

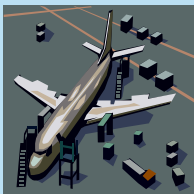


THE ECONOMIC IMPACT OF KANSAS CITY INTERNATIONAL AIRPORT 2006

EXECUTIVE SUMMARY

Prepared for
KANSAS CITY AVIATION DEPARTMENT

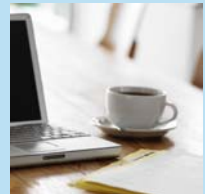
by



ENGINE
OF
ECONOMIC
GROWTH



DIRECT
INDIRECT
INDUCED
IMPACTS



EMPLOYMENT



EARNINGS



OUTPUT



EXECUTIVE SUMMARY

A. INTRODUCTION

Kansas City International Airport (KCI or the Airport) is an Enterprise Fund department of the City of Kansas City (the City), and is supported wholly by aviation and non-aviation airport user charges. KCI is classified as a medium hub airport by the Federal Aviation Administration (FAA) based on its reported enplanements of 5.42 million revenue passengers in 2006. The Airport was ranked 34th in the U.S. in terms of annual enplanements and 37th in terms of enplaned cargo tonnage in 2006. An estimated 3.42 million visitors arrived through the Airport in 2006.

In addition to providing convenient access to air transportation, the Airport is an engine of growth in the City, the adjoining region, and the State of Missouri. The Kansas City Aviation Department (KCAD, or Department), contracted with Unison-Maximus, Inc. (Unison) to estimate the economic impacts of KCI on the regional economy and to prepare an Impact Report (Report) that documents the direct, indirect, induced, and total impacts derived from Airport operations. Additionally, the Report is to include a comparison of the findings of the current study with the findings of the 2001 study conducted by Wilbur Smith Associates, Inc. (the 2001 Study), and estimates of projected impacts of KCI in 2011. This document summarizes the methodology, data, and analytical results contained in the technical report.¹

B. THE ECONOMIC IMPACT STUDY

1. Types of Airport Economic Impact

Direct Impacts

Direct impacts result from economic activities conducted at the airport or near the airport. These activities include operations by passenger and all-cargo airlines, general aviation operators, ground transportation providers, retail concessionaires, contractors, airport management, government agencies, and owners of related businesses located at or near the airport.

- **Indirect Impacts**

Indirect impacts result primarily from airport-related economic activities conducted off-airport. The distinguishing feature of the indirect impact of an airport is that the activity can be attributed to the presence of the airport, even though the actual activity is conducted

¹ For details of the study, see *Kansas City International Airport – Economic Impact Report, 2006*.





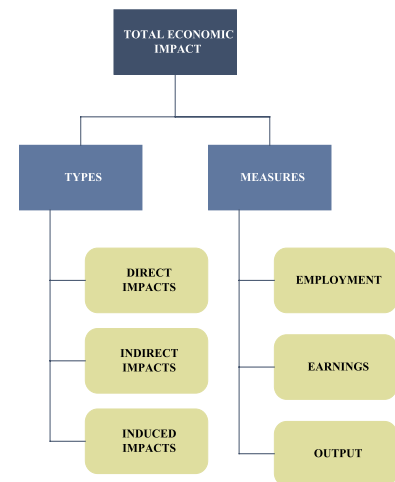
outside of the airport. For most airports, the primary sources of indirect impacts are generated by the leisure and hospitality, retail and ground transportation businesses that cater to the lodging, recreation, shopping, and ground transportation needs of visitors who arrive to the local area through the airport.

- **Induced Impacts**

Induced impacts result from the direct and indirect impacts, and represent the subsequent economic activities generated in the impact region. The additional economic activities are referred to as the multiplier effects of the direct and indirect impacts. Regional Input-Output multipliers allow for an estimation of the induced impacts specific to the defined impact region.

- **Total Economic Impacts**

Total economic impacts are the sum of the direct, indirect, and induced impacts, and represent the quantifiable economic significance of the presence of an airport in its impact region.



2. Measures of Airport Economic Impact

Direct, indirect, induced, and total impacts are typically measured in terms of **employment, earnings, and output**. A description of each impact measure follows.

- **Employment Impacts**

Employment impacts represent the jobs that depend directly and indirectly on the presence of an airport. The number of jobs is expressed in terms of full-time equivalent (FTE) jobs.

- **Earnings Impacts**

Earnings impacts represent the annual payroll of FTE employees whose jobs depend directly and indirectly on the presence of an airport. Payroll expenses include wages, salaries, and benefits paid to FTE employees.

