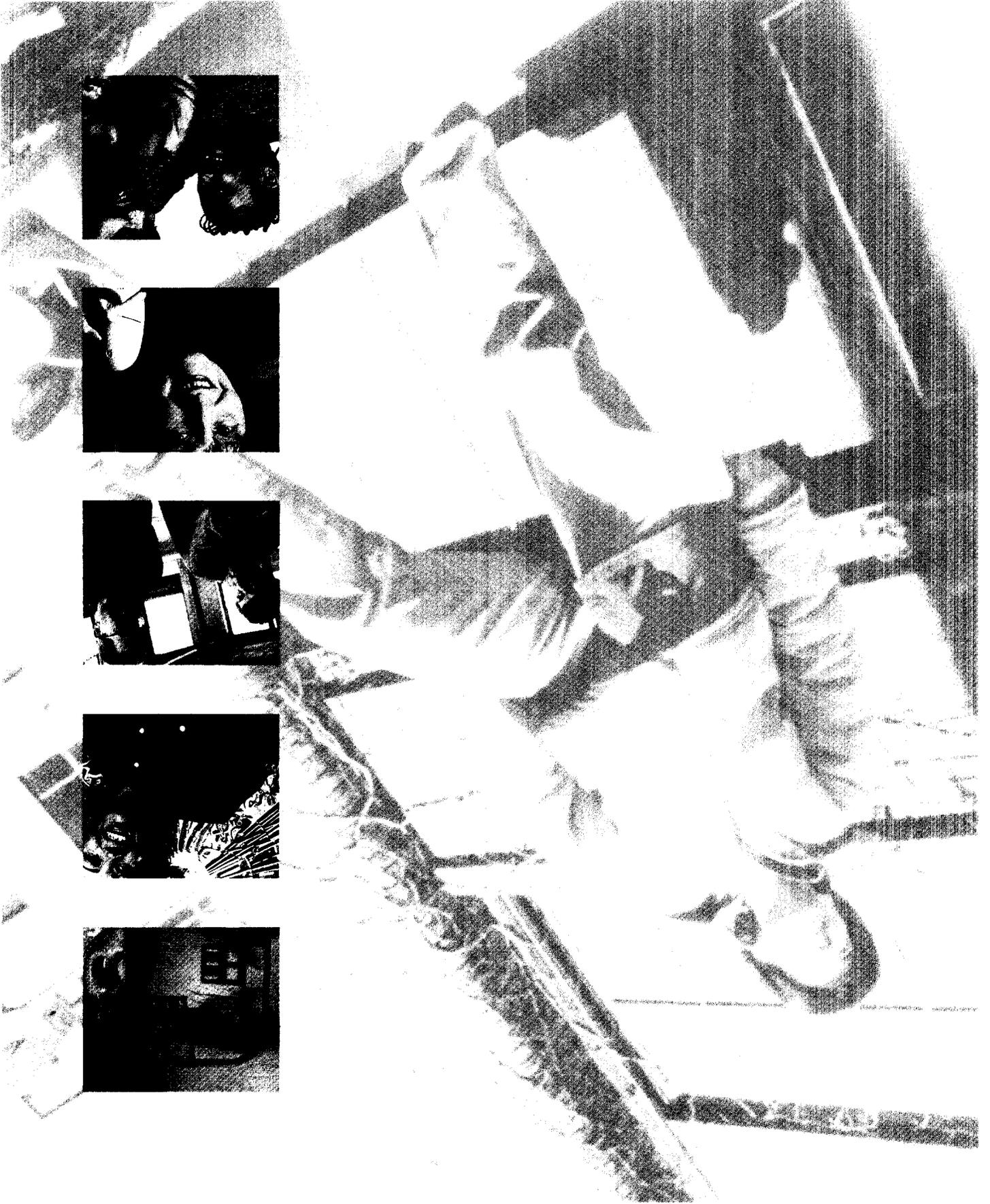
For more information contact:
1200 Brooks Avenue
Rochester, NY 14624
716-464-6020
<http://www.roairport.com>



