

2011 Economic Impact of Louisville's Airports

Overview

This report first summarizes the ongoing economic impacts of Louisville International Airport (SDF) and Bowman Field (LOU). The second section reports impacts for investment in new buildings and facilities that have one-time impacts in the local economy.

Louisville International Airport offers a strategic transportation link with the world, creating a hub for airfreight business and a location for major passenger airlines for the Louisville economy.

Bowman Field is Kentucky's largest general aviation airport, with 349 aircraft based on the airfield. Bowman also serves as a reliever airport for Louisville International and is an essential component in meeting the region's aviation transportation needs.

Highlights

In calendar year 2011, Louisville International and Bowman Field operations:

- ➔ Support 64,135 total jobs in the local community, meaning that more than 9% of total area employment—almost one in every 10 jobs in the Metropolitan Statistical Area—is attributable to airport-related activities.
- ➔ Provide more than \$2.28 billion in total payroll.
- ➔ Generate more than \$7.12 billion in total economic activity in the metropolitan area.
- ➔ Produce \$320.1 million in total state and local tax revenues.

An Impressive Impact

Together, the Louisville International Airport and Bowman Field are the largest employment center among private operations in the metro area, generating direct payroll of \$1,628.2 million annually. That also means approximately \$4,920.2 million in direct business expenditures injected into the local economy in 2011.

The economic impact of this direct spending at Louisville's airports goes beyond terminal, runways and support facilities. Business activity at Louisville International and Bowman Field generates an additional 16,998 jobs in the Louisville metropolitan area, another \$652.8 million in payroll and \$2,201.8 million in business expenditures as shown in the table below.

ECONOMIC IMPACTS OF AIRPORT ACTIVITY 2011: AN OVERVIEW

	Jobs	Payroll (\$ millions)	Business Expenditures (\$ millions)	State and Local Taxes (\$ millions)
Direct Impact	47,138	\$1,628.2	\$4,920.2	\$235.2
Total Impact	64,135	\$2,281.1	\$7,122.0	\$320.1

MEASURING ECONOMIC IMPACT: THE MULTIPLIER AT WORK

Measuring the economic impact of airports may appear to be a simple addition task. Just add up employment, payroll, expenditures and taxes generated by businesses at Louisville International Airport and Bowman Field.

Actually, measuring economic impacts is an exercise in multiplication. This is because one needs to remember that one person's spending is another person's income. This leads to the measurement of three types of economic impacts: *direct*, *indirect* and *induced*. The sum of these three separate effects produce the total economic impacts of our airports. What do these terms mean?

Direct

Direct economic activity includes the jobs, payroll, expenditures and taxes generated by the business and government entities located at the airports. This includes all air transportation and ground transportation operations and associated maintenance, shipping and support services.

Indirect

Secondly, economic activity at the airports require material and services supplied by industries that are not located at the airports, such as suppliers of fuel and food. These support services create the *indirect* economic impacts.

Induced

Beyond the indirect impacts, a third effect called the *induced* impact comes into play. This effect represents additional household expenditures for food, clothing, shelter and all other goods and services by people employed in the air transportation industry and those employed by airport suppliers, as well as further rounds of spending that they in turn generate.

