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“Flying the Economic Flag”



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Russ Beach Smiths Falls /Montague Airport (The History)



The **Russ Beach Smiths Falls/Montague (CYSH) Airport** is a local aviation facility providing for primarily recreational aircraft users residing within approximately a 100 km radius of the airport. The airport attracts a limited amount of corporate traffic and is regularly utilized by the Canadian Forces for its specialized training requirements and the Ottawa Police Service who both train and undertake operations with rotary wing equipment. The airport has also developed several specialized niche roles: namely, the Royal Canadian Air Cadets use the airport as a base for their glider activities – over 1000 cadets visit the airfield each year; and, the Model Aeronautics Association of Canada who hold a major weekend event on site – this latter activity contributes noteworthy sums to the local hospitality sector.

The airport was constructed in 1960 by a group of local flying enthusiasts. Through their efforts the Smiths Falls Flying Club was created and the not-for-profit corporation owned, managed and operated the airport through 1978 when the airport was turned over to the Town of Smiths Falls (75% ownership) and the Township of Montague (25%). As a part of that agreement, joint provincial/municipal funding was provided which led to the paving of the main runway, taxiways and apron area and the addition of runway landing lights. In 1990, the airport received a further injection of provincial/municipal financial support and the runway was lengthened to its present 4000' along with capital investments in an on-site re-fuelling operation.

The airport is jointly owned by the Town of Smiths Falls and the Township of Montague. The airport is managed by the Smiths Falls/Montague Airport Commission whose 11 member Board is appointed by the Town of Smiths Falls (6 members), the Township of Montague (3) and the Smiths Falls Flying Club (2). The airport is operated by the Smiths Falls Flying Club where a largely volunteer effort is utilized to oversee daily operations, and provide for the 7 maintenance and up-keep of the airfield.

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Definitions



Impact assessments are valuable in that they serve to heighten business, community and political awareness as to the importance of an airport to a local economy; in this case, in terms of employment, labour income and value-added gross domestic product activity. This part of the impact assessment can also be viewed as a base-line against which future developments may be measured.

- *Direct economic effects* are the economic activities related to labour, expenditures and revenues emanating from the firms engaged in supporting or benefiting from aviation or airport activities at the Smiths Falls/Montague airport.
- *Indirect + induced economic effects* are those related to the economic impact associated with parallel co-activities which support activities at the airport and the overall increase in the goods and services produced within an economy, arising from the spending power of direct and indirect employees. This economic activity is accounted for by multipliers which attempt to quantify the interactive linkages within the local economy impacted by direct economic activity.



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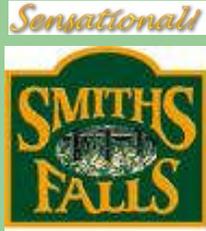
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The Value of Airports?

There have been a few airport economic impact studies conducted in the past couple of years. One of the most recent, and most comprehensive of these was undertaken by RP Erickson & Associated for Aviation Alberta, Alberta Infrastructure & Transportation, and Alberta Economic Development. This study specifically focused on small airports in Alberta and the final report, released in May 2005, contains some startling results. Here are some highlights from the report:

- Twelve representative airports were chosen for the study and these were divided into four tiers based on the amount of aviation activity at each. Extensive on-site surveys of all airport related business and community officials were conducted to gather data for the year 2003.
- The Tier I airports are regional air carrier nodes with a large GA and a flight training presence. On average they provided 300 direct full-time job equivalents (FTEs), a labour income of nearly \$15 million, and a total economic impact of over \$45 million. They all operate at a deficit for their annual operating and maintenance costs and the average municipal subsidy is \$77,000 per annum. None have the financial resources to fund their estimated capital requirements for the next 10 years.
- Tier II airports may have scheduled air services, have a significant GA presences and may have flight training services. On average each provided 30 direct FTEs, a labour income of nearly \$2 million, and a total economic impact of over \$7 million. All operate at a deficit, with an average municipal subsidy of \$21,000 per annum.
- Tier III airports do not have scheduled air services and have a reduced GA presence. However, they still provide economic benefits to the communities they serve. On average each provided 9 direct FTEs, a labour income of nearly \$500,000, and a total annual economic impact of nearly \$2 million. All operate at a deficit and receive average municipal subsidies of \$45,000.