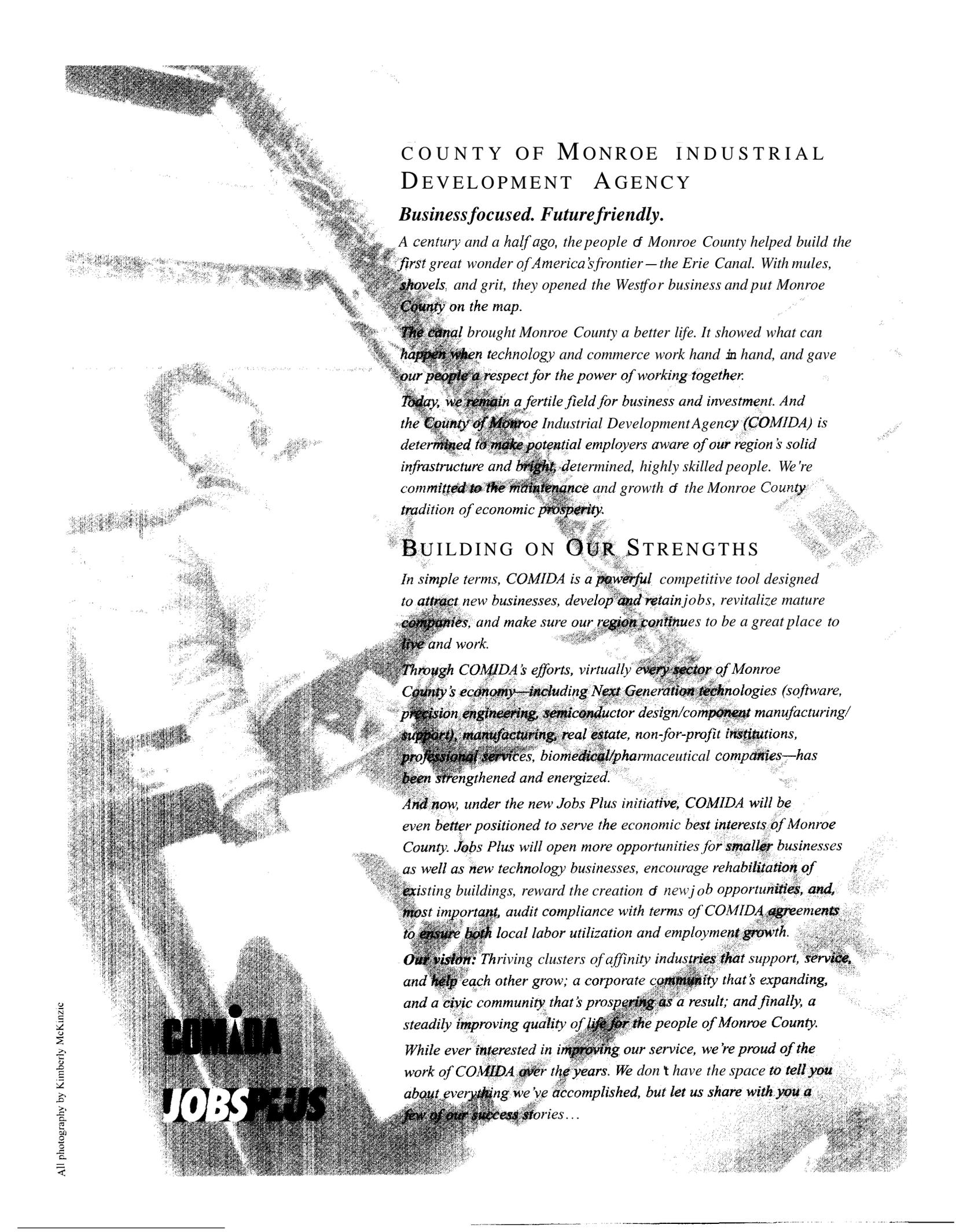
Jack Doyle
County Executive

GREATER ROCHESTER INTERNATIONAL AIRPORT

Appendix E
County of Monroe Brochure



OUR FUTURE AT WORK



COUNTY OF MONROE INDUSTRIAL DEVELOPMENT AGENCY

Business focused. Future friendly.

A century and a half ago, the people of Monroe County helped build the first great wonder of America's frontier—the Erie Canal. With mules, shovels, and grit, they opened the West for business and put Monroe County on the map.

The canal brought Monroe County a better life. It showed what can happen when technology and commerce work hand in hand, and gave our people a respect for the power of working together.

Today, we remain a fertile field for business and investment. And the County of Monroe Industrial Development Agency (COMIDA) is determined to make potential employers aware of our region's solid infrastructure and bright, determined, highly skilled people. We're committed to the maintenance and growth of the Monroe County tradition of economic prosperity.

BUILDING ON OUR STRENGTHS

In simple terms, COMIDA is a powerful competitive tool designed to attract new businesses, develop and retain jobs, revitalize mature companies, and make sure our region continues to be a great place to live and work.

Through COMIDA's efforts, virtually every sector of Monroe County's economy—including Next Generation technologies (software, precision engineering, semiconductor design/component manufacturing/support), manufacturing, real estate, non-for-profit institutions, professional services, biomedical/pharmaceutical companies—has been strengthened and energized.

And now, under the new Jobs Plus initiative, COMIDA will be even better positioned to serve the economic best interests of Monroe County. Jobs Plus will open more opportunities for smaller businesses as well as new technology businesses, encourage rehabilitation of existing buildings, reward the creation of new job opportunities, and, most important, audit compliance with terms of COMIDA agreements to ensure both local labor utilization and employment growth.

***Our vision:** Thriving clusters of affinity industries that support, service, and help each other grow; a corporate community that's expanding, and a civic community that's prospering as a result; and finally, a steadily improving quality of life for the people of Monroe County.*

While ever interested in improving our service, we're proud of the work of COMIDA over the years. We don't have the space to tell you about everything we've accomplished, but let us share with you a few of our success stories...

COMIDA
JOBS PLUS



Ken Buck, Axxicon's, finance manager, believes quality workers give Axxicon the edge on competition.

PRECISION

MONROE COUNTY OFFERS
ONE OF THE TOP FOUR
PRECISION-MANUFACTURING
INFRASTRUCTURES IN
THE UNITED STATES.