Total

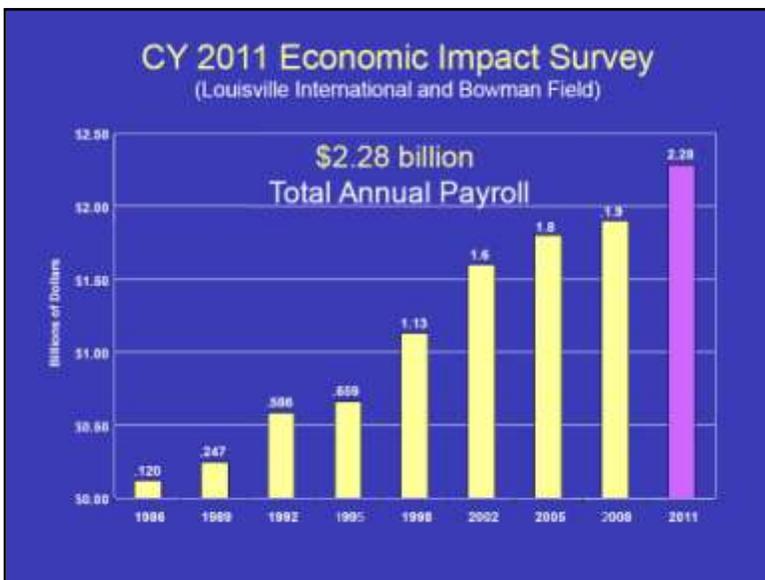
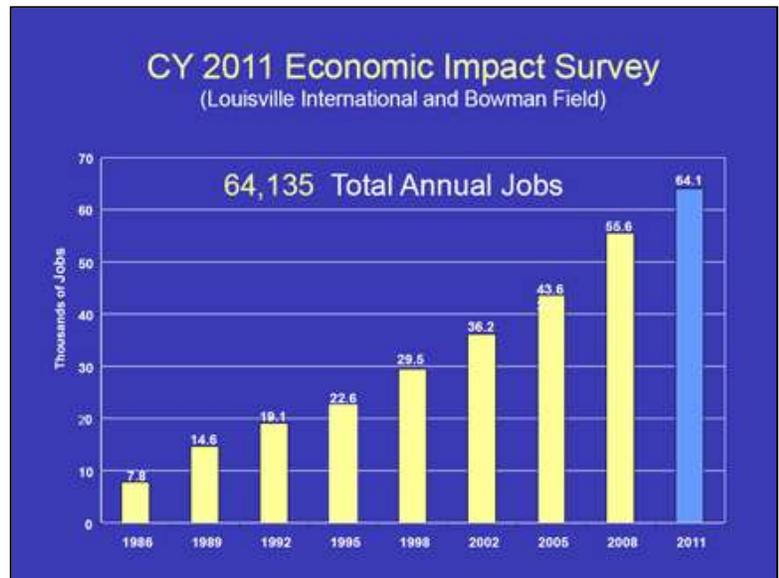
The total economic impacts of our airports are much like the ripple effect from a stone tossed into a still pond. The ripples spread, encompassing a much larger area. The \$4,920.2 million in direct business expenditures at the airports supports an additional \$2,201.8 million of expenditures in the Louisville regional economy, for a total of \$7,122.0 million. The total impact is a multiple of the original direct impact.

ECONOMIC IMPACT OF AIRPORT ACTIVITY 2011

Impacts	Jobs	Payroll (\$ millions)	Business Expenditures (\$ millions)	State and Local Taxes (\$ millions)
Direct	47,138	\$1,628.2	\$4,920.2	\$235.2
Indirect	5,264	\$205.8	\$592.4	\$26.3
Induced	11,734	\$447.1	\$1,609.4	\$58.6
Total	64,135	\$2,281.1	\$7,122.0	\$320.1

Airport Activity Means Jobs

Direct business activity is not limited to airline and airport services. You will find people working in maintenance, federal, state and local government agencies, food services and numerous other enterprises located at the airport. Furthermore, the 47,138 direct jobs at the airport generate a total of **64,135 jobs** locally.

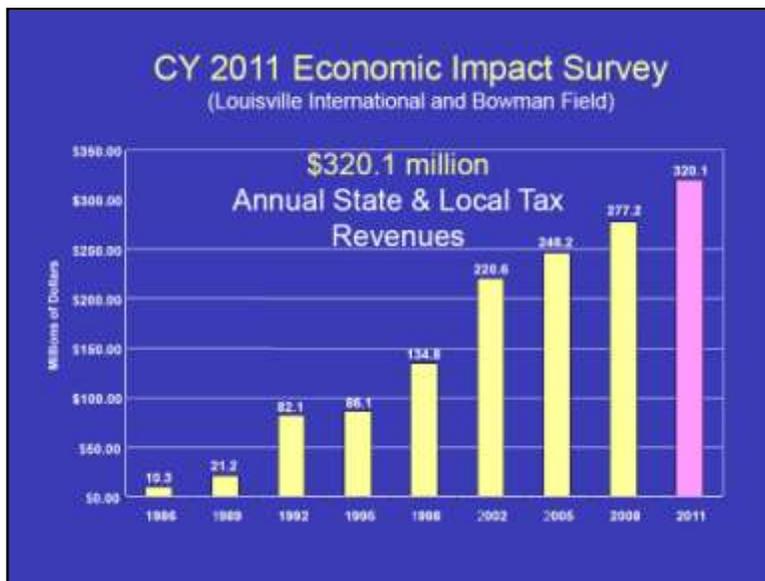
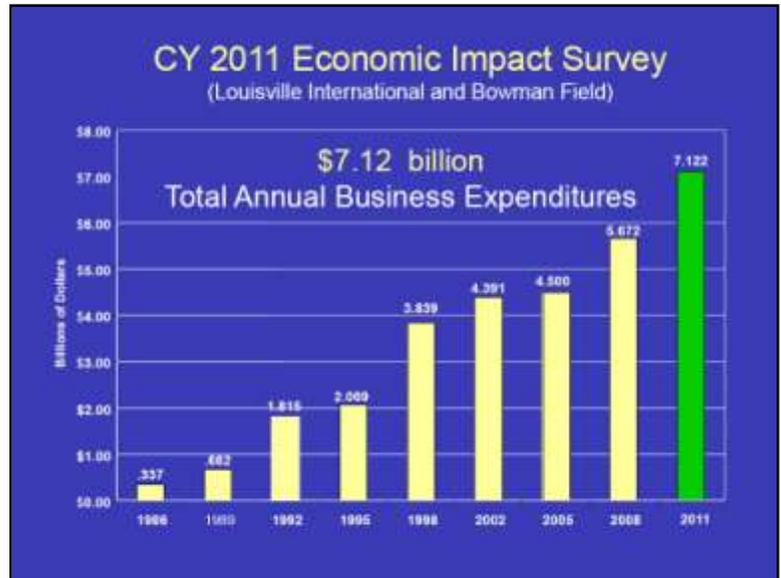