The Value of Airports (Cont'd)

- Tier IV airports are grass strips with a limited base of GA and no on-site aviation services. Since these airports have no on-site aviation services or commercial businesses there was no measurable economic activity attached to the airports directly. Their operating and maintenance costs are minimal, often provided by volunteers, and the benefits they provide to the communities are largely social.
- Tier I and Tier II airports provide 300 to 500 times as much in total economic benefit to their communities as they cost in subsidies. Even the Tier III airports, without air carrier services, give back up to 40 times the economic benefit to their communities as they cost. These numbers clearly demonstrate an exceptional return on investment to their communities without even considering the social benefits the airports provide.

The root cause of the current problem is a narrow minded attitude that airports are not public infrastructure. Airports are clearly economic engines for their communities. Promoting airports for tourism is very important and often ignored. Make sure your local airport is listed in the “[Places To Fly](#)” section of the COPA web site. Whether a local airport is publicly or privately owned it strongly benefits the local community by bringing business and visitors into the community and thus bringing investment and prosperity.

All communities need to have an involvement of some sort in these facilities to ensure that they remain available to the community and are not bought up and closed, to be developed into housing and other non-aviation uses.



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Ontario Economic Impact

Economic Impact of Ontario Municipal Airports

- Thirty-one airports reported direct employment of 2,642 FTE. Using the distribution of employment at the respondent airports, it is estimated that the 85 municipal airports in Ontario support direct employment of 7,157 full-time jobs; and 15,595 total jobs (direct, indirect and induced) with the multiplier effect.

Economic Benefit Amount

Amount

Direct Employment	7,157 FTE
Total Employment (direct, indirect, induced)	15,595 FTE
Total Output (direct, indirect, induced)	\$1.7 billion
Direct Labour Income / Earnings	\$177.6 million
Total Labour Income / Earnings (direct, indirect, induced)	\$342 million
Provincial Income Tax from Direct Earnings	\$10.7 million
Provincial Income Tax from Total Earnings	\$23.4 million
Direct Property Tax Revenue	\$6.3 million
Provincial Aviation Fuel Tax	\$58.5 million

Reference: Sypher *Study of Municipal Airports in Ontario, 2006*

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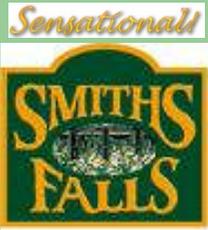
Recommended Linkage

Develop linkages with economic development and tourism agencies to jointly promote the community and the airport. Airports should, where available, actively participate in their local Chamber of Commerce, economic development boards, and tourism associations to develop strategies for the community that include the airport. Joint marketing efforts could also benefit all parties and the community at large.

Local Economic or Business Development Organizations

Twenty-three airports (56%) responded that they belong to at least one community association. Twenty-one of the twenty-three airports (91%) belong to the local Chamber of Commerce; nine (39%) belong to the local Economic Development Board, and 4 (17%) belong to other community associations.

(Reference: Study of Municipal Airports in Ontario – 2006)



2007 Economic Impact Activity Generated by the Russ Beach Smiths Falls/Montague Airport.

Direct Impact

<u>Jobs</u>	<u>Labour Income</u>	<u>Other Expenditures</u>	<u>Total Value added GDP</u>
12	\$286,000	\$432,000	\$718,000

Total Impact

<u>Jobs</u>	<u>Labour Income</u>	<u>Other Value added GDP</u>	<u>Total Value added GDP</u>
13.5	\$355,000	\$565,000	\$920,000

(RP ERICKSON & ASSOCIATES – February 2008) Note: Multiplier analysis remains an imprecise econometric technique and caution should be used in interpreting the indirect and induced impacts contained in any impact report. However, multipliers are virtually the only cost-effective tool available to identify the overall impact of a sectoral activity within an economy. Economic Impact From Visitor Spending ratio multipliers are as provided in an Ontario Ministry of Tourism (2005) Economic Impact model.

