• Introduction and summary by Crown Consulting, Inc.
• Market analysis by McKinsey & Company
• Public acceptance by McKinsey & Company
• UAM regulatory environment by Ascension Global
• Potential barriers by Georgia Tech Aerospace Systems Design Lab and Crown Consulting, Inc.
• Moving forward by Crown Consulting, Inc.
This report assesses UAM viability and potential barriers and solutions

<table>
<thead>
<tr>
<th>Report Inputs (Deliverable 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interviews with &gt;100 experts</strong> across the Unmanned Aircraft Systems (UAS), eVTOL, regulatory, and relevant technology fields</td>
</tr>
<tr>
<td><strong>Detailed assumptions and inputs</strong> for &gt;50 variables (such as wind shear and battery storage efficiency) for each use case model</td>
</tr>
<tr>
<td><strong>Aggregated insights</strong> from large consumer and business-to-business surveys with &gt;2,000 respondents across 5 representative metropolitan areas</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Living Econometric Model / User Interface (UI) (Deliverable 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Detailed econometric model</strong></td>
</tr>
<tr>
<td>— Living model that the Aeronautics Research Mission Directorate (ARMD) can update as variables change in the future</td>
</tr>
<tr>
<td>— Complete documentation that the ARMD team can update to align with model changes</td>
</tr>
<tr>
<td><strong>Executive user interface</strong></td>
</tr>
<tr>
<td>— Tool that ARMD can use to explore the 10 most significant variables in each use case</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UAM Market Study (Deliverable 3 - Focus of this document)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Holistic assessment</strong> of use case profitability by 2030</td>
</tr>
<tr>
<td><strong>Review of technology, regulatory, and infrastructure changes likely needed to achieve UAM operations</strong></td>
</tr>
<tr>
<td><strong>Overview of potential public acceptance landscape</strong> and possible solutions and barriers to widespread UAM adoption</td>
</tr>
</tbody>
</table>
Five principles guided the development of this report

1. **Flexible**: Since UAM is quickly evolving, ARMD will likely require a *rigorous and dynamic model* that can evolve as technology changes, not a static report that will quickly become obsolete.

2. **Challenging**: The assessment should evaluate the most challenging use cases to *push the boundaries of technology and regulatory constraints*.

3. **Unbiased**: To avoid a biased answer, the UAM assessment should draw on a *diverse set of stakeholders* (e.g., original equipment manufacturers [OEMs], component manufacturers, infrastructure providers, operators, regulators, special interest groups).

4. **Exhaustive**: *The full system of costs* (across OEMs, operators, and infrastructure providers) should be included, not just the vehicles and supporting equipment.

5. **Consumer-backed**: UAM models should incorporate *consumer and business willingness to pay*, since price may be a major barrier to widespread adoption.
Analysis focused on the three most challenging (and different) UAM use cases

**Use case 1 – Last-mile delivery**
Rapid delivery of packages (less than 5 lb.) from local distribution hubs to a dedicated receiving vessel. Deliveries are unscheduled and routed as online orders are placed.

**Use case 2 – Air metro**
Resembles current public transit options such as subways and buses, with pre-determined routes, regular schedules, and set stops in high traffic areas throughout each city. Vehicles are autonomously operated and can accommodate 2 to 5 passengers at a time, with an average load of 3 passengers per trip.

**Use case 3 – Air taxi**
The air taxi use case is a near-ubiquitous (or door-to-door) ridesharing operation that allows consumers to call vertical takeoff and landing aircraft (VTOLs) to their desired pickup locations and specify drop-off destinations at rooftops throughout a given city. Rides are unscheduled and on demand like ridesharing applications today. Like the air metro case, vehicles are autonomously operated and can accommodate 2 to 5 passengers at a time, with an average load of 1 passenger per trip.
Study findings

• **Near-market segments:** A commercially viable market for last-mile parcel delivery and air metro could be in place by 2030

• **Likely market constraint:** There is likely a limited potential market for air taxis in concentrated areas of high net worth individuals and businesses in 2030

• **Key challenges:** For UAM to be viable, it is necessary to address the technical, physical, operational, and integration challenges of a highly interdependent system-of-systems

• **Dependencies for the market to become viable:**
  – Safety and security
  – Economics
  – Transportation demand
  – Regulation
  – Market substitutes (e.g., autonomous delivery and transportation)
  – Public acceptance
• Introduction and summary by Crown Consulting, Inc.

• Market analysis by McKinsey & Company

• Public acceptance by McKinsey & Company

• UAM regulatory environment by Ascension Global

• Potential barriers by Georgia Tech Aerospace Systems Design Lab and Crown Consulting, Inc.

• Moving forward by Crown Consulting, Inc.
Findings are informed by interviews, surveys and research

Econometric model
- Algorithm to test economic viability of UAM (3 separate use cases), incorporate consumer (and business) demand and willingness to pay; UAM industry costs (including over 50 variables); weather and technical constraints; and evolution of costs over time
- Adaptable and ‘living’ parametric model that allows ARMD to continually update key data items as the market evolves

Over 200 expert/executive interviews, including with:

Director of Product, Aircraft company
Former Sr. Manufacturing Engineer, Automotive company
Former Field Operations Manager, UAS company
Former CEO, Global Freight Forwarding, Logistics company
Former Sr. Manager, Retail company
Former President and CEO, Helipad company
Chief Marketing Officer, UAS company
Former Sr. Manager, Retail company
Former CEO, Global Freight Forwarding, Logistics company
Former Group Leader, Aircraft company
Founder, Aircraft company
Former Regional Operations Manager, Logistics company
Former VP of Engineering, and Systems, UAS company
Former Director of Global Bus. Dev., Logistics company
Former Executive VP, Automotive company
Founder/Managing Member, UAS company
Former Vice President of Operations, Sensor company
Former Project Manager, Aircraft company
Former VP of Operations and Strategy, UAS company
Founder, UAS company
Co-Founder, Aircraft operations company
Former Civil Certification Manager, Helicopter company
Former General Manager, Aircraft company
Former Technical Operations Manager, Retailer
Current Chairman of UAS association
Head of Business Development, Logistics company
Manager, C-UAV company
VP of Sales, UAS company
COO, Aircraft company
Program Manager, Defense company
Director of Technology, Logistics company
Former Managing Director, Automotive company
Former Head of Operations, Ground robotics company
Former Head of ADAS, Automotive company
Former Vice President, Delivery logistics company
Director, Autonomous Vehicle Instructor, Automotive company
Director, UAS university research program
Director, UAS university program
Former Vice President, EU delivery logistics company
Executive Director, UAS test site
Former Chairman, UAS association

Survey with 2,000+ consumer/business respondents
- Current transportation and delivery spend by consumer income and age
- Consumer willingness to pay for increased speed across both transportation and delivery use cases by income, age, and average trip duration
- Public acceptance of UAS technology, broadly, and transportation and delivery UAM options, specifically
- Current B2B delivery spend by company size and speed preferences
- Business willingness to pay for increased delivery speed

Data and research
- Frost & Sullivan, “Future of Flying Cars 2017-2035”
- Uber Elevate White Paper
- University of Massachusetts Amherst, “Unmanned Aircraft System traffic management: Concept of operation and system architecture”
- US Postal Service (USPS) report, “Public Perception of UAS Delivery in the US”
- US Department of Transportation (DOT) report, “Exploring the Relationship between Travel Demand and Economic Growth,” 2012

8
Econometric models were structured around supply, demand, and time to develop a perspective on market feasibility.

Market feasibility uses net market profitability across the value chain as a proxy for viability\(^1\)

\(^1\) The net profitability across the value chain is used as an assumption for market viability, but there may be cases (e.g., well-funded actors investing ahead of market profitability or market subsidies) that drive investment in the market well ahead of the assumed 3- to 5-year market ramp up time.
**Demand was driven by the target market, consumer willingness to pay, and technology availability**

**What is the target market(s)?**
Consumers living within the 15 largest metropolitan areas in the US (by 2030 population)
- Total population of 15 target metropolitan areas
- Population segmentations by age, income, and length (in time) of travel

**How much will the target market grow?**
The population is projected to grow in targeted metropolitan areas in the US; the projected segment growth was determined for each sub-segment (e.g., by age and income for delivery)

**How much does the target market spend?**
Defined current transportation and delivery spend within target markets, including current transportation and delivery options and costs

**How much more is the target market willing to spend?**
Determined the willingness to pay for increased transportation and delivery speed
- Customer key buying factors (e.g., speed, price, comfort)
- Willingness to pay for increased speed

**What competing technologies may the target market choose in the future?**
Driverless cars, driverless car rideshares, robo taxis, AGV lockers and other technologies that are likely to provide the same service in the future
- Projected adoption rate for future technologies
- Projected costs for future technologies

**What portion of the market will adopt new UAM technologies?**
Defined percentage of consumers willing to pay for improved speed who are open to autonomous air taxis, air metros, and UAS, including projected public acceptance by income segment, age, and average trip duration
Demand was modeled for the 15 largest US cities, and 5 representative cities were surveyed.