PROJECT DETAIL

AXXICON COMPONENTS, UNIVERSITY PARK

Develops and manufactures high-performance, high-grade engineering components for the global market, specializing in precision parts for the automotive and document-processing industries

PROJECT

Axxicon, through a relationship established with the design builders The Nichols Team, Inc., built and equipped a 20,000 square-foot, \$25 million world-class manufacturing facility. Through a sale/leaseback, COMIDA provided a sales tax exemption on construction materials and a 10-year enhanced property tax abatement.

RESULT

Axxicon, a fast-growing company, headquartered in The Netherlands, met increasing worldwide demand for product by expanding into the U.S. Monroe County gained a new, stable, quality-focused employer.

The County of Monroe Industrial Development Agency (COMIDA) is a not-for-profit, public benefit corporation and governmental agency. Its purpose is to encourage established businesses to expand locally and to attract new industries to the Greater Rochester area. The agency's primary goal is to help businesses create and retain jobs.

COMIDA and Monroe County Department of Planning and Development's combined staffs act in concert with other economic development organizations in the community, and with state and federal organizations. COMIDA serves as a conduit for industrial revenue bonds (IRBs), which are used to finance business location and expansion projects. COMIDA itself does not lend money.

COMING TO AMERICA

Old traditions flourish in a brave new world.

From a distance, it's unremarkable. Another modern, brick-and-glass facility in University Park. But step inside, and a couple of things strike you. First, the quiet. A low buzz of activity in the offices, and, even in the manufacturing area, about the only sound you hear is the steady hum of efficiency.



Axxicon's new, spotless manufacturing area.

MANUFACTURING

The other thing that hits you is the nearly spotless environment. Not exactly up to NASA dust-free standards, perhaps. But for a busy manufacturing plant, it's very clean.

The calm and tidy industriousness of Axxicon Components reflects the culture of its parent company, based in The Netherlands. And the company's desire to sustain that culture is part of the reason they built a new plant in Monroe County.

"Our local culture is an excellent fit for a Dutch company," says Ken Buck, Axxicon's finance manager. "Our European facilities were about maxed out, our worldwide customer base is growing, and it made sense to locate in North America. Axxicon wasn't looking for financial incentives so much as a location that would support a fast-paced hard-working company culture."

And that's what they found in Monroe County, along with a pool of highly skilled workers. "Our stock in trade is quality, professionalism, attention to detail," says

Buck. "We found that people in the Rochester area relate to these concepts; as an employer, that gives us a real edge."

Infrastructure played an important part in the decision to build in Rochester, too. "We ship thousands of parts," says Buck, "and we have to be absolutely sure the right parts get to the right people at the right time. Our logistics system here helps make that possible."

"We weren't really sure what to expect here, but the people at COMIDA and ESD [Empire State Development] understood immediately what we were looking for in terms of employees, services, vendors, and—maybe most of all—culture. They provided an introduction to the area, and helped us get started on the right foot."

With so many U.S. jobs heading offshore, the Axxicon story is a refreshing reversal of fortune. "We have a great facility here," says Buck, "and we're still growing. With the support of The Nichols Team, I'm sure we'll be knocking out more walls soon."

COMIDA ASSISTED
PRECISION MANUFACTURING PROJECTS
997 Beahan Rd. Assoc./Gatti Tool
2883 Associates, LLC/Pulsafecder Inc.
ABB Instrumentation
Accede Mold & Tool
Acro Tool/Noto & Gefell
Advent Tool & Mold
AJL Tool/LaGrange Associates
Alliance Precision Plastics (Alliance Mold)
Allied Group - Webster Plastics
Amplaco, Inc.
Apollo Tool & Die/H&G Hakiel
Axxicon Components
Brazil Merk Realty/Century Mold
Caldwell Manufacturing Company Inc.
Cam-Tech/Fairon Associates, LLC
CooperVision, Inc.
CVC Products
Detection Systems
ENBI Rochester, Inc.
Flower City Printing, Inc.
General Motors/Delco Products
General Motors/Delphi Energy
GRS
Hansford Manufacturing
Hy-Tech Mold, Inc.
Illbruck Office Products, Inc.
Jada Precision Plastics
K&W Manufacturing
KJ Electric Company
Liberty Tool Corporation
Magnetic Technologies Corporation/Linden Properties
Micro Instrument Corporation
Nationwide Precision Products Corporation
Nylomold Corporation
Parlee/Despatch Associates
Performance Technologies/C&J Enterprises
Precision Grinding
Riverside Manufacturing/C&P Equities
Quahecoat, Inc.
Sentry Group
Superior Technology/Shortino Properties
Sybron Corporation/Nalge
Windsor Manufacturing



Municipal bond funds and individual investors (through an underwriter) buy the bonds issued by COMIDA. The proceeds are then used to fund the applicant. The bonds are limited obligations of COMIDA, and are not obligations of the county, any municipality, or New York State.

50,000
40,000
30,000
20,000
10,000
5,000

18,528
Jobs Created

49,164
Jobs Retained

COMIDA EMPLOYMENT RESULTS 1973-1998

*Mike Chapin, director, Operations Support,
sees a bright future at Medeva.*

PROJECT DETAIL

MEDEVA PHARMACEUTICALS, INC., 755 JEFFERSON ROAD Develops, manufactures, and markets prescription pharmaceutical products, focusing primarily on central nervous system, respiratory, gastrointestinal, anesthesia, and vaccine/immunology products. The Rochester site is headquarters for the U.S. operations of UK-based Medeva PLC.