- **Output Impacts**

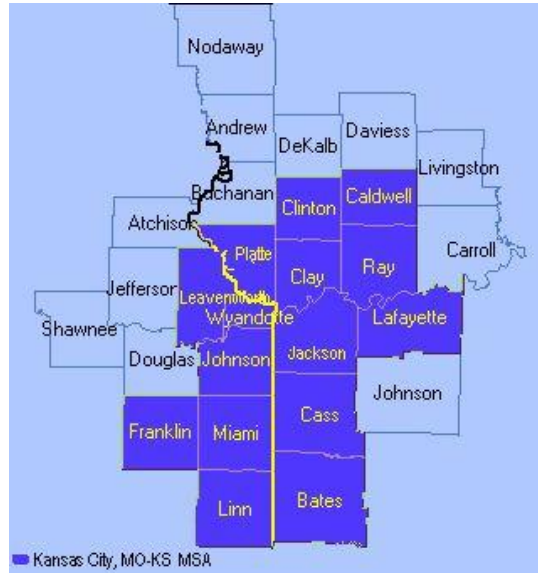
Output represents the goods and services resulting from an economic activity. Total operating revenues or sales directly and indirectly attributable to the presence of an airport constitute an acceptable measure of the output impact of the airport.





3. The Airport's Impact Regions

Two impact regions are defined for the purpose of estimating the total economic impact of the Airport. The bi-state Kansas City, MO-KS Metropolitan Statistical Area (MSA) (Kansas City, MO-KS MSA, or MSA) is defined as the Airport's primary impact region. The secondary impact region is defined as the Airport's air service area (ASA), which comprises the Kansas City, MO-KS MSA and adjoining counties. The composition of the two impact regions is highlighted in the insert (to the right). There were approximately 2.5 million residents in the Airport's ASA in 2006, with the residents of the Kansas City, MO-KS MSA portion accounting for 78.5% of the population.



4. Data Input

Primary data used in the estimation of the economic impact of KCI were collected from a survey of the businesses and government agencies that provide aviation and aviation-related services at the Airport. A survey of visiting passengers provided expenditure data for the estimation of the indirect impacts of KCI. Regional multipliers developed by the Bureau of Economic Analysis (BEA) for the Airport's primary and secondary impact regions were used in the estimation of the total economic impact of KCI. The benchmark year for the study was 2006.

C. SUMMARY OF FINDINGS

1. KCI Impacts in the Primary Region

Table ES-1 summarizes the total economic impact of the Airport in the Kansas City, MO-KS MSA in 2006 as follows:

- ➔ Direct output impact of \$1,113.3 million associated with \$322.4 million in earnings, and 5,845 FTE jobs.
- ➔ Indirect output impact of \$1,450.7 million associated with \$461.7 million in earnings, and 27,250 FTE jobs.
- ➔ Induced output impact of \$2,982.3 million associated with \$799 million in earnings and 27,691 FTE jobs.
- ➔ Total output impact of \$5,546.3 million associated with \$1,583.1 million in earnings, and 60,787 FTE jobs.





**TABLE ES-1
KANSAS CITY INTERNATIONAL AIRPORT
TOTAL ECONOMIC IMPACT BY MEASURE AND TYPE
PRIMARY IMPACT REGION - KANSAS CITY, MO-KS MSA
2006**

Impact Measure	Economic Impact Type			
	Direct	Indirect	Induced	Total
Output (million)	\$1,113.3	\$1,450.7	\$2,982.3	\$5,546.3
Earnings (million)	\$322.4	\$461.7	\$799.0	\$1,583.1
Employment (FTE Jobs)	5,845	27,250	27,691	60,787

Figure ES-1 shows the distribution of the Airport’s total economic impact in the Kansas City, MO-KS MSA. Induced impact constitutes the largest share of the total economic impact of KCI in the primary impact region. For example, the induced impact accounted for 53.8% of the Airport’s total output impact in the Kansas City, MO-KS MSA in 2006.

**FIGURE ES-1
KANSAS CITY INTERNATIONAL AIRPORT
DISTRIBUTION OF TOTAL ECONOMIC IMPACT
PRIMARY IMPACT REGION - KANSAS CITY, MO-KS MSA
2006**