Payroll

The \$1,628.2 million in payroll paid by the firms doing business at Louisville International Airport and Bowman Field benefit not just the people employed there, but also the local suppliers of goods and services to the airports as well as the local retail industries, which provide food, clothing, housing and other goods and services. This direct payroll generates a **total payroll of \$2.28 billion**.

Business Expenditures

With direct expenditures totaling \$4,920.2 million, the airports mean business. Restocking shelves, replenishing inventories, and resupplying food, fuel and other items are associated with the ripple effect. In fact, these direct expenditures bring about **\$7.122 billion in total business expenditures.**



Taxes

Louisville's airports have a positive influence on the local economy by providing jobs, payroll and ongoing business expenditures. The direct effect of economic activity at the airports combines with the indirect and induced effects to generate additional tax revenues.

Louisville's airports contribute to state and local tax revenues, generating **\$320.1 million annually** from direct, indirect and induced activities.

BUILDING FOR THE FUTURE

With the continued improvement and expansion of our airports, even greater economic impact is anticipated far into the future, resulting in increasing benefits for the entire community.

In 2011, Louisville International Airport and its business partners invested more than \$57.7 million in new physical capital projects. This capital investment, like all other direct

business activity, will create additional economic activity in the Louisville economy. The additional projects undertaken in 2011 build upon an already strong record of expansion and growth at Louisville International Airport.

The significant one-time impacts of construction spending at Louisville's airports on jobs, payroll and taxes in 2011 are indicated in the table below. The table combines the capital spending at the Louisville International Airport with Bowman Field.

ECONOMIC IMPACT OF CAPITAL PROJECTS AT LOUISVILLE INTERNATIONAL AIRPORT AND BOWMAN FIELD 2011

Impacts	Jobs	Payroll (\$ millions)	Business Expenditures (\$ millions)	State and Local Taxes (\$ millions)
Direct	491	\$17.9	\$20.4	\$1.5
Indirect	236	\$7.70	\$10.8	\$.70
Induced	226	\$6.30	\$10.8	\$.70
Total	953	\$32.9	\$42.0	\$2.9

Total

As with the ongoing economic activity at Louisville's airports, investment in new capital goods also has multiplier effects in the local economy. In contrast to the continuing effects, however, these economic impacts are one-time in nature. As has been the case in previous economic studies of Louisville's airports, new capital spending is an annual process of continuous expansion, upgrading and creation of new business opportunities. Thus while the 2011 new capital stimulus is not continuous, new capital spending at the airports will contribute to the Louisville economy in the future.

The results of this Economic Impact Survey are drawn from data provided by the Louisville Regional Airport Authority (LRAA) and its airport business partners to the Department of Economics at the University of Louisville. It summarizes the economic impact of Louisville International Airport (SDF) and Bowman Field (LOU) on the Louisville metropolitan area economy.

These reports are based solely on the information provided by companies and agencies that responded to the survey. It does not include estimates for those that did not respond. (As an example, information for federal agencies, such as the FAA, TSA, U.S. Customs and Border Protection and U.S. Fish and Wildlife that are based at Louisville International and Bowman Field are not included in the survey results.)