PROJECT

Acquire, renovate, equip, and staff a 558,000-square-foot facility, investing \$91 million over five years. COMIDA provided sale/leaseback incentives in conjunction with an incentive package provided by Empire State Development.

RESULT

The facility is now a world-class pharmaceutical production and development complex. The project, when complete, is expected to result in the creation of 249 jobs. Medeva will have nearly 500 employees at this site by the turn of the century.

BORN OF ONE OF AMERICA'S
RICHEST EDUCATIONAL AND
MEDICAL COMMUNITIES,
MONROE COUNTY'S BIOTECH
INDUSTRIES ARE BOOMING.



BIOMEDICAL/ PHARMACEUTICAL INDUSTRY

Industrial revenue bonds can be either tax exempt or taxable. tax exempt IRBs are the traditional form of bond financing, and apply to manufacturing facilities. Taxable IRBs can apply to either non-manufacturing or manufacturing facilities.

Another method of COMIDA assistance, the sale-leaseback, enables companies to receive the benefits of COMIDA without the need to issue bonds.

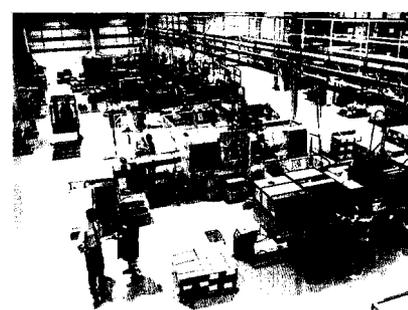
Civic facility bonds permit 501 (c) (3) non-profit organizations to access the bond market to obtain tax-exempt financing.

Other methods of bond financing include public improvement revenue bonds, resource recovery bonds, and refunding bonds.

COMING TO AMERICA

Old traditions flourish in a brave new world.

From a distance, it's unremarkable. Another modern, brick-and-glass facility in University Park. But step inside, and a couple of things strike you. First, the quiet. A low buzz of activity in the offices, and, even in the manufacturing area, about the only sound you hear is the steady hum of efficiency.



Axxicon's new, spotless manufacturing area.

The other thing that hits you is the nearly spotless environment. Not exactly up to NASA dust-free standards, perhaps. But for a busy manufacturing plant, it's *very* clean.

The calm and tidy industriousness of Axxicon Components reflects the culture of its parent company, based in The Netherlands. And the company's desire to sustain that culture is part of the reason they built a new plant in Monroe County.

"Our local culture is an excellent fit for a Dutch company," says Ken Buck, Axxicon's finance manager. "Our European facilities were about maxed out, our worldwide customer base is growing, and it made sense to locate in North America. Axxicon wasn't looking for financial incentives so much as a location that would support a fast-paced, hard-working company culture."

And that's what they found in Monroe County, along with a pool of highly skilled workers. "Our stock in trade is quality, professionalism, attention to detail," says

Buck. "We found that people in the Rochester area relate to these concepts; as an employer, that gives us a real edge."

Infrastructure played an important part in the decision to build in Rochester, too. "We ship thousands of parts," says Buck, "and we have to be absolutely sure the right parts get to the right people at the right time. Our logistics system here helps make that possible."

"We weren't really sure what to expect here, but the people at COMIDA and ESD [Empire State Development] understood immediately what we were looking for in terms of employees, services, vendors, and—maybe most of all—culture. They provided an introduction to the area, and helped us get started on the right foot."

With so many U.S. jobs heading offshore, the Axxicon story is a refreshing reversal of fortune. "We have a great facility here," says Buck, "and we're still growing. With the support of The Nichols Team, I'm sure we'll be knocking out more walls soon."

COMIDA ASSISTED
PRECISION MANUFACTURING PROJECTS
977 Beahan Rd. Assoc. **Gatti Tool**
2883 Associates, LLC Pulsafeeder Inc
ABB Instrumentation
Accede Mold & Tool
Acro Tool Noto & Gelfell
Advent Tool & Mold
AJL Tool/LaGrange Associates
Alliance Precision Plastics (Alliance Mold)
Allied Group Webster Plastics
Amplaco, Inc.
Apollo Tool & Die/H&G Hakiel
Axxicon Components
Brazil Merk Realty/Century Mold
Caldwell Manufacturing Company Inc.
Cam-Tech, Fairon Associates, LLC
CooperVision, Inc.
CVC Product,
Detection Systems
ENBI Rochester, Inc.
Flower City Printing, Inc.
General Motors/Delco Products
General Motors/Delphi Energy
GRS
Hansford Manufacturing
Ily-Tech Mold, Inc.
Illbruck Office Products, Inc.
Jada Precision Plastics
K&W Manufacturing
KJ Electric Company
Liberty Tool Corporation
Magnetic Technologies Corporation/Linden Properties
Micro Instrument Corporation
Nationwide Precision Products Corporation
Nylomold Corporation
Parlec Despatch Associates.
Performance Technologies/C&J Enterprises
Precision Grinding
Riverside Manufacturing/C&P Equities
Qualicoat, Inc.
Sentry Group
Superior Technology/Shortino Properties
Sybron Corporation Nalge
Windsor Manufacturing



Municipal bond funds and individual investors (through an underwriter) buy the bonds issued by COMIDA. The proceeds are then used to fund the applicant. The bonds are limited obligations of COMIDA, and are not obligations of the county, any municipality, or New York State.