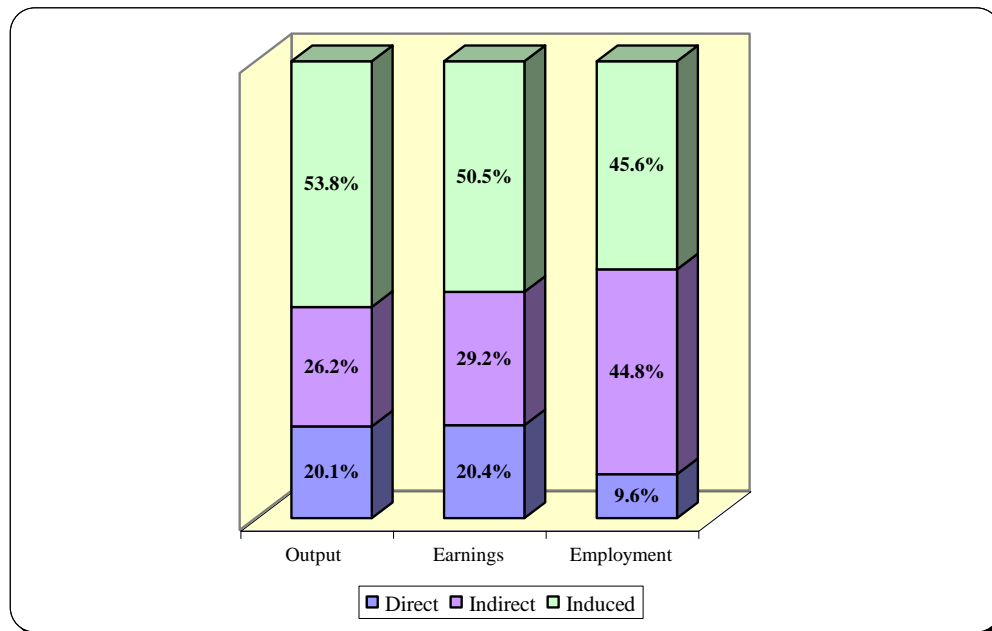
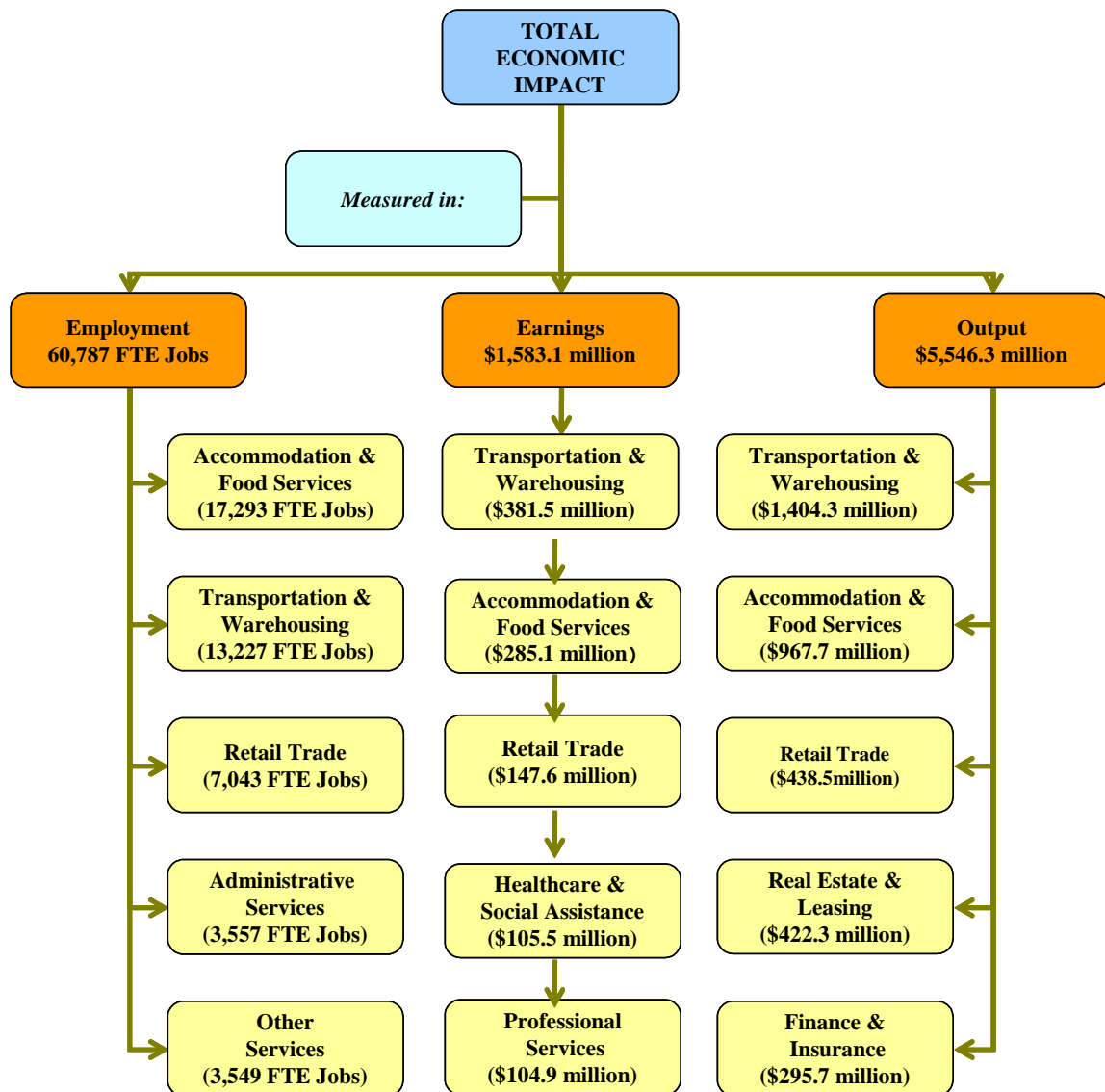