<table>
<thead>
<tr>
<th>All US cities¹</th>
<th>Largest US cities² (2030)</th>
<th>Representative cities (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of US cities³</td>
<td>338</td>
<td>15</td>
</tr>
<tr>
<td>Population (in millions)</td>
<td>277</td>
<td>121</td>
</tr>
<tr>
<td>Basis for the econometric model</td>
<td>15</td>
<td>5</td>
</tr>
</tbody>
</table>

¹ As defined by the US Office of Management and Budget (OMB).
² 15 largest metropolitan areas (by city name): New York City, Los Angeles, Chicago, Dallas, Houston, Miami, Atlanta, Washington DC, Phoenix, Philadelphia, San Francisco, Boston, Riverside, Seattle, Detroit.
³ Defined as the metropolitan statistical area.

Source: United States Census, BOC, Moody's Analytics.
Willingness to pay and adoption rates were derived from surveys over 2,500 respondents

Methodology for determining consumer demand

- Representative cities (New York City, Dallas, Washington, DC, San Francisco, and Detroit) were selected for survey distribution based on their market characteristics.
- Surveys included >2,500 consumers and >200 shipping and logistics coordinators in businesses, and were weighted to reflect the demographic characteristics (e.g., age, income) of the 15 MSAs.
- Respondents were asked about current package delivery and travel preferences, their willingness to pay for immediate delivery (<20 minutes) and rapid travel times (<20 minutes and <10 minutes), and their willingness to adopt autonomous delivery and transportation technology.
- Responses were examined across multiple demographic characteristics, including age, income, and current commute length, to determine the best predictors of willingness to pay and adoption rates.
- The last-mile delivery model was segmented into business-to-consumer (B2C) and business-to-business (B2B) categories; willingness to pay and adoption rates were sub-segmented by age and income of the consumer (B2C) and number of employees (B2B).
- The air metro and air taxi models were segmented into commuter and non-commuter categories; willingness to pay and adoption were sub-segmented by average trip time and income.
- Model sub-segments (e.g., number of individuals age 25 to 34 making $75,000-$100,000) and their willingness to pay and adoption rates were used to determine demand for the econometric models.
UAM supply is a function of OEM, infrastructure provider, and operator cost structures

What is the cost structure for infrastructure providers?

What is the cost structure for UAM operators and service providers?

What is the cost structure for OEMs?

Sensitivity curve of volume supplied by cost point
The cost structures were modeled at a detailed level\(^1\)

**Infrastructure**
- Air traffic management (ATM)
- Service centers
- Distribution hubs (Hubs)
- Vertiports/vertistops
- Receiving vessels
- Refueling / charging stations
- Docking stations
  - Detection and avoidance
  - Counter-UAV (C-UAV)
  - Operations in GPS-denied environments

**OEM**
- Sensing systems
  - Battery performance
  - Autonomous flight
  - Vehicle costs
  - Factory costs
  - Certification costs
- Operator certification
  - Corporate costs
  - Energy costs
  - Insurance
  - Size of fleet
  - Digital services (apps, websites)
  - Useful life of vehicles
  - Payment systems
  - Certification of operators to manage and “pilot” UAS and VTOLs
    - Associated overhead management of operators
      - Costs associated with energy consumption by UAS and VTOLs
    - Cost of insuring vehicles, public docking stations, distribution hubs, etc.
    - Capital expenditure (CapEx) and operating expense (OpEx) associated with fleet scale
      - Hosting and development costs associated with services
      - Depreciation and associated costs of replacing vehicles
      - Associated costs to implement payment systems for air taxis and delivery

\(^1\) Analysis relates solely to cost structures for supply; regulatory aspects are excluded as they will be used separately to develop timing and sequencing of market events.
Beyond the demand and supply variables, econometric models made several critical assumptions

Use case-specific assumptions

- Receiving vessels for last-mile delivery are positioned to allow for (average) door-to-door 20-minute delivery
- Vertiports for the air metro case are positioned to enable 20 minute door-to-door trips
- Vertiports and vertistops in the air taxi case are positioned to enable 10-minute door-to-door trips
- Air metro assumes 3 passengers per ride while air taxi assumes 1 passenger per ride

Vehicle assumptions

- Delivery UAS are highly modular, which increases useful life and the number of purchased components
- Transportation UAS have modular batteries; other components are replaced with the vehicle
- Delivery UAS are assumed to have 0.5 days per week of potential maintenance time and operational downtime while transportation vehicles have 1.5 days per week. Additional haircuts on operational time are incorporated for loading, unloading, battery swapping, and weather

Technology, infrastructure, and regulatory assumptions

- Technology in key areas, such as Unmanned Traffic Management (UTM), detect-and-avoid, noise management, operations in GPS-denied environments, and automation, will have step-change advances
- Costs of key technologies currently on the market (e.g., LiDAR, battery storage, sensing and navigation systems) will decline significantly
- Private and public entities will be willing to invest in and build key infrastructure requirements (e.g., receiving vessels, vertiports) to provide the necessary coverage for UAM operations
- Regulations will be in place that allow UAM operations to occur (such as airworthiness standards for vehicles to be created), and regulations and local ordinances will not block UAM, including no local ordinances that limit the construction or placement of key enabling infrastructure elements (i.e., receiving vessels, distribution hubs, vertiports, or other infrastructure)
- Certification processes will take into account the rapidly changing technology in the space and the models will incorporate year-by-year cost curves for each of the components (e.g., battery cost, airframe costs); it is also assumed that regulation will allow manufacturers to rapidly move down cost curves

1 Commute times are an average and will vary by location and distance traveled.
2 To enable 10-minute door-to-door commute times (on average), vertiport and vertistop infrastructure must be ubiquitous.
UAM is likely to be a commercially viable market with both parcel delivery and air metro use cases

**Last-mile parcel delivery**
- Projecting a potentially profitable market by 2030
- A significant ramp-up of UAS delivery in the years prior to profitability is likely as e-commerce players “lean in” to the market

**Air metro**
- Could potentially be profitable by 2030 assuming that regulations are in place to accommodate this market
- In anticipation of profitability by 2030, larger-scale “entry into service” may occur in prior years
- Piloted air metro services may be a stepping stone to large-scale autonomous operations

**Air taxi (limited)**
- High investment costs make a widespread air taxi market with ubiquitous vertiports unlikely in 2030
- There may be concentrated areas of high net worth individuals and businesses served by an air taxi solution (e.g., Manhattan to suburbs)
Last-mile delivery is rapid package delivery from local distribution hubs to a receiving vessel. Deliveries are unscheduled and flight times are determined as orders are placed.

### Use case attribute | Characteristics
--- | ---
Vehicle | Small UAS
Payload | 5 pounds
Distance | Within ~10 miles roundtrip
Scheduling and routes | Deliveries are unscheduled and routes are determined as orders are received
Infrastructure | Receiving vessels, distribution hubs, docking/charging stations, UTM
Technology | Improvements in battery technology, autonomous flight technology, detect-and-avoid (e.g., LiDAR, camera vision), electric propulsion, GPS-denied technology
Potential regulatory requirements | BVLOS (Beyond Visual Line of Sight), air worthiness, UTM, flight above people, altitude restrictions, operator certification, identification, environmental restrictions
Competing technology | Autonomous and human driven ground delivery services (e.g., FedEx, UPS, Amazon Prime), courier services, AGV lockers, droids

---

1 Regulatory requirements are likely to range across use cases depending on risks (for example, delivery case may have less stringent airworthiness requirements than air taxis).
UAS last-mile delivery may have a viable market in 2030

Industry in-year profit over time

$ billions

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit ($ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-1.7</td>
</tr>
<tr>
<td>2020</td>
<td>-1.6</td>
</tr>
<tr>
<td>2025</td>
<td>-1.4</td>
</tr>
<tr>
<td>2030</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

First profitable year: 0.01

Market characteristics

<table>
<thead>
<tr>
<th>Year</th>
<th>No. deliveries</th>
<th>No. vehicles</th>
<th>Price ($/delivery)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td>0.5B</td>
<td>40k</td>
<td>$4.20</td>
</tr>
</tbody>
</table>

Last-mile delivery may become more profitable post-2030 as the number of deliveries increases

1 Industry in-year profit implies net in-year profitability across the entire value chain if the market existed (including OEMs, operators, and infrastructure providers), not projected investment losses. It assumes that all regulatory challenges are overcome.
The air metro use case resembles current public transit options such as subways and buses, with pre-determined routes, regular schedules, and set stops in high-traffic areas throughout each city.