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Taxes Generated



In 2007, the Smith Falls/Montague airport generated \$196,000 in taxes.

This total is divided as follows:

Federal Government	\$92,000
Province of Ontario	\$73,000
Smiths Falls/Montague Municipal Gov'ts	<u>\$31,000</u>
Total Taxes Generated	\$196,000

(RP ERICKSON & ASSOCIATES – February 2008)

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Socio-Economic Benefits

The airport has also contributed to a number of noteworthy social factors to the community at large :

- In 2007, ORNGE - the Ontario Air Ambulance report between 40 and 50 Medivac flights used the airport;
- Provides a base for CASARA search & rescue activities;
- Provides a major flight training asset to local users, negating the need for residents to travel to distant airfields;
- Provides military and police services users with a significant training and operations asset;
- Generates roughly 5000 hours of volunteerism amongst on-site aviation users, at no cost to government. Included in this total are a number of annual volunteer jobs;
- Offers school tours to the Smiths Falls area and access to COPA's Young Eagles programme which provides local students with a window to explore the aviation industry; and,
- Provides a substantive capacity to accelerate responses to natural disasters or man-made emergencies, potentially mitigating the loss of life and property while protecting the local resource base for future generations.

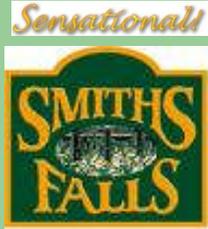
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Successful Airports



- Successful airports are easy to spot. They have air traffic – people use them a lot. This doesn't mean that they necessarily have scheduled air service, although that is a nice addition to any airport.
- Successful airports also tend to have services – fuel, aircraft storage and maintenance may all be available. Successful airports do not have to be big to succeed.
- Successful airports are a boon to the communities that they serve because they are transportation infrastructure, just like highways, roads, and sidewalks.



Potential Airport Services?

- A facility to allow medivac flights to take sick and injured members of the community to distant hospitals
- A facility to bring forest fire-fighting aircraft into the community when they are needed
- A facility to bring business and commerce into the community
- A facility for courier operations – for moving mail and packages into and out of the communities, including banking support services
- A facility to bring tourists and visitors to the community to spend their money visiting the local sights, staying in local hotels and eating in local restaurants and thereby greatly contributing to the local tax base through those businesses
- A port-in-the-storm for aircraft in need of a place to land when the weather deteriorates
- A base for agricultural aviation to provide crop spraying, pest control and other services to farmers and residents
- A base for flight training so that people can learn to fly in their own community
- A base for charter operations to carry people and goods in and out of the community
- A needed adjunct for an industrial park, providing just in time delivery for manufacturing and to delivery company executives with a minimum of delay.
- A facility for population evacuation in the event of a natural disaster in the area
- A facility to bring in disaster and relief supplies when a natural disaster strikes the area
- A facility for scheduled airline service to bring business into the community and goods and services out
- A base for Search and Rescue (SAR) operations to be carried out from – both for Canadian Forces SAR aircraft and CASARA resources
- A recreational facility for local residents to use and for pilots to fly from
- A focal point for community gatherings and events
- A destination for school field trips, Scouts, Cubs and Air Cadets

(COPA Guide - 2008)

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Successful Models

There are lots of small and regional airports that have found successful funding formulas in Canada and manage to break-even each year. Managers of these airports are clear where their success lies:

Maximize business use of the airport, including commercial lots sold or leased to those businesses that have an advantage in being at the airport, such as:

- Manufacturing operations that need “just in time parts delivery”
- Shipping operations that need access to transportation to ship their products to markets quickly
- Business that have corporate flight departments based at the airport

Maximize the location of uses on or near the airport that are not noise-sensitive, such as:

- Cemeteries
- Golf courses
- Race tracks
- Amusement parks
- Manufacturing operations

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Successful Models (Cont'd)

