

* Economic Impacts of the Salt Lake City International Airport

Overview

Acting as a catalyst for business expansion, job growth, and the development of travel-sensitive industries, The Salt Lake City International Airport¹ is critical to Utah's economic well-being and cultivation as a thriving regional metropolis. In 1998, more than 21.1 million passengers and 253 thousand tons of air cargo will pass through Salt Lake City via the Salt Lake City International Airport (Airport²). In 1997, the Airport was the 29th largest airport in the nation in terms of cargo volume processed. Also in that same year, the Airport ranked 23rd in the nation and 38th in the world in total passengers served. For over a decade the number of passengers using the Airport and the volume of air transport cargo has increased at rates more than double those reported nationwide.

Economic Impact of Airport Operations

Despite heavy demands, the Airport has provided accessible and efficient air transport services to Utah residents and businesses. To achieve this success, the Airport spends millions of dollars and employs thousands of people each year to provide a variety of aviation related services, products and facilities. In 1997, more than 12,500 people were directly engaged in air service-related activities in Utah at the Airport. Airport-related spending for operations totaled almost \$934 million-\$502.5 million in payroll expenses and \$431.2 million for non-wage goods and services.

This Airport spending benefits Utah's economy in myriad ways—directly, indirectly, induced, and fiscally. The direct impact of the Airport can be measured in the wages, salaries and supplements paid by the Airport to its employees. The indirect impacts reflect the wages, salaries and benefits paid by suppliers as they satisfy the Airport's purchase requirements. Induced impacts measure the effects of subsequent spending by the employees of these suppliers as they purchase goods and services from secondary and tertiary suppliers. Fiscal benefits accrue to the state from taxes paid on earnings generated by Airport activities.

Through direct, indirect and induced economic effects, the Airport's operating expenditures generated almost \$551.5 million in earnings for Utah households and supported 19,300 jobs in the Utah economy during 1997.³ Its fiscal impacts further show the economic importance of the Airport. In 1997, the Airport's state and local tax impacts were estimated to be \$64.7 million.⁴

¹ This study summarizes a more detailed economic impact study titled "The Economic Impact of the Salt Lake City International Airport", undertaken by the Bureau of Economic and Business Research at the University of Utah in 1998.

² The Airport is owned and operated by Salt Lake City through a separately incorporated authority with its own board. The term "Airport" as used in this study includes the following: (1) Salt Lake City Airport Authority, (2) Airlines that use the Airport's facilities, (3) Concessionaires affiliated with the Airport.

³ The economic impact estimates presented here study utilize a standard tool of regional economic impact analysis known as the "Regional Input-Output Modeling System (RIMS II)". Developed by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce.

⁴ Fiscal impacts were derived by multiplying total earnings generated from Airport activities by an estimate of the effective state and local tax rate on Utah earnings in 1997. This rate was 11.74 and was obtained by dividing total 1994-1995 state and local tax receipts (\$4.0 billion) by 1994-1995 Utah personal income (\$34.2 billion).

Economic Impact of Maintenance and Expansion

While the Airport has both sustained impressive levels of use and met the ever-increasing demands placed on it, extraordinary pressures have been brought to bear on all Airport facilities over the past several years. Current passenger traffic is nearly triple the volume of that when the existing facilities were designed. And, the most recent baseline aviation forecasts for the Airport show continued expansion. The number of passengers using the Airport by 2015 is projected to reach 44.1 million. Aircraft operations (takeoffs and landings) are projected to grow from 374,209 in 1996 to 636,000 by 2015 and total air cargo is expected to reach 730,700 tons. Although the growth in Airport activity will ultimately encourage improved air service for Utah residents and businesses, it will also tax the capabilities of the Airport's existing infrastructure, creating demand for additional services and facilities.

To maintain and improve its existing facilities, the Airport will spend \$10.0 million per year under its Capital Improvement Program (CIP). However, projected growth in future passenger and air cargo volume will require expansion of the Airport's capacity. Future demands will be met with a major Airport expansion that will include (1) new terminal development and modernization, (2) construction of a north and south concourse, (3) bridge construction, (4) development of various roads, construction of new parking facilities, light rail station, and multi-modal transportation center, (5) construction of an automated people mover system and tunnel, (6) apron and taxi-lane paving and (7) installation of specialized systems integral to the terminal and concourse development including baggage handling and conveyors, aircraft docking bridges, and baggage information systems. The estimated price tag of implementing this Capacity Enhancement Development Plan (CEDP) is \$994.0 million. Work on CEDP began earlier this year and is scheduled to continue through 2007.

Maintaining and constructing Airport facilities will also exert positive economic benefits on Utah's economy. Construction-related spending (including maintaining existing facilities) will generate nearly \$596.0 million in earnings for Utah households while supporting 26,513 jobs statewide. These impacts reflect the total direct, indirect and induced benefits on the state's economy during the 10-year construction cycle.

Again, spending on facility maintenance and construction will affect Utah's fiscal bottom line. The estimated increase in state and local tax revenue is estimated to be almost \$70 million over the course of the construction cycle.

Significance of the Airport in Utah's Economy

To place the economic importance of the Airport in perspective, the Airport activities can be compared to those of other large enterprises within the state. When treated as a single entity, and using direct employment as the measure, the Airport is one of the largest organizations in Utah surpassed only by state government, the University of Utah and Brigham Young University.

Qualitative Impacts of the Airport

The economic impact of the Airport's operations, maintenance and construction spending are measured by increases in earnings for Utah households and employment within the state. What is not measured is the value of quality air service for residents, businesses and organizations located throughout Utah and the broader market area. And, while the economic impacts generated by Airport spending are substantial, its full economic importance is far greater than the earnings, employment and tax revenues presented here. The Airport stimulates growth in ways that simply resist measurement.

A reliable air service network is necessary for Utah to fully participate in the global economy by providing for the expeditious movement of planes, people and cargo to locations throughout the world. It provides a venue by which Utah is able to successfully compete with other states for industrial and commercial development. Access to reliable air service encourages tourism and convention business. Local firms may expand the scope of their marketing efforts as air transportation becomes more accessible. New firms, and businesses located outside Utah may view convenient and expanded air service as sufficient incentives to

locate operations within the state. The value of these benefits cannot be reliably quantified. They are, nonetheless, critical components of the Airport's economic influence.

Conclusion

As one of Utah's major employers, the Salt Lake City International Airport makes significant contributions to the state's economic vitality, spending millions of dollars and employing thousands of people to provide accessible and efficient air service in Utah. Not only is the Airport a catalyst for business enterprise and job growth, it is a vital component of Utah's transportation infrastructure moving millions of people and thousands of tons of cargo each year. While the tangible economic benefits of the Airport can be measured in additional jobs and earnings for Utah households, the Airport provides a plethora of intangible benefits as well. Without quality air service it is doubtful that Utah could have been a candidate to host the Winter Olympics of 2002. State-of-the-art airport facilities are essential to the success of any metropolitan area. Indeed, much of Utah's economic well-being has been and will continue to be dependent upon convenient and quality air transport services. *