<table>
<thead>
<tr>
<th>Use case attribute</th>
<th>Description at end state</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vehicle</strong></td>
<td>2-5-passenger autonomous (unpiloted) VTOLs¹</td>
</tr>
<tr>
<td><strong>Payload</strong></td>
<td>~1,000 pounds</td>
</tr>
<tr>
<td><strong>Distance</strong></td>
<td>~10-70 miles per trip</td>
</tr>
<tr>
<td><strong>Scheduling and routes</strong></td>
<td>Routes are predetermined and scheduled well in advance of flight time</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>~100-300 vertiports per MSA located in high-traffic areas capable and of handling ~3-6 VTOLs at once (on average); charging stations; service stations; UTM</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>Improvements in battery technology, autonomous flight technology, detect-and-avoid (e.g., LiDAR, camera vision), electric propulsion, GPS-denied technology</td>
</tr>
<tr>
<td><strong>Potential regulatory requirements²</strong></td>
<td>Development of air worthiness standards, UTM, flight above people, weight and altitude restrictions, BVLOS, operator certification, identification, environmental restrictions</td>
</tr>
<tr>
<td><strong>Competing technology</strong></td>
<td>Subway, bus, bike, rideshare, driverless cars (personal vehicle, ride-hail, or rideshare)</td>
</tr>
</tbody>
</table>

¹ Vertical Takeoff and Landing
² Regulatory requirements are likely to range across use cases depending on risks (for example, delivery case may have less-stringent air worthiness requirements than air taxis).
Air metro may have a viable market in 2028

Industry in-year profit over time

$ billions

2017 2020 2025 2028 2030

First profitable year

0.9 1.9 2.8

Market characteristics

<table>
<thead>
<tr>
<th>No. passenger trips</th>
<th>No. vehicles</th>
<th>Price ($/trip)</th>
</tr>
</thead>
<tbody>
<tr>
<td>130M</td>
<td>4.1k</td>
<td>$50</td>
</tr>
<tr>
<td>2030</td>
<td>740M</td>
<td>23k</td>
</tr>
</tbody>
</table>

1 Industry in-year profit implies net in-year profitability across the entire value chain if the market existed (including OEMs, operators, and infrastructure providers), not projected investment losses. It assumes that all regulatory challenges are overcome.
Vertiport operations in 2030 could follow a distributed hub and spoke model. Each vertiport may service a limited number of routes. Routes will be demand-driven and may be modified or updated as demand shifts. Passengers may reserve seats in advance to allow for route optimization.

As the business case for air metro services becomes firmly established, structures specifically built to accommodate VTOLs may emerge.

Distributed hubs would likely be located in heavily trafficked areas. To accommodate high volumes, a cluster of rooftops in the area may have vertiports and could together serve as the “hub.”

Suburban areas may be serviced by 1 to 2 vertiports – “the spokes”
### Air taxis

The air taxi use case is a door-to-door ride-sharing or ride-hailing operation that allows consumers to call VTOLs to their desired pick-up locations and specify drop-off destinations at rooftops throughout a given city. With air taxis, the destinations are chosen by the passengers.

<table>
<thead>
<tr>
<th>Use case attribute</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vehicle</strong></td>
<td>2- to 5-passenger autonomous (unpiloted) VTOLs&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Payload</strong></td>
<td>~1,000 pounds</td>
</tr>
<tr>
<td><strong>Distance</strong></td>
<td>~10-70 miles per trip</td>
</tr>
<tr>
<td><strong>Scheduling and routes</strong></td>
<td>Routes are unscheduled and unplanned and are likely different each time</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>Very large density of vertistops on or near buildings to create a “door-to-door” service; charging stations; service stations; UTM (unmanned traffic management)</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>Requires improved battery technology, autonomous flight, detect-and-avoid (e.g., LiDAR, camera vision), electric propulsion, and GPS-denied technology</td>
</tr>
<tr>
<td><strong>Potential regulatory requirements&lt;sup&gt;2&lt;/sup&gt;</strong></td>
<td>Significant OEM requirements for air worthiness, BVLOS, UTM, flight above people, weight and altitude restrictions, operator certification, identification, environmental restrictions</td>
</tr>
<tr>
<td><strong>Competing technology</strong></td>
<td>Human-driven cars (personal vehicle, ride-hail/taxi, rideshare), driverless cars (personal vehicle, ride-hail, rideshare), commuter rail, subway, bus</td>
</tr>
</tbody>
</table>

<sup>1</sup> Vertical takeoff and landing. <sup>2</sup> Regulatory requirements are likely to range across use cases depending on risks (i.e., delivery case may have less-stringent air worthiness requirements than air taxis).
The cost of ubiquitous vertistops may make the air taxi model prohibitive in 2030

<table>
<thead>
<tr>
<th>Annual cost per vertistop ($k)</th>
<th>Max walk time to vertistop (min)(^1), based on distance between vertistops (miles)</th>
<th>Air taxi cost per trip ($/trip)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.5 min (0.3 mi)</td>
<td>6 mins (0.7 mi)</td>
</tr>
<tr>
<td>10k</td>
<td></td>
<td>$150</td>
</tr>
<tr>
<td>50k</td>
<td></td>
<td>$393</td>
</tr>
<tr>
<td>100k</td>
<td></td>
<td>$697</td>
</tr>
<tr>
<td>300k</td>
<td></td>
<td><strong>$1,912</strong></td>
</tr>
<tr>
<td>500k</td>
<td></td>
<td>$3,126</td>
</tr>
</tbody>
</table>

The primary barriers to the air taxi model with ubiquitous vertistops:

- Infrastructure required is dense to accommodate truly “door-to-door” on-demand service
- The model assumes one passenger per trip, whereas there are three passengers per trip in the air metro case

\(^1\) Based on an average walking time of 17 minutes/mile.
While air taxis are unlikely to be ubiquitous and profitable in 2030, some localized or niche market scenarios could run profitably

- Although under current constraints the model suggests that air taxis are unprofitable for widespread consumption, there are a few possible scenarios wherein an air taxi business may be viable that could be considered.

- Additionally, although it may be unprofitable in 2030, the synergies between delivery and air metro infrastructure investments (i.e., UTM, vertiports), as well as investment in technologies leading to cost declines (i.e., batteries, sensing systems) may lead to a post-2030 follow-on market.

**The air taxi vision proposed in this model requires nearly ubiquitous infrastructure that is unlikely to be achieved in 2030**

- To satisfy the vision of creating a taxi system (i.e., door to door, unscheduled) the model assumes there is a walking time of less than 3 minutes to a stop at any time, which makes widespread infrastructure costs across all MSAs unlikely by 2030.

- Technology and infrastructure required is nearly identical to the air metro use case, though the air taxi model requires a greater density of vertistops to satisfy people’s need for nearly door-to-door service.

**Although this market may not be ubiquitous in 2030 there is the possibility for localized profitability:**

- In some highly-dense areas (i.e., Manhattan, Boston, SF, Miami, Philadelphia) there may be an opportunity for profitability where a limited number of vertistops would be able to effectively serve certain populations.