- Ensure that visiting aircraft are not expected to pay for the airport, as that just chases business away. Every effort should be made to generate revenue from on-airport leases and other local sources so that there would be no need to charge fees to visiting aircraft. Attracting visiting aircraft will pay off in sales to on-airport businesses and in the local economy. **The airport truly is an economic generator.**
- Sell hangar lots so that owners can build their own hangars on the airport. Leasing hangar lots can be acceptable if the lease period is long enough, but selling lots generates more stability at the airport and brings more aircraft owners there than leasing lots.
- Avoid “vesting clauses” whereby buildings put up on leased land are forfeited at the end of the lease period. Vesting kills investment.
- If fees are needed to make up shortfalls then the reliance should be on fuel pumpage charges and not “annoyance fees” such as car parking fees, aircraft parking fees and similar fees. Pilots are much less resistant to fuel fees and they are fairer – bigger aircraft burn more gas and therefore pay more.
- Attract airline and larger aircraft that are less sensitive to fees. Although it does add to the viability of a small airport, one economic reality is that airlines often appear and disappear quickly these days. The cost of constructing facilities, such as a new terminal for an airline start-up may not be recuperated if the airline doesn't last long. Airline pull-outs from places such as Sault Ste Marie and Sudbury in recent years have produced big costs for those airports for little return. Often the small private owners end up being asked to pay, through increased fees, for the under-used airline facilities – facilities that they do not need or want.

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Raising Funds

Creative Ways to Raise Funds For An Airport

Even with “inside the fence tax policies” some airports need extra revenue to make ends meet. For those airports that do not have all their tax money re-invested in the airport they really need other sources of revenue. Beyond fees, land sales and leases, many airports have found creative ways to fund the airport. Here are some that have been noted as working:

- Rent out the airport a couple of weekends a year for car or motorcycle racing. Some pilots may object to this, but if done right the revenue generated from this can sustain the airport for a long time with little flying time lost.
- Lease space to a restaurant on the airport. Airport restaurants attract fly-in visitors, often in substantial numbers. The result is that pumpage fees from fuel sales will contribute to the airport bottom line along with the lease of space to the restaurant. One of the keys here is to strongly promote the restaurant to let people know it is there! If there isn't the volume of business to make a commercial restaurant viable then in some cases local volunteers have run restaurants on limited hours as airport fund raisers.
- Hotels typically pay commissions for bookings from travel agents and other organizations. Develop a relationship with your local hoteliers and collect commissions for the airport coffers from pilots and other traveler's referred.
- Often, smaller airports are located far from the communities they serve. Transportation between the airport and local businesses can be a problem for visiting pilots. Many airports have a courtesy car pilots can use for the price of a donation to cover the cost of maintaining and running the car itself.

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Raising Funds (Cont'd)

- Some airports have a rack of bicycles that are lent out. These are usually obtained from the local police service and are former “stolen property” that the owners did not claim. This way they can be put back to good use in the community!
- Offer the airport facilities for community events, such as picnics, sporting events, school field trips, Air Cadets, Scouts and other meetings. This will get members of the community to visit the local airport and bring revenue to keep your restaurant operating. Intangibly it will build support for the airport as a community resource and it may help introduce people to aviation – future customers for the airport.
- Run regular fly-in events to attract pilots to fly into the airport. This will generate fuel pumpage and also restaurant revenue and perhaps hotel commissions.
- Organize special flying events to bring pilots to your community. The list can include safety seminars, poker rallies, or fly-in golf tournaments.
- If possible, earmark unused airport land for non-aviation uses that will generate revenue for the airport. Many airports have set up golf courses or other similar recreational facilities on airport land. These generate direct revenues for the airport and can also bring in more pilots to visit and buy gas, etc. If nothing else the space can be leased for hay crops.
- There are probably an infinite number of ways that an airport can add to the bottom line by being a bit creative. If these ideas look like they show that the airport is an integral part of the community then that is the aim!



***“Airports contribute significantly to the socio-economic foundation of any community and the Town of Smiths Falls values the Russ Beach Smiths Falls/Montague Airport”
..... “We thank those volunteers and staff who dedicate their time and efforts towards ensuring that your local community airport remains a sustainable community asset for years to come.”***



Thank you!!