50,000
40,000
30,000
20,000
10,000
5,000

18,528
Jobs Created

49,164
Jobs Retained

COMIDA EMPLOYMENT RESULTS 1973-1998

BUILT FOR THE LONG HAUL

This time, it's personal.

There have been some sad times at the building on Jefferson Road. In the past twenty years, it changed hands several times and the word "downsizing" was heard more than once.

"I saw it from both sides of the table," says Mike Chapin, now director, Operations Support, at the Medeva site. "Before Medeva purchased the facility, we saw downsizing after downsizing, and I was finally downsized myself. I don't know who gets hurt worse—the people who go or the ones who stay. You pay a heavy emotional price either way."

Bert LaClair, now an administrative assistant at Medeva, worked at the Jefferson Road facility for nine years through two changes of ownership. Then—before Medeva took over the premises—she was let go. "I was lost," she says. "It was just business, but honestly, I felt a little betrayed."



COMIDA ASSISTED
BIOMEDICAL/PHARMACEUTICAL INDUSTRY PROJECTS
ACM Medical Laboratory
J&J Clinical Diagnostics
Medeva



Both LaClair and Chapin stayed in touch with the industry. They had a lot of experience in the pharmaceutical business and felt a certain attachment to the location. When Medeva bought the facility in 1996, they jumped at the opportunity to come back to work.

Chapin sees a whole new attitude. "Medeva's different. They're investing, not only in bricks and mortar, but also in people and equipment. They've brought in former employees, new employees, and new products. Medeva wants us to be world class and leading edge."

"I think if you look at Medeva and COMIDA, they both have similar goals," says LaClair. And what are those goals? "Well, we're very busy. We've got a lot of new employees. And even though Medeva is a global company, the truth is it still feels like we're a big family because we've been able to stay together over the years. Are those goals? Well, whatever. It works for me."



Bert LaClair, administrative assistant, is upbeat about the Medeva "family."

THE PROCESS:

An interested company must submit an application to COMIDA for approval by the agency and its Board of Directors. After the application is approved, the company must then commit its underwriter to arrange the purchase of the bonds to be issued on behalf of the company. The underwriter may require that a bank guarantee the repayment of the bonds through a letter of credit.





THE KNOWLTON BUILDING, CASCADE HISTORIC DISTRICT

A former factory will soon become home to a range of high-tech light-industrial companies.

PROJECT

Refurbish and rehab an aging, empty, but structurally solid 100,000-square-foot building to bring its four spacious floors back to life. COMIDA teamed up with the City of Rochester to provide a variety of tax incentives for this designated NYS Economic Development Zone project.

RESULT

A nearly forgotten city sector takes another step toward becoming a centerpiece in a thriving Rochester. The project will provide space for dozens of service, and next generation high-tech businesses that will create more than a hundred jobs.

PROJECT DETAIL

A CITY IS A HAPPIER PLACE WHEN DOWNTOWN HAS THAT HEALTHY GLOW.

URBAN REVI

The underwriter or bank and the company then negotiate the terms of the bonds, including the length, interest rate, and additional financial terms.

Once the financing documents are prepared, bonds are issued in COMIDA'S name and sold to municipal funds and individual investors who then are the lenders to the projects. The proceeds are used to purchase real estate, construct and equip the project.

When the project is completed, it is leased to the company by COMIDA, normally for the term of the bonds. The annual lease payments equal the annual principal and interest due on the agency's bonds. At the end of the lease, the company has the option to purchase the project for \$1.00.

HISTORIC WAKE-UP CALL

A piece of yesterday that works for tomorrow.

"At night when I drive home, I look over at downtown and there's this island of glowing lights where it used to be just dark. That's a really good feeling for me." John Loftus is talking about the Cascade Centre, a COMIDA project that he and his twin brother, Jim, helped pull together a few years ago.

The Centre rehab of an old heavy-industry site is up and running now, home to about fifteen computer, software, and networking startups along with a dozen or so photographers, designers, and other service agencies.

"The buildings in the Historic District are beautiful," says Jim, sitting at a metal table in the basement office of Loftus Construction. "They were built at the turn of the century, so they're solid. Hardwood floors that can support heavy loads. High ceilings. So much character. It's just not right to let them sit and deteriorate."

Which is one reason why, once the Cascade Centre restoration was complete, Jim and John—who are Loftus Construction—decided to try to bring the nearby M.D. Knowlton Building complex back to life. "For three years, we've been getting calls every week from people looking for space in the Centre," says Jim, "so we know there's a big demand for affordable, attractive, downtown work and living space."

Because the Knowlton Building sat lifeless and unused for almost five decades, turning its 100,000 square feet into livable—and workable—space is not a trivial exercise. In the bowels of the building, under the glare of work lights, one crew sledgehammers away at the foundation of the old elevator shaft. Nearby, masons erect a block wall while another crew hauls away rusted pipes, rotting boards, old pumps, coils of wire, gear housings, and piles of other junk, some of which has been sitting in the building for nearly a hundred years.