- There may also be an initial market that primarily serves businesses and wealthy individuals (similar to today’s helicopter services between NYC and the Hamptons), that may act as a catalyst for a future market that can serve the broader population.
Contents

• Introduction and summary by Crown Consulting, Inc.
• Market analysis by McKinsey & Company

• Public acceptance by McKinsey & Company

• UAM regulatory environment by Ascension Global
• Potential barriers by Georgia Tech Aerospace Systems Design Lab and Crown Consulting, Inc.
• Moving forward by Crown Consulting, Inc.
Public acceptance

- Overall, **25% of the >2,500 consumers surveyed** report they are comfortable with unmanned aerial technology; approximately 25% of consumers report they will not use UAS or eVTOLs when services become widely available. This means that nearly half of all consumers surveyed are potentially comfortable with delivery and UAM use cases.

- Across all unmanned aerial use cases, concerns from consumers fall into 5 major categories: safety, privacy, job security, environmental threats, and noise and visual disruption.
  - When it comes to UAS last-mile delivery, consumers are specifically concerned about safety (e.g., vehicles malfunctioning and damaging people and property), theft of packages, and invasion of privacy from vehicle camera systems.
  - In UAM transport cases, consumers are most concerned about the safety of both passengers and bystanders and prohibitively high costs associated with operations.

- Consumers cite proven safety records and demonstrations as factors that would most increase their level of comfort with UAM.

- A comprehensive strategy to address public concerns may include targeted technology R&D, unified messaging to counteract misinformation, proactive engagement with interest groups, and large-scale demonstrations of use case capabilities.
Public concerns generally fall into five categories

**Safety**
Consumers distrust autonomous technology and are not aware of safety systems in place

**Privacy**
Civil liberties groups have privacy concerns with widespread UAM adoption but may misunderstand how camera equipment is used in sensing system technology

**Jobs**
There is concern that autonomous technology will render jobs obsolete across multiple industries

**Environment**
Waste buildup from batteries, impact on wildlife, and energy usage concern younger consumers

**Noise and visual disruption**
Auditory and visual disturbances in residential neighborhoods are likely to create strong, localized pushback as the market expands

Concerns may evolve as UAS become more prevalent
In addressing public concerns with UAM, early efforts could consider utilizing a phased approach:

- **2018-2020**
  - Address **autonomous technology safety** fears
  - Resolve **privacy concerns** stemming from DAA/SAA¹ systems

- **2020-2025**
  - Engage with unions to address UAM **job disruption**
  - Work with environmental groups to resolve **battery waste challenges and address impact to wildlife**

- **2025-2035**
  - Minimize everyday disturbance from **noise pollution**
  - Address **visual disruption impact** from widespread UAM

---

¹ Detect-and-avoid (DAA) or sense-and-avoid (SAA) systems
Three strategies could help address public acceptance concerns

<table>
<thead>
<tr>
<th>Mitigation strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Technology R&amp;D</td>
<td>• Invest in key technologies to improve UAM adoption</td>
</tr>
<tr>
<td></td>
<td>• Focus on noise abatement and safety systems</td>
</tr>
<tr>
<td></td>
<td>• Establish safety standards (for instance, through FAA coordination)</td>
</tr>
<tr>
<td>2 Unified messaging campaign</td>
<td>• Leverage UAM partnerships to coordinate messaging campaign between UAM stakeholders</td>
</tr>
<tr>
<td></td>
<td>• Address public concerns and emphasize benefits</td>
</tr>
<tr>
<td>3 Proactive engagement with concerned</td>
<td>• Identify groups that may organize resistance to UAM</td>
</tr>
<tr>
<td>groups</td>
<td>• Hold forums and co-create solutions to address these concerns</td>
</tr>
</tbody>
</table>

Effective large UAM demonstrations could draw on these three strategies

- Pilot programs may provide a demonstrated safety case to alleviate consumer concerns
- Large-scale demonstrations could provide an avenue for both government and industry to test use case visions and new technologies
- Prior to piloting, stakeholders should consider working to create a unified messaging campaign that preemptively addresses public acceptance challenges
- By engaging activist and interest groups early, pilot programs could test methods for addressing feedback
Contents

• Introduction and summary by Crown Consulting, Inc.
• Market analysis by McKinsey & Company
• Public acceptance by McKinsey & Company

• UAM regulatory environment by Ascension Global

• Potential barriers by Georgia Tech Aerospace Systems Design Lab and Crown Consulting, Inc.
• Moving forward by Crown Consulting, Inc.
Study findings: overview of the regulatory environment

- Today, the regulatory environment does not permit the types of vehicles and operations that scalable UAM would entail
  - Last-mile delivery is heavily restricted and permitted only through the use of waivers and COAs
  - Air metro and air taxi regimes are permitted only as traditional manned helicopter services, which leave out critical components of their business cases (e.g., autonomy, eVTOL design)
- However, the DOT Integration Pilot Program (IPP) is opening up opportunities for expanding last-mile delivery pilots
- In order to enable last-mile delivery, air metros, and air taxis, there are five major categories of regulation that need to be addressed: air traffic & fleet operations management, vehicle development & production, airspace design & implementation, individual vehicle management & operations, and community integration
  - The majority of regulatory requirements reside at the Federal level under the jurisdiction of the FAA, DOT, and DHS; however, there is likely to be significant state and local involvement in certain areas in the form of registration requirements for operators and vehicles, zoning and infrastructure requirements, and local ordinances
- Absent significant changes, the timeline for the regulatory climate to be in place for scalable operations is in the near-term (~2-5 years) for last-mile delivery and mid- to long-term (~10+ years) for air metro and air taxi
- Leveraging innovative risk management approaches, such as safety management systems (SMS) and selected industry self-regulation, can help accelerate these timelines, but the rulemaking process itself remains a substantial hurdle for getting the required regulation in place
Although last-mile delivery operations are limited and permitted primarily through waivers and pilots, industry is working closely with the FAA to forge regulatory pathways to enable testing

Current commercial small UAS (sUAS) operations are governed under Part 107...

- **Vehicles:** Aircraft <55 lbs
- **Pilots:** require Part 107 certification for commercial operations
  - Must be 16 years old and pass an in-person knowledge exam and TSA background check
- **Operations:**
  - Aircraft must remain within visual line of sight
  - Fly at or below 400 feet
  - No flights over people
  - Flights only permitted during daylight or civil twilight
  - Must yield right of way to manned aircraft
  - Fly at or below 100 mph
  - Fly only in Class G airspace without authorization
  - Cannot operate from a moving aircraft
  - Cannot operate from a moving ground vehicle, unless in sparsely populated areas
- **Last-mile delivery operations may soon be governed by an exemption to Part 135 through the IPP**

... However, expanded operations are permitted on a case-by-case basis with waivers and COAs

- **Part 107 waivers** are available to organizations for expanded operations (e.g., Enhanced Visual Line of Sight (EVLOS), nighttime operations, etc.)
  - In order to obtain a waiver, organizations must develop a credible safety case that is reviewed and accepted by the FAA
  - To date, there have been over 1,815 waivers granted to organizations around the U.S. for expanded operations
- **Public Certificates or Waivers of Authorization (COAs)** are another avenue for expanded operations available to public sector entities
  - To date, over 70 COAs have been issued to public entities around the U.S.
  - Public agencies are allowed to operate either under blanket COAs or under Part 107 depending on their operations and preference

Part 107 will likely not be suitable for enabling scalable last-mile delivery operations; industry is working closely with the FAA through the IPP and other initiatives to chart effective regulatory pathways for last-mile delivery testing and eventual commercial operations

---

1 The Low Altitude Authorization and Notification Capability (LAANC) program is starting to facilitate operations in controlled airspace (Airspace B, C, D, and E)
2 Integration Pilot Program; 3 As of May 22, 2018
Last-mile delivery activity is picking up pace internationally as many companies have launched pilots and have begun initial operations.

**X – Project Wing** piloting food delivery in Canberra, Australia

**Amazon** piloting package delivery in the United Kingdom

**Zipline** piloting medical supply delivery in Rwanda

**Domino’s** piloting pizza delivery in New Zealand

**DHL** piloting package delivery in Germany

**Unicef** standing up the humanitarian UAS corridor pilot in Malawi

**NON-EXHAUSTIVE**
However, the DOT Integration Pilot Program (IPP) has opened more opportunities to bolster last-mile delivery operations and testing in the U.S.