Figure ES-2 shows the allocation of the Airport's total economic impact in the primary impact region by measure and the top five industry sectors in 2006.

FIGURE ES-2
KANSAS CITY INTERNATIONAL AIRPORT
COMPONENTS OF TOTAL ECONOMIC IMPACT
PRIMARY IMPACT REGION – KANSAS CITY, MO-KS MSA
2006





2. KCI Impacts in the Secondary Region

Table ES-2 summarizes the total economic impact of KCI in the Airport’s air service area (ASA) in 2006 as follows:

- ➔ Direct output impact of \$1,113.3 million associated with \$322.4 million in earnings, and 5,845 FTE jobs.
- ➔ Indirect output impact of \$1,450.7 million associated with \$461.7 million in earnings, and 27,250 FTE jobs.
- ➔ Induced output impact of \$2,985.5 million associated with \$832.2 million in earnings and 28,354 FTE jobs.
- ➔ Total output impact of \$5,549.6 million associated with \$1,616.3 million in earnings, and 61,449 FTE jobs.

**TABLE ES-2
KANSAS CITY INTERNATIONAL AIRPORT
TOTAL ECONOMIC IMPACT BY MEASURE AND TYPE
SECONDARY IMPACT REGION - KCI AIR SERVICE AREA
2006**

Impact Measure	Economic Impact Type			
	Direct	Indirect	Induced	Total
Output (million)	\$1,113.3	\$1,450.7	\$2,985.5	\$5,549.6
Earnings (million)	\$322.4	\$461.7	\$832.2	\$1,616.3
Employment (FTE Jobs)	5,845	27,250	28,354	61,449

Figure ES-3 shows that the distribution of the Airport’s total economic impact is similar in both impact regions, with induced impact accounting for the largest share of the Airport’s total economic impact. For example, the induced impact accounted for 53.8% of the Airport’s total output impact in the primary and secondary impact regions in 2006.





**FIGURE ES-3
KANSAS CITY INTERNATIONAL AIRPORT
DISTRIBUTION OF TOTAL ECONOMIC IMPACT
SECONDARY IMPACT REGION - KCI AIR SERVICE AREA
2006**

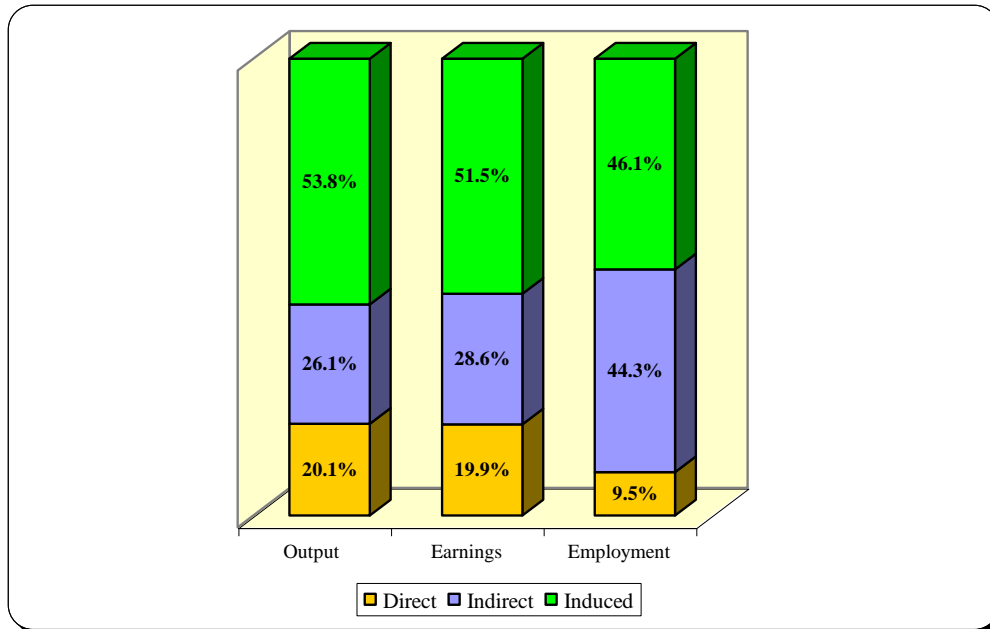


Table ES-3 compares the Airport’s total impact in the primary and secondary impact regions. The results show that the bulk of the Airport’s impact in 2006 occurred in the primary impact region.