Upstairs, the fourth floor is a deserted beach. "So far, we've used 72,000 pounds of baking soda to restore the brick walls," says Jim, walking across a three-inch layer of fine gray powder.

Time out in a finished space in the building.

"Soda doesn't hurt the brick the way sandblasting does, and the bricks look really good when you're done."

"A project like this, it's huge; it can beat you down," says John. "After all, we're just two guys."

"The bureaucracies and everything make it like a big puzzle," adds Jim, "and sometimes you wonder if you can ever solve it. That's why COMIDA is so important. They streamline the process and help us get through the constraints. Without them, we couldn't take on work like this. The thing is, we know how to do this kind of project so it turns out right, so it's a win-win deal. The businesses who move in here, people who live and work and shop in the downtown area—everybody wins."

That includes the people who will work and the hundred or so new jobs that will be created

in the reborn Knowlton Building. "Some people underestimate the power of a job," says John. "Funds spent on a project like this don't just evaporate. People will make a living in this building for a hundred years."

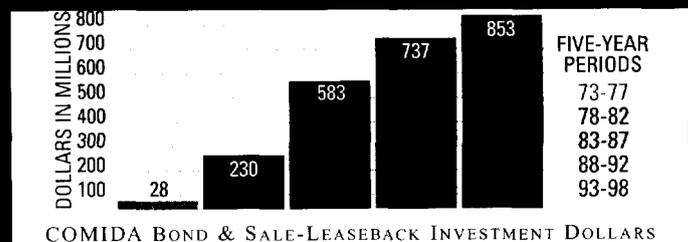
"A hundred years?" says Jim, raising an eyebrow. "The way we build two hundred years, easy."



- COMIDA ASSISTED
URBAN REVITALIZATION PROJECTS
- 33 Chestnut Street Associates
 - 34 State Street Associates/Landsman Development Corp.
 - 220 Andrews Associates/Northern Capital Corp.
 - Academy Associates/The Willard Group
 - Alliance Building/Conifer Development
 - Atrium Associates/Cannon
 - Averill Court Associates
 - Bausch & Lomb
 - California Microwave
 - Cascade Associates
 - City Center, LLC/Spoleta Construction
 - City Center/Pioneer Properties
 - Clinton Square/Home Leasing Corporation
 - Concord Archives
 - Corn Hill Center Associates/Mark IV
 - Corporate Place Max Farash
 - Crowne Plaza/New Horizons
 - CVC Product5 Inc.
 - Eastman Place/Wilmur Associates
 - GEVA Theatre
 - Granite Building
 - Hahn Automotive Warehouse
 - Hyatt Hotel/CORH Associates
 - Irving Place Associates/Mark IV Construction
 - Lawyers Coop Publishing
 - Midtown Holdings
 - Nixon, Hargrave, Devans & Doyle
 - Old Rochester/Villemore
 - Powers Building/Westboro Properties
 - Rochester District Heating Coop, Inc.
 - RPO/Lincoln Gibbs
 - Sheraton Four Points
 - Sibleys Building/Rochwill Associates

TALIZATION

Benefits to the company are numerous. First, COMIDA is tax exempt, and because the company is an agent of COMIDA, it is sales tax exempt on equipment and materials purchased during the construction period. The company is also eligible for a 1% mortgage tax exemption. And may in addition receive a tax-exempt interest rate if it qualifies for tax exempt financing.



PRINTING, OPTICS, AND IMAGING

MONROE COUNTY HAS LONG BEEN KNOWN AS THE "PRINTING CAPITAL OF THE EAST." TODAY, IT IS ALSO HOME TO THE U.S. DEPARTMENT OF COMMERCE DESIGNATED NATIONAL CENTER FOR PRINTING, PUBLISHING, AND IMAGING.

PROJECT DETAIL

HAMMER LITHOGRAPH CORPORATION,
330 METRO PARK

Specializes in high-quality, multi-color packaging printing, including labels for the food and beverage market, premium envelopes for horticultural and fragrance markets, and overwraps for consumer products. A Rochester company—owned by the same family through four generations—since 1912.

PROJECT

Build and equip a 92,000-square-foot facility to expand digital prepress and state-of-the-art sheetfed off-set press capabilities and capacities. COMIDA provided sale/leaseback incentives in conjunction with an incentive package provided by Empire State Development and the New York Power Authority.

RESULT

Faster response times and assured quality to meet intense competition in the printing industry. The project is expected to create an additional 70 full-time jobs at Hammer Lithograph within three years.

Jim Hammer leans on a stack of printed packaging.

*Since COMIDA is a tax-exempt organization it pays no real estate taxes, and this benefit is passed on in part to the company. The company however, as agent, must execute a **payment in lieu of tax (PILOT)** agreement with COMIDA.*

The payment amounts in the Jobs Plus PILOT agreement are based on increasing percentages, beginning at 10% of the fully assessed tax rate on a site's improvements. The schedule of payments is limited to 10 years at which time amounts are at 100% of the full assessment tax rate.

The community benefits just as much as the company does through COMIDA programs. Access to COMIDA's conduit financing tools, tax exemptions, and abatements has allowed local companies to create 18,000 jobs and retain 49,500 jobs between 1973 and 1998. COMIDA's investment has totaled \$2.4 billion and created nearly 450 facility expansions.