**TODAY’S REGULATORY ENVIRONMENT: LAST-MILE DELIVERY**

**At a glance: DOT IPP**

- Program developed by DOT and FAA to **partner with local communities and businesses** to pilot UAS technologies and operations
  - The IPP is set to run for 3 years
- **10 awards were granted** to pilot programs around the U.S. covering a range of communities and use cases
- **Last-mile delivery is seen as one of the big winners**, being the focus of half of the pilots

**Select last-mile delivery applications from the IPP**

- **Flirtey**
  - The city of Reno is teamed up with Flirtey to expand its **medical supply delivery program**

- **FedEx**
  - Memphis-Shelby airport is teamed up with FedEx to **pilot last-mile parcel delivery, beginning with aircraft parts delivery in airports**, with the potential to expand to other delivery applications

- **Flytrex**
  - North Carolina DOT is partnered with Flytrex to pilot **food delivery applications**

- **Matternet**
  - The City of San Diego and North Carolina DOT are partnered with Matternet to pilot **food delivery and medical delivery applications** in both urban and rural environments
Going forward, last-mile delivery operations will require evolutions across five key categories of regulation:

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Traffic &amp; Fleet Operations Management</td>
<td>Airspace integration</td>
</tr>
<tr>
<td>Operator certification</td>
<td>Registration</td>
</tr>
<tr>
<td>Operator licensing</td>
<td>Flight above people</td>
</tr>
<tr>
<td>Vehicle Development &amp; Production</td>
<td>Continuing airworthiness</td>
</tr>
<tr>
<td>sUAS vehicle certification</td>
<td>Identification</td>
</tr>
<tr>
<td>Air Traffic &amp; Fleet Operations Management</td>
<td>Zoning restrictions</td>
</tr>
<tr>
<td>UTM requirements</td>
<td>BVLOS operation</td>
</tr>
<tr>
<td>Community integration</td>
<td>Altitude restriction</td>
</tr>
<tr>
<td>Individual Vehicle Management &amp; Operations</td>
<td>Weight restriction</td>
</tr>
<tr>
<td>Infrastructure requirements</td>
<td>Autonomous flight</td>
</tr>
<tr>
<td>Noise requirements</td>
<td>Pilot certification</td>
</tr>
<tr>
<td>Vehicle Development &amp; Production</td>
<td>Cybersecurity</td>
</tr>
<tr>
<td>Air Traffic &amp; Fleet Operations Management</td>
<td>Inbound &amp; outbound</td>
</tr>
<tr>
<td>Air Traffic &amp; Fleet Operations Management</td>
<td>Community integration</td>
</tr>
</tbody>
</table>

- Today, last-mile delivery is operating on an exception basis through waivers and pilot programs.
- These early operations are charting pathways through Part 107 and Part 135 for future operations.
- However, scalable last-mile delivery will require further clarity and standards across these five categories.
### Regulatory Requirements for UAM: Last-Mile Delivery

<table>
<thead>
<tr>
<th>Regulatory need</th>
<th>Why it is required for last-mile delivery</th>
<th>Where the regulation stands today</th>
<th>Jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air Traffic &amp; Fleet Operations Management</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operator certification</td>
<td>Although there currently is no requirement for operator certification for last-mile delivery, it is possible that operator requirements will be placed on organizations that conduct high frequency/volume operations</td>
<td>There is no operator certification required today; individual pilots must be certified Part 107 pilots, but last-mile delivery operators flying under Part 107 have no certification requirement at this time</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>Operator licensing</td>
<td>State and local authorities will likely put up operator/business licensing requirements for last-mile delivery operators</td>
<td>There is no operator licensing requirement today</td>
<td>State &amp; Local</td>
</tr>
<tr>
<td>UTM requirements</td>
<td>UTM technical requirements and operating protocols, authority for system-level control, and potential delegation for operations of UTM system(s) are all required for an effective system of traffic management to be in place to deconflict autonomous operations below 400 ft AGL</td>
<td>UTM technology is being developed and tested at test sites around the country; major jurisdictional, regulatory, and CONOPS questions on UTM remain unanswered</td>
<td>Federal (FAA, DOT, Congress)</td>
</tr>
<tr>
<td><strong>Vehicle Development &amp; Production</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sUAS vehicle certification</td>
<td>It is still not determined whether vehicle airworthiness standards will be required for sUAS undertaking last-mile delivery operations</td>
<td>Currently, there is no specific Airworthiness Certification standard for sUAS, but aircraft could potentially be certified under existing standards for airplanes or rotorcraft</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>Continuing Airworthiness</td>
<td>Similar to sUAS vehicle certification, it is unclear what will be required in terms of continuing airworthiness requirements</td>
<td>There are no specific continuing airworthiness standards for sUAS at this time</td>
<td>Federal (FAA)</td>
</tr>
</tbody>
</table>
## Airspace System Design & Implementation and Community Integration

<table>
<thead>
<tr>
<th>Regulatory need</th>
<th>Why it is required for last-mile delivery</th>
<th>Where the regulation stands today</th>
<th>Jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airspace integration</strong></td>
<td>Enables sUAS operations in the NAS and ensures separation and obstacle avoidance; may be required in some urban environments where operations will need to extend above 400 ft AGL or into airspaces other than Class G</td>
<td>Additional rules and systems to govern how UAS are integrated into the NAS are required before scalable operations above 400 ft AGL can be enabled. The FAA has convened an Access to Airspace ARC to make recommendations on this issue</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td><strong>Zoning restrictions</strong></td>
<td>Existing access and operational regulations may need to be adapted; many state and local entities may use their zoning authority over take-off and landing to restrict operations</td>
<td>De facto applicable protocols are those governing manned aircraft operations and other time, place, and manner restrictions</td>
<td>State &amp; Local</td>
</tr>
<tr>
<td><strong>Altitude restriction</strong></td>
<td>A lot can be accomplished below 400 ft AGL, but many operations will require access to higher altitudes</td>
<td>Commercial UAS operations above 400 ft AGL are prohibited without a Part 107 waiver or COA, Part 107 operations in controlled airspace require authorization</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td><strong>Cybersecurity</strong></td>
<td>Cybersecurity standards to protect vehicles and overall systems against jamming, spoofing, and other forms of interference are necessary for safe and reliable operations</td>
<td>Currently, there are no comprehensive cybersecurity standards for UAS and their supporting systems; more attention will need to be paid to this issue going forward to develop the appropriate standards and technologies</td>
<td>Federal (FAA, DOT, DHS, DOD)</td>
</tr>
<tr>
<td><strong>Infrastructure requirements</strong></td>
<td>Needed to create sUAS infrastructure standards for key last-mile delivery operations (e.g., receiving vessels)</td>
<td>There are currently no standards for key last-mile delivery infrastructure; industry remains unaligned on the technical visions and needs for receiving vessels</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td><strong>Noise requirements</strong></td>
<td>Acceptable noise levels, and resulting noise abatement procedures must be developed for community health and safety</td>
<td>Current de facto applicable protocols are those governing manned aircraft noise requirements</td>
<td>Federal (FAA), State &amp; Local</td>
</tr>
<tr>
<td>Individual Vehicle Management &amp; Operations</td>
<td>Why it is required for last-mile delivery</td>
<td>Where the regulation stands today</td>
<td>Jurisdiction</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>------------------------------------------</td>
<td>---------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Registration</td>
<td>Aircraft registration is required for all sUAS over 0.55 lbs; it is likely that State and Local authorities will create additional registration requirements in certain jurisdictions as well</td>
<td>There is a Federal registry for both sUAS and an aircraft registry for traditional manned aircraft</td>
<td>Federal (FAA), State &amp; Local</td>
</tr>
<tr>
<td>Identification</td>
<td>Required for law enforcement and Air Traffic Control (ATC) to remotely track and identify aircraft in order to ensure accountability and enable enforcement where required</td>
<td>Unmanned Aircraft Systems (UAS) Identification and Tracking Aviation Rulemaking Committee (ARC) released their guidance in December 2017; the FAA will consider their recommendations in promulgating a rule</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>Weight restriction</td>
<td>In order to operate under Part 107 the total aircraft weight, including payload, must be less than 55 lbs; this is likely sufficient for most last-mile delivery operations, but there may be some instances where a larger aircraft and payload may be desired</td>
<td>sUAS must be under 55 lbs to operate under Part 107; operations requiring greater payload capacity must pursue other regulatory pathways or certifications</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>Pilot certification</td>
<td>Pilot certification ensures pilots are capable of conducting safe sUAS operations in the NAS</td>
<td>Pilot must have a remote pilot airman certificate for commercial operations; cert is currently a written test</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>Autonomous flight</td>
<td>Required to reduce operator to aircraft ratio, and full integration into automated UTM system</td>
<td>Under Part 107, all operations must be within visual line of sight and under the control of a remote pilot¹</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>BVLOS¹ operation</td>
<td>Delivery operations will require BVLOS operations in all scalable last-mile delivery models</td>
<td>BVLOS operations are currently prohibited without a Part 107 waiver or COA; some EVLOS² waivers have been granted to certain organizations (e.g., PrecisionHawk, BNSF, and GE) but true BVLOS flights are heavily restricted</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>Flight above people</td>
<td>Enables operations in urban and suburban areas where demand is likely to be significant and flight routes will require operations above people</td>
<td>UAS operations over people are currently prohibited without a Part 107 waiver or COA; some flight above people testing has been done (e.g., CNN operations), and is expected to be further tested in the IPP</td>
<td>Federal (FAA)</td>
</tr>
</tbody>
</table>

¹ Beyond Visual Line of Sight (BVLOS); ² Extended Visual Line of Sight (EVLOS)
Today, the closest parallel to the air metro and air taxi markets are manned helicopter services.