**TABLE ES-3
KANSAS CITY INTERNATIONAL AIRPORT
COMPARISON OF TOTAL ECONOMIC IMPACT BY MEASURE AND TYPE
PRIMARY AND SECONDARY IMPACT REGIONS
2006**

Impact Measure	Total Economic Impact			
	Secondary Region	Primary Region	Difference	
			Numerical	Percent
Output (million)	\$5,549.6	\$5,546.3	\$3.3	0.1%
Earnings (million)	\$1,616.3	\$1,583.1	\$33.2	2.1%
Employment (FTE Jobs)	61,449	60,787	662	1.1%
Avg. Earnings/FTE Job	\$26,303	\$26,044	\$259.4	1.0%





3. KCI Impacts over Time

Wilbur Smith Associates, Inc. conducted an impact study of KCI in 2001 (using 2000 data). **Table ES-4** compares the estimates of the Airport’s total economic impact in 2000 with the estimates of total economic impact in 2006.

**TABLE ES-4
KANSAS CITY INTERNATIONAL AIRPORT
COMPARISON OF TOTAL ECONOMIC IMPACTS - KCI AIR SERVICE AREA
2000 and 2006**

Impact Measure	Total Impacts		Difference	
	2006	2000	Numerical	Percent
Output (million)	\$5,549.6	\$3,163.7	\$2,385.9	75.4%
Earnings (million)	\$1,616.3	\$1,463.7	\$152.6	10.4%
Employment (FTE Jobs)	61,449	67,414	-5,965	-8.8%
Avg. Earning/FTE Job	\$26,303	\$21,712	\$4,591	21.1%

Note:

At the time the 2000 study was conducted the definition of the Kansas City, MO-KS MSA included 11 counties, and the Airport's air service area (ASA) comprised 24 counties. In 2006, the Office of Management and Budget (OMB) redefined the Kansas City, MO-KS MSA to include 15 counties. The corresponding KCI ASA now has 27 counties.

The results show that between 2000 and 2006, the changes in the Airport’s total economic impact in its air service area were as follows:

- ➔ An increase of \$2,385.9 million or 75.4% in total output impact
- ➔ An increase of \$152.6 million or 10.4% in total earnings impact
- ➔ A decrease of 5,965 jobs or 8.8% in total employment impact
- ➔ An increase of \$4,591 or 21.1% in the average earning per FTE job

The current study included estimates of the projected economic impact of KCI in 2011 based on specific assumptions about future volume of passenger traffic, Airport-based employment, and local economic trends. **Table ES-5** compares the estimates of the Airport’s total impact in 2006 and the total impact in 2011. Overall, KCI is projected to continue to represent a significant contributor to growth in the regional economy. For example, total output impact is projected to increase by 6.5%, from \$5,546.3 million in 2006 to \$5,909.2 million in 2011.





**KANSAS CITY INTERNATIONAL AIRPORT
EXECUTIVE SUMMARY - ECONOMIC IMPACT REPORT**

**TABLE ES-5
KANSAS CITY INTERNATIONAL AIRPORT
COMPARISON OF TOTAL ECONOMIC IMPACT - PRIMARY IMPACT REGION
2006 AND 2011**

Impact Measure	Total Impacts		Difference	
	2011	2006	Numerical	Percent
Output (million)	\$5,909.2	\$5,546.3	\$363.0	6.5%
Earnings (million)	\$1,787.0	\$1,583.1	\$203.9	12.9%
Employment (FTE Jobs)	66,147	60,787	5,360	8.8%





Offices:

**409 West Huron, Suite 400
Chicago, IL 60610**

Tel. (312) 988-3360 / Fax (312) 988-3370

**12459 Lewis St., Suite 201
Garden Grove, CA 92840**

Tel. (714) 750-1995 / Fax (714) 703-1529

**13723 Riverport Drive, 4th Floor
Maryland Heights, MO 63043**

Tel. (314) 551-5037 / Fax (314) 551-5038