Carolyn Regan, desktop operator, made the transition from traditional to digital prepress

COMIDA ASSISTED
PRINTING, OPTICS, AND IMAGING PROJECTS
975 Ridgeway Ave. Assoc./Mercury Print
Case-Hoyt
Cohber Press, Inc.
Eastman Kodak Bldg. 214
Flower City Printing
Fred J. Rainaldi/Amarel Precision
Fresnel Optics, Inc.
Hammer Lithograph
JML Optical
Monroe Lithograph Corporation
Optical Gaging Products
PSC Inc.
REDCO/Melles Griot
Spectronic Instruments/Milton Roy

SHOWING LOTS OF CLASS

Training plus technology equals success.

The squeeze is on, and the pressure in the printing business is as intense as it gets. Today, companies like Hammer Lithograph have to compete against global printing conglomerates. "They're big gorillas," says Chris Wieser, Hammer's vice president of finance, "who leverage tremendous buying power. It's tough going up against them."

To stay in the game, Hammer plays to its strengths, moves fast, and keeps its employees up to speed. Of course, up to speed today means going digital.

"When computers first came into the printing business," says prepress supervisor Kevin Neureuter, "we knew we'd have to invest heavily and build our people's skills. We had to grab the technology and run with it or we'd be left behind."

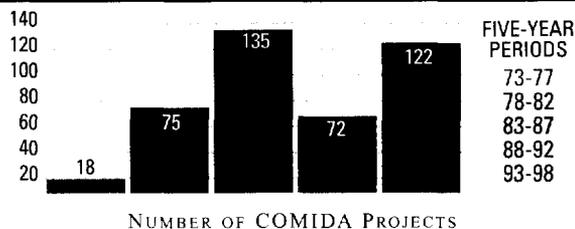
Carolyn Regan, desktop operator, wasn't about to be left behind. Despite some doubts, she made the leap from traditional to digital prepress. "I was always a hands-on person," she says, "so it was intimidating to transition to the desktop, to go from working with my hands to working with a mouse. But you can't hang on to the past. The company is committed to training, so I went for it. Now I know that working with a computer can be satisfying, too."

"The pace has picked up tremendously," says Wieser. "A few years ago, we worked hard to meet three-week deadlines. Now three-day turnarounds aren't unusual. Without a huge investment in people—we have twice as many employees as we did ten years ago—and without digital technology, we couldn't handle the national accounts we do. And without help from COMIDA, we couldn't be the company we are."

Skilled craftspeople keep the presses up to speed.



In the highly competitive global economy, COMIDA represents Monroe County's most competitive financial tool. In partnership with local communities and New York State, COMIDA allows Monroe County to effectively compete with those sections of the country that regularly attempt to lure local companies away with offers of tax-free industrial sites, low-cost financing, and low-cost labor.



NOT-FOR-PROFIT

REACHING OUT
TO PEOPLE IN NEED
IS A MONROE COUNTY
TRADITION

PROJECT DETAIL

VOLUNTEERS OF AMERICA,
214 LAKE AVENUE

Serving Rochester since 1901, Volunteers of America provides housing and support services for the homeless, children's services, literacy training, and crisis assistance to more than 10,000 people a year.

PROJECT

VOA renovated and equipped a 90,000- square-foot complex, bringing back to life an old facility that had been abandoned for more than five years.

COMIDA helped to reduce financing costs considerably by providing a \$6 million tax-exempt civic facility bond.

RESULT

A children's center, thrift store, administrative offices, and community outreach center serve young and old from all economic strata while providing more than 75 jobs to area residents.



Jackie Graham and her kids—bright, shiny faces that are part of the new VOA center

One critical measure of success in economic development is called the "multiplier effect." In 1985, the U.S. Chamber of Commerce estimated that over the course of 10 years, 100 new manufacturing workers would generate \$200,000,000 in personal income, pay \$24,500,000 in property taxes, make \$1,500,000 in retail stores purchases, and, in the process, stimulate the creation of 64 new non-industrial service-sector jobs. More recent data shows that the service industries can have an even greater

multiplier effect: for instance, 100 new banking jobs will spur the creation of another 100 jobs outside the banking sector.

What's more, targeted economic development allows the local community to grow the right way—by gaining new property tax revenue while at the same time redeveloping previously unoccupied and unproductive land.



The renovated interior of the VOA

- COMIDA ASSISTED
 CIVIC PROJECTS
 81 Lake Avenue Realty/Buckingham Properties
 Al Sigi Center
 Al Sigi Center--Henrietta
 American Red Cross
 Continuing Developmental Services
 DePaul
 Genesee Hospital
 GEVA
 Greater Rochester Health System
 Jewish Home
 Lifetime Assistance
 Nazareth College of Rochester
 RIT
 RMH Associates/Spoletta
 Roberts Wesleyan College

INVESTING IN TOMORROW EVERY DAY

VOA Children's Center

Well before sunup, Jackie Graham leaves the house and heads for work. On the way, she stops at the VOA Children's Center to drop off Jacquilyn, age 4, and Isaiah, who just turned one. "From then on, I can focus on my job," said Graham. "because I know my kids will be just fine."