**At a glance: the helicopter service market in the US**

- There are currently **5,660 heliports in the U.S.** (most are not public-use) and **9,750 civil helicopters in the fleet**
- Today, the civil **helicopter transport market is growing, but remains relatively limited, expensive, and often seen as disruptive** by local communities
  - Many communities have **issued local ordinances to restrict these routes** in their jurisdiction to address community concerns
- The global commercial helicopter market is expected to **continue to grow steadily over the next 10 years, from $8.2B in 2017 to $11.6B by 2027**
- **The U.S. is expected to lead this market with ~$38B in spending** over the ten year period
  - This growth is driven by increasing adoption of **helicopters for public and para-public missions** like Helicopter Emergency Medical Services (HEMS), law enforcement, and Search & Rescue
- Many current **helicopter services are planning to transition their operations to eVTOLs** in the future (e.g., Airbus VOOM)

**The regulatory climate for helicopter services**

- Today, these **helicopter services are governed primarily by Part 135**
- In order to achieve a more scalable and accessible Air Metro UAM market, **current operations will need to undergo several major innovations**, including:
  - Automation and development of associated safety systems
  - Distributed electric propulsion systems
  - Commercialization of tilt-rotor designs
  - Battery power improvements
  - New infrastructure designs and standards
- **These evolutions will require significant changes to the existing regulatory regime**, spanning everything from airworthiness to operator certification to infrastructure standards

*Source: Global Commercial Helicopter Market Report, Strategic Defense Intelligence; Expert interviews*
Going forward, air metro and air taxi operations will require evolutions across five key categories of regulation:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operator certification</td>
<td>Vehicle certification</td>
<td>Zoning restrictions</td>
<td>Registration</td>
<td>Noise requirements</td>
</tr>
<tr>
<td>Operator licensing</td>
<td>Continuing airworthiness</td>
<td>Cybersecurity</td>
<td>Surveillance</td>
<td></td>
</tr>
<tr>
<td>Fleet management</td>
<td></td>
<td>Infrastructure requirements</td>
<td>Pilot certification</td>
<td></td>
</tr>
<tr>
<td>UAM TM &amp; airspace integration</td>
<td></td>
<td></td>
<td>Autonomous operations</td>
<td></td>
</tr>
</tbody>
</table>

Today, air metro and air taxi operations are most closely paralleled by rules governing helicopter operations. Adding electrification and autonomy to the mix will require a significant degree of maturation in the existing regulations and/or the introduction of new regulation to govern these aircraft and operations. Integrated and automated UAM traffic management systems and associated protocols are in a nascent state, and pathways to vehicle certification still need to be charted.
## Regulatory Requirements for UAM: Air Metro and Air Taxi Integration

<table>
<thead>
<tr>
<th>Regulatory need</th>
<th>Why it is required for air metro &amp; air taxi</th>
<th>Where the regulation stands today</th>
<th>Jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operator certification</td>
<td>AOC/Operator certification will be required for Air Metro and Air Taxi operators; these requirements will likely be an evolution of existing manned operator certifications</td>
<td>Under the current regulatory structure, there is only a standard for piloted operations, which operate under Part 135 in most cases; alterations and additional regulation may be needed for autonomous operations</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>Operator licensing</td>
<td>State and local authorities will likely implement operator/business licensing requirements for air metro &amp; air taxi operations</td>
<td>Depending on the jurisdiction and operation type, additional licensing requirements exist for manned equivalents (e.g., medical operations licensing)</td>
<td>State &amp; Local</td>
</tr>
<tr>
<td>Fleet management</td>
<td>eVTOLs will require automated fleet management software and associated protocols to enable scalable autonomous use cases</td>
<td>There is no current regulatory baseline governing technical or protocol standards for autonomous fleet management</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td>UAM traffic management &amp; airspace integration</td>
<td>UAM Traffic Management (UTM) technical requirements, operating protocols, and supporting infrastructure and technologies are required for an effective system of traffic management for autonomous eVTOL operations. eVTOLs will need an integrated, automated system for UAM traffic management in order to operate in airspace with a range of cooperative, noncooperative, and autonomous traffic and to be able to safely deconflict eVTOLs from this traffic</td>
<td>Additional rules and systems to govern how autonomous eVTOLs are integrated into the NAS are required before scalable operations can be enabled</td>
<td>Federal (FAA, DOT, Congress)</td>
</tr>
<tr>
<td>Community</td>
<td>Acceptable noise levels, and resulting noise abatement procedures will need to be developed for local community health</td>
<td>Current de facto applicable protocols are those governing manned aircraft noise restrictions</td>
<td>Federal (FAA), State &amp; Local</td>
</tr>
<tr>
<td>Regulatory need</td>
<td>Why it is required for air metro &amp; air taxi</td>
<td>Where the regulation stands today</td>
<td>Jurisdiction</td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------</td>
<td>--------------------</td>
</tr>
</tbody>
</table>
| **Vehicle Development & Production** | Vehicle certification  
Vehicle airworthiness certification standards will need to be evolved to encompass electric propulsion, autonomy, and its related technologies and subsystems | Currently, there is no clear certification path for an autonomous eVTOL; Part 23 and Part 21 are seen as a starting point for the evolutions that will need to occur to enable vehicle certification, but a proven, viable path has yet to be established | Federal (FAA)     |
|                           | Continuing Airworthiness  
Continuing airworthiness standards will need to be developed to govern autonomous eVTOLs | There are currently no continuing airworthiness standards for autonomous eVTOLs; rotorcraft continuing airworthiness standards are the most likely baseline | Federal (FAA)     |
| **Airspace Design & Implementation** | Zoning restrictions  
Existing access and operational regulations may need to be adapted to accommodate LMD | De facto applicable protocols are those governing manned aircraft operations and other time, place and manner restrictions | State & Local      |
|                           | Cybersecurity  
Cybersecurity standards for the vehicles and the overall system to protect against jamming, spoofing, and other forms of interference are necessary for safe and reliable operations | Currently, there are no comprehensive cybersecurity standards for autonomous vehicles and their supporting systems (e.g., UTM); more attention will need to be paid to this issue going forward to develop the appropriate standards and technologies | Federal (FAA, DOT, DHS, DOD) |
|                           | Infrastructure requirements  
Needed to create UAM infrastructure standards for key air metro and air taxi operations (e.g., vertiports) | There are currently no vertiport-specific standards and industry remains unaligned on the technical visions and needs for vertiports; currently all “vertiports” would likely comply with airport and/or heliport standards | Federal (FAA)     |
## Regulatory Requirements for UAM: Air Metro and Air Taxi

### Individual Vehicle Management & Operations

<table>
<thead>
<tr>
<th>Regulatory need</th>
<th>Why it is required for air metro &amp; air taxi</th>
<th>Where the regulation stands today</th>
<th>Jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Registration</strong></td>
<td>Aircraft registration is required for the majority of aircraft; it is likely that State and Local authorities will create additional registration requirements in certain jurisdictions as well</td>
<td>There is a Federal registry for traditional manned aircraft</td>
<td>Federal (FAA), State &amp; Local</td>
</tr>
<tr>
<td><strong>Surveillance</strong></td>
<td>Required for Air Traffic Control (ATC) and public safety officials to remotely track and identify aircraft in order to ensure separation standards, and accountability</td>
<td>There are currently no specific rules or requirements for autonomous eVTOLs, the closest parallel is equipage requirements for aircraft operating within the Mode C Veil</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td><strong>Pilot certification</strong></td>
<td>Pilot certification will likely be required for potential interim use cases involving remote pilots for eVTOLs; these requirements will change as the platforms transition to full autonomy</td>
<td>Currently, there is no way to certify as a remote pilot of a remotely piloted eVTOL</td>
<td>Federal (FAA)</td>
</tr>
<tr>
<td><strong>Autonomous operations</strong></td>
<td>Required for full-scale use case operations, which will entail repeated autonomous operations; regulation will need to be put in place to govern technical standards for autonomous mission management systems, as well as general standards and protocols for autonomous operations</td>
<td>Currently, regulation is in place to allow for piloted helicopter operation and VLOS operations for sUAS. There is no clear regulation in place to govern autonomous passenger-carrying operations or the systems that support them</td>
<td>Federal (FAA)</td>
</tr>
</tbody>
</table>
The future of UAM regulation will likely be a marriage between evolutions of sUAS and manned commercial rules.

### Part 107 (sUAS) evolution

- **Last-mile delivery** applications will likely include **an evolution of Part 107 (sUAS) regulations**
  - The vehicles, operations, and airspace standards that **regulators are currently tackling for sUAS more broadly are directly applicable to last-mile delivery**, and therefore will likely be addressed in large part by evolutions of Part 107.

### Manned commercial evolution

- Last-mile delivery will **likely entail revisions to Part 135**
  - Currently, last-mile delivery operations for the IPP are expected to operate under Part 135.
- Many **components of last-mile delivery will borrow from evolutions of manned standards** (e.g., operator certification, should it be adopted, is likely to borrow from existing operator certification standards for commercial operations).
- Air Metro and Air Taxi use cases will likely borrow part of their **regulatory frameworks from existing manned commercial operations** (e.g., Parts 135, 91, etc.).
- Many of these **Parts already tackle the beginnings of automation**, but none of them are a perfect fit for UAM operations
  - e.g., even manned rotorcraft operations fail to address scalable UAM because they rely primarily on VFR¹

---

¹ Visual Flight Rules

---

This process is likely to be time consuming and labor-intensive, and completed in a series of incremental steps. Both legs of this evolution will require significant updates to many existing Parts that interact with different components of UAM operations.
However, progress in this arena faces a series of challenges

- **Time-consuming regulatory processes.** The regulatory process struggles to keep pace with the speed of innovation and demands from industry, many of whom are unfamiliar with aviation and the regulatory process associated with it. The rulemaking process is inherently collaborative, and requires community engagement and review as well as compliance with the Administrative Procedures Act. This creates a lengthy process for something like UAM, which is a complex and multifaceted issue requiring multiple rulemakings and Part updates.

- **Resource constraints for the regulators.** The regulatory process is labor-intensive, and regulators face tight resource constraints, large workloads, and multiple demands on their time.

- **Pressure to move more quickly.** Regulators are under significant pressure to move more quickly, but not at the cost of safety, given perceptions that the U.S. is being “outpaced” in this arena, and industry concerns around enabling commercial markets.

- **Open development needs for key technologies.** Many technologies are simply not there yet in terms of capabilities and performance to fill certain functions that are required for safe and reliable operations (e.g., DAA, navigation-denied environment technology, etc.). Absent reliable technologies for these functions, regulators cannot set reasonable or reliable safety standards for key UAM operations.

- **State and Local pre-emption.** In lieu of clear Federal rules and guidance, there is likely to be more unilateral action taken by State and Local authorities. This risks causing a more complex and fragmented regulatory landscape to manage and navigate in the future.
Absent significant change, the regulatory timeline for last-mile delivery will likely place scalable operations in the near-term timeframe.

<table>
<thead>
<tr>
<th>Likely timeframe for commencing scalable operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate ~0-24 months</td>
</tr>
<tr>
<td>Near term ~2-5 years</td>
</tr>
<tr>
<td>Mid term ~5-10 years</td>
</tr>
<tr>
<td>Long term ~10+ years</td>
</tr>
</tbody>
</table>

### Air Traffic & Fleet Operations
- Operator certification
- Operator licensing
- UTM requirements

### Vehicle
- sUAS vehicle certification
- Continuing airworthiness

### Airspace System Design & Implementation
- Zoning restrictions
- Altitude restriction
- Cybersecurity
- Infrastructure requirements

### Individual Vehicle Management & Operations
- Registration
- Identification
- Pilot certification
- Weight restriction
- BVLOS
- Autonomous flight

### Community
- Flight above people
- Noise requirements

**THE PATH FORWARD: LAST-MILE DELIVERY REGULATORY TIMELINE**
Absent significant change, the regulatory timeline for air metro and air taxi will likely place scalable operations in the mid-to long-term timeframe.

<table>
<thead>
<tr>
<th>Immediate ~0-24 months</th>
<th>Near term ~2-5 years</th>
<th>Mid term ~5-10 years</th>
<th>Long term ~10+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air Traffic &amp; Fleet Operations</strong></td>
<td></td>
<td>Operator certification¹</td>
<td>Operator licensing</td>
</tr>
<tr>
<td><strong>Vehicle</strong></td>
<td></td>
<td>UAM TM &amp; airspace integration</td>
<td>Fleet management</td>
</tr>
<tr>
<td><strong>Airspace System Design &amp; Implementation</strong></td>
<td></td>
<td>eVTOL vehicle certification</td>
<td>Continuing airworthiness</td>
</tr>
<tr>
<td><strong>Individual Vehicle Management &amp; Operations</strong></td>
<td>Registration</td>
<td>Zoning restrictions</td>
<td>Cybersecurity</td>
</tr>
<tr>
<td><strong>Community</strong></td>
<td></td>
<td></td>
<td>Infrastructure requirements</td>
</tr>
</tbody>
</table>

1 Currently possible for traditional piloted operations under Parts 135 and 121; adaptations will likely occur for unmanned operations as needs arise
2 Currently possible to get pilot certification for traditional piloted helicopter operations, remote and autonomous “pilot” certification will develop in the long term
Adopting forward-leaning risk management approaches to UAM regulation will be critical in driving efficiency in the regulatory process.

<table>
<thead>
<tr>
<th><strong>Enabling Safety Management Systems (SMS)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Long lead times on adopting innovative technologies in innovation in many ways <strong>has to do with risk and how risk is mitigated</strong></td>
</tr>
<tr>
<td>- The FAA is able to operate most efficiently when it can delegate the details of <strong>safety and risk mitigation to operators who have approved Safety Management Systems (SMS)</strong></td>
</tr>
<tr>
<td>- Building these <strong>protocols for UAS and UAM operators allows for faster approvals for operations</strong> and can accelerate expansion and scaling of UAM operations in the NAS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Facilitating selected industry self-regulation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- There are certain areas where regulators may be able to <strong>leverage industry self-regulation to help accelerate the pace of adoption and implementation</strong> of UAM technologies and operations</td>
</tr>
<tr>
<td>- <strong>Industry is often able to move more quickly than regulators</strong> in adopting consensus standards as opposed to putting standards through more complex internal processes</td>
</tr>
<tr>
<td>- As a result, there are certain areas where <strong>industry consensus standards or industry-driven self-regulation could help alleviate some of the burden of the regulatory process</strong> and accelerate adoption and implementation, while maintaining the highest standard of safety</td>
</tr>
<tr>
<td>- <strong>For example, insurance requirements</strong> may provide an effective avenue for industry self-regulation</td>
</tr>
<tr>
<td>- Should the FAA require operators to carry certain insurance limits, <strong>insurance companies will help the industry self-regulate</strong> as they will be unwilling to insure unsafe operators⁴</td>
</tr>
</tbody>
</table>

---

1 This avenue would require significant confidence in insurers’ ability to accurately assess and quantify risk in UAM operations
However, the most significant hurdle for UAM regulation is the time-consuming regulatory process itself.