Before VOA, Graham spent a lot of time worrying about her children. Quality, affordable child care is hard to find and, after all, said Graham, "When you drop off your kids, you're leaving your most valuable possessions behind." VOA has made life easier for Jackie.

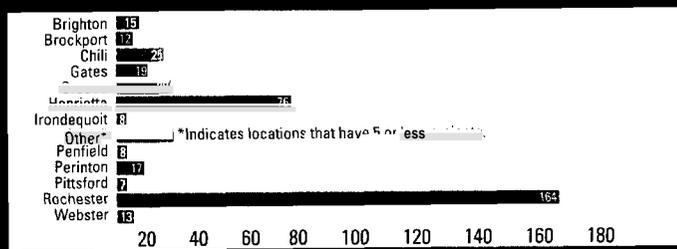
The sparkling new VOA facility puts a bright new face on the neighborhood. And there are plenty of bright, shiny faces inside, too, with nearly two hundred kids coming to the Children's Center, plus a booming thrift store and a range of assistance programs underway.

"Here, I know almost all the teachers and the quality of care is excellent," said Graham. "Isaiah, he's totally at ease. He loves coming here."

Graham likes it, too, and spends a lot of time at Volunteers of America. "I didn't know much about VOA before," she said, "but now I'm on the Policy Council, the Parents' Committee, and the Special Events Committee." A toddler zooms past and a happy squeal bounces off the skylight. "I like being part of helping good things happen. It makes me smile to see kids smile."



NUMBER OF
 COMIDA
 PROJECTS BY
 LOCATION
 1978-1993





Joe Rulison, Chairman, COMIDA

A MESSAGE FROM JOE RULISON

Four hundred projects in twenty-five years, resulting in two billion dollars of investment in Monroe County, and many thousands of new and retained jobs. This has been the work of COMIDA, an accomplishment that's made much more amazing in light of the steady and unrelenting pull of people and businesses from the Rustbelt to the Sunbelt over this same quarter century.

The results of COMIDA's substantial contribution to greater Rochester are all around us, from the dramatically evolved skyline of our city, to our community's astounding resilience in the face of so many corporate departures, divestitures, and downsizings.

The County of Monroe Industrial Development Agency exists for one reason: to ensure that those with legitimate intentions to locate, expand, grow, and prosper in the Rochester area are not dissuaded from doing so. COMIDA doesn't invent projects or opportunities, but we do all we can to make them feasible, for the benefit of all of us who live here.

It is a privilege to chair the COMIDA board, and to participate in the important work of creating Monroe County's economic renewal. While the board strongly supports the mission of COMIDA, we recognize our obligation to the citizens of Monroe County to ensure the integrity and fairness of all COMIDA policies. For this reason, we will continue to maintain an organizational commitment to ongoing review and refinement of all COMIDA policies and practices.

In 1999, the COMIDA board moved to expand access to its services to virtually any business seeking to grow in Monroe County. Our new Jobs Plus initiative is a response to a changing national economic model, one in which smaller and more technical businesses are playing an increasingly critical role. COMIDA is here to support not only the businessmen and women who assume entrepreneurial leadership in Monroe County, but also the workers who build or refurbish the facilities that leadership needs, and the people who work within them.

As COMIDA moves into the future, we will always remain open to ways of evolving our policies to better serve the needs of our county. And we look forward to the day that the communities of New York State no longer require county industrial development agencies to "level the playing field" of economic prosperity.

Appendix F

Industrial Management Council Letter of Support

The Hutchison House
930 East Avenue
Rochester, NY 14607-2296
Phone: (585) 244-1800
Fax: (585) 244-4864

April 8, 2002

Training & Development
919 Culver Road
Rochester, NY 14609
Phone: (585) 224-2727
Fax: (585) 224-2728

US Department of Transportation
Office of Aviation & International Affairs
Washington, DE

Staffing Solutions
907 Culver Road
Rochester, NY 14609
Phone: (585) 482-1244
Fax: (585) 482-6163

Re: Greater Rochester International Airport section 203 Grant
Application dated April 2002

Dear DOT,

The IMC is an Employer Association of over 400 companies (with emphasis on manufacturing) in the Greater Rochester Metropolitan area which has provided value-added services to our membership for over 85 years. Members include all the majors including Kodak, Xerox, etc as well as small to medium size companies in the technology, and manufacturing and service area.

Airfares in Rochester have consistently been amongst the highest in the nation, including leisure travel. Unreasonably high airfares for the business traveler often exceeding over \$1 per mile represent a consistent negative factor in trying to promote and encourage small and medium size companies to expand in this market. The costs for business travelers who are not able to comply with the low fare restrictions have been excessive and have impacted their ability to be effective in their business.

On behalf of the IMC its members, and the entire community, I ask that you favorably receive and support the Greater Rochester International Airport Section 203 Grant Application. Your financial support of the AirTran Airways start-up will insure:

1. A significant reduction of business and leisure airfares,
2. Additional service to and from Rochester,
3. Allow the small and medium size companies to travel more which will result in more business and jobs,
4. The removal of Business Air Travel costs as a significant impediment to economic expansion in the Rochester area.

Thank you for your consideration.



Sandra A. Parker
President