**The rulemaking process itself moves very slowly**

- Aviation rulemaking will **typically take 38-42 months for a significant rule**, and **30 months for a less significant rule**
- The process is governed by the *Administrative Procedures Act (APA)* and three associated executive orders (12866, 13563, and 13579)
- There are **three formal stages to rulemaking** (pre-rule, proposed rule, and final rule), but there are **nine distinct steps to the end-to-end process**
- This process is very detailed and requires strict compliance with the requirements under each stage, and is very **time- and labor-intensive**
- There are **some steps that have historically acted as chokepoints for rulemaking** (e.g., time-intensity for adjudicating comments, OST approval, OMB approval)
- As a result, the **rulemaking timelines for something as robust as UAM tend to be extended due to the requirements for compliance** with each stage of this process for each individual rule and rule update that is undertaken
- Rulemaking can take longer at FAA compared to other agencies/departments because **coordination is required with both DOT and the Office of Information and Regulatory Affairs (OIRA)**
- Some agencies tend to operate under **de-facto numerical limits on how many rules it can send each year to OIRA**
  - Even uncontroversial rules (e.g., Part 23 re-write) **suffer from the perception that rules are bad and we need less regulation. This leads to certain enabling regulation getting delayed in order to counter the perception of over-regulation**

**Accelerating the regulatory timeline**

- Going **through the traditional process will lead to long timelines** for UAM regulation to be in place
- Within the current process, there is room to reduce the time needed for rulemakings by **more closely involving DOT, OIRA, and other relevant government agencies** in the development and drafting of rules
  - **Concurrent agency review with abbreviated periods for comments** can also help accelerate timelines
- Some other potential avenues for acceleration, should legislators or regulators choose to pursue them, are:
  - **Congressional delegation of some airspace regulatory jurisdiction** to state and local authorities
  - **Regulator delegation of specific issues to industry consensus standards bodies** or to state and local authorities
There are a few principles regulators could consider adopting as they work to establish a progressive and effective UAM regulatory regime.

**Fostering cooperation between agencies.** Many of these issues are inter-agency challenges (e.g., cybersecurity will require FAA, DHS, DOJ, and DOD cooperation at a minimum) and will require effective coordination and governance in order to be successful.

**Developing innovative Public Private Partnerships.** USDOT and FAA have already started this process by setting up a FACA in the form of the DAC and launching initiatives like Pathfinder, IPP, and LAANC. However, success in this arena may require more innovative PPP structures like these that allow for more agile co-development, testing, and standard-setting opportunities.

**Adopting performance-based regulations.** Given the pace of technological change likely to be seen in the UAM industry, building performance-based regulations are going to be critical to enabling innovation. The FAA has already begun the transition to this form of regulation with the 14 CFR Part 23 rewrite; this kind of approach will be critical to UAM.

**Implementing forward-leaning risk management approaches.** Regulators can operate more efficiently by delegating details of safety and risk mitigation to operators who have approved Safety Management Systems (SMS). SMS in conjunction with facilitating selected industry self-regulation can help improve efficiency of the regulatory process across the UAM ecosystem.

**Acknowledging that politics are local.** Although the regulatory authority is primarily Federal, local communities are going to be a major factor in the integration and adoption of UAM technologies and operations. Local sentiments will dictate the market adoption rates and what ordinances are created, and as a result, will heavily influence the ease of integration.

**Developing new methods that match the new face of aviation.** The UAM and UAS industries are much more vast and fragmented than the traditional manned aviation landscape. The ecosystem is larger and contains a much wider range of corporate sophistication and background than ever before. This means that some of the old ways of doing business may no longer be sustainable and new solutions will need to be developed to help the full ecosystem develop and operate unmanned aircraft safely in an urban environment.
Contents

• Introduction and summary by Crown Consulting, Inc.
• Market analysis by McKinsey & Company
• Public acceptance by McKinsey & Company
• UAM regulatory environment by Ascension Global

• Potential barriers by Georgia Tech Aerospace Systems Design Lab and Crown Consulting, Inc.
• Moving forward by Crown Consulting, Inc.
## Prior assessment identified conditions needed for market viability

<table>
<thead>
<tr>
<th>Conditions for a Viable Market</th>
<th>Last-mile parcel delivery</th>
<th>Air Metro</th>
<th>Air Taxi</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Safety and security</strong></td>
<td>Detect-and-avoid, GPS-denied technology, weather mitigation, UTM technology Regulatory requirements for BVLOS, airworthiness, UTM certification, flight above people, altitude restrictions, operator certification, identification, environmental restrictions (e.g., noise, visual noise), emergency procedures, data security</td>
<td>Detect-and-avoid, GPS-denied technology, weather mitigation, UTM technology Regulatory requirements for airworthiness standards, UTM certification, flight above people, weight and altitude restrictions, BVLOS, operator certification, identification, environmental restrictions (e.g., noise, visual noise), emergency procedures, data security</td>
<td>Detect-and-avoid, GPS-denied technology, weather mitigation, UTM technology Regulatory requirements for airworthiness standards, BVLOS, UTM certification, flight above people, weight and altitude restrictions, operator certification, identification, environmental restrictions (e.g., noise, visual noise), emergency procedures, data security</td>
</tr>
<tr>
<td><strong>Economics</strong></td>
<td>Battery technology, autonomous flight technology, infrastructure (receiving vessels, distribution hubs, docking/charging stations, UTM)</td>
<td>Battery technology, autonomous flight technology, electric propulsion, infrastructure (~200 vertiports per MSA located in high-traffic areas capable and of handling ~3-6 VTOLs at once; charging stations; service stations; UTM)</td>
<td>Battery technology, autonomous flight technology, electric propulsion, infrastructure (very large density of vertistops on or near buildings to create a door-to-door service; charging stations; service stations; UTM)</td>
</tr>
<tr>
<td><strong>Transportation demand</strong></td>
<td>Competing modes (autonomous and human-driven ground delivery services (e.g., FedEx, UPS, Amazon Prime), courier services, autonomous ground vehicle (AGV) lockers, droids)</td>
<td>Competing modes (subway, bus, bike, ride-hail/taxi, or rideshare)</td>
<td>Competing modes (subway, bus, bike, ride-hail/taxi, or rideshare)</td>
</tr>
<tr>
<td><strong>Public acceptance</strong></td>
<td>Proven safety record, privacy, job security, environmental threats, and noise and visual disruption</td>
<td>Proven safety record, privacy, job security, environmental threats, and noise and visual disruption</td>
<td>Proven safety record, privacy, job security, environmental threats, and noise and visual disruption</td>
</tr>
</tbody>
</table>

### Last-mile parcel delivery
- Commercially viable market profitable around 2030

### Air Metro
- Commercially viable market with in-year profitability in 2028

### Air Taxi
- Possible market in 2030 in concentrated areas of high net-worth individuals and businesses
Possible Framework for Assessing Technology Contributions to UAM Viability

Technologies
- Autonomy
- Sensing
- Cybersecurity
- Propulsion
- Energy storage
- Emissions
- Structures
- Safety
- Pilot training
- Certification
- Communications
- Controls
- Operations
- Traffic management
- Infrastructure

Barriers
- Regulation and certification
- Cybersecurity
- Air traffic management
- Infrastructure investment
- Affordability
- Competitive modes
- Willingness to pay
- Perceived safety
- Environment

Conditions
- Safety and security
- Economics
- Demand for transportation
- Public acceptance

Viable Market
Tableau or similar software can trace connections or impacts across the framework. The framework can be portrayed at multiple levels of detail.
Contents

• Introduction and summary by Crown Consulting, Inc.
• Market analysis by McKinsey & Company
• Public acceptance by McKinsey & Company
• UAM regulatory environment by Ascension Global
• Potential barriers by Georgia Tech Aerospace Systems Design Lab and Crown Consulting, Inc.

• Moving forward by Crown Consulting, Inc.
Moving forward

• It is critical to evaluate UAM in terms of specific use cases (e.g., air metro) to produce meaningful results

• Determining the viability of specific UAM use cases requires a holistic approach that considers UAM’s complex ecosystem

  – This study used over 100 discrete assumptions for the use cases (from the cost of sensing systems, to battery efficiency, to weather estimates in the 15 US cities studied)

  – Many of the most significant challenges to UAM are regulatory or policy-related across multiple governmental entities and would likely need to address evolving technologies

• There is an opportunity to coordinate planning for UAM research with industry needs

  – No single actor (public or private) has emerged yet as the UAM industry convener

  – Market participants do not yet agree on the vision for each UAM use case

• Public acceptance of UAM is likely to be more complicated than asking popular opinion; local policy, interest groups and research (for example, on noise) each play a major role