

SOUTH JERSEY TRANSPORTATION AUTHORITY

**ACY ECONOMIC IMPACTS
2010 UPDATE**



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JANUARY 2011

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EXECUTIVE SUMMARY

Current Report:

The *Center for Regional and Business Research* (CRBR) at Atlantic Cape Community College submits this report as an update of the ***Atlantic City International Airport Economic Impact Analysis*** completed in June 2008. The methodologies used to estimate the economic impacts in both reports are explained in that report and have remained consistent. These are in conformance with the economic analysis suggested by the U.S. Department of Commerce, Bureau of Economic Analysis, the source of the impact multipliers used in this report. However, revisions have been made to the 2007 impacts reported in the original study based on better and more consistent information used for the basis of this analysis.

Quarterly passenger counts for scheduled and charter flights from 2006 to the present are now available through the ACYT-100-2006-2010 file provided by an SJTA consultant. These counts breakdown the passengers on scheduled and charter flights into two components based on their purpose for flying to ACY – either as a resident of the area or as a visitor using the air service as a tourist to the region and are summarized in **Table 2** below. This file allows better comparisons over time and, as long as the method used to provide these components, will allow easier updates in the future.

The purpose of estimating these economic impacts is to demonstrate the benefits of public investment and spending to the region. While the costs of public programs are very difficult to measure as is the totality of benefits, economic impacts provide a consistent basis for providing taxpayers and decision-makers with tangible measures of the benefits of policies and projects undertaken by the public sector.

Finally, the comparison of impacts in 2007, the last year of data available for the initial report, and 2010 is only to illustrate the success of ACY over time in expanding its operations. In an historical context, 2007 was just prior to the onset of the current economic recession with consequent declines in 2008 and 2009 due to the slowdown of the national economy. As a result, if 2009 was used as the comparison to 2010, the growth in impacts would have been greater than those shown from 2007.

Summary of Results:

A summary of the results of this update are shown in **Table 1** below. This table reports the impacts from 2007 and 2010 on a consistent basis using the best information available at this time. Since more consistent information is now available than in 2007, there have been some revisions made to the impacts shown in the initial report. While this has lowered the estimates previously reported, the current levels are far more reliable. As such, the comparison with 2010 is able to be made with more confidence.

Table 1

SJTA							
ACY ECONOMIC IMPACT ANALYSIS							
COMPARISON OF IMPACTS, 2007 TO 2010							
<u>YEAR</u>	<u>TOTAL PASSENGERS</u>	<u>VISITORS</u>	<u>VISITOR + SJTA EXPENDITURES</u>	<u>TOTAL ECONOMIC ACTIVITY</u>	<u>TOTAL EARNINGS</u>	<u>TOTAL EMPLOYMENT</u>	<u>TAX REVENUE</u>
2007	1,143,327	234,022	\$176,762,172	\$340,509,340	\$100,213,169	3,238	\$16,374,792
2010	1,416,267	284,336	\$239,671,989	\$465,118,264	\$138,164,417	4,093	\$22,405,476
%ch, 2007-10	23.9%	21.5%	35.6%	36.6%	37.9%	26.4%	36.8%

As reported above, the increase in total activity at the airport from 2007 to 2010, both in public investment and spending as well as in airport operations, resulted in increases in economic activity in the range of 35%. While employment impacts were a bit lower due to an already existing infrastructure that absorbed some of the new economic activity, a net increase of over 850 jobs occurred in the region as defined by Atlantic County.

The total passengers reported in this table include the scheduled and charter passengers reported in the ACYT-100 file as well as General Aviation passengers resulting from the information on GA flights reported in the tower statistics from ACY. The visitors are the passengers deplaned that were not designated as residents of the area. These account for 40.2% of the deplaned passengers using the airport for scheduled, GA and charter flights. This demonstrates the large impact that ACY plays in tourism in the region. However, more importantly, it shows the potential that the air service has for expanding the market area of the region, particularly Atlantic City, in the tourism market.

Finally, the growth in economic impacts exceeds the substantial growth in passengers due to continued SJTA investment in the facility, particularly in capital expansion that provides construction impacts and larger on-going operations expenditures.

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DETAILED RESULTS

ACY Passenger Breakdown:

The information reported in **Table 2** below is from the ACYT-100 file. As it reports, the number of visitors have increased by approximately 90,000 from 2007 to 2010, a 19.5% increase. This provides the increase in visitor spending that is used in the impact analysis to follow (**note** – the passenger counts in this table are lower than those in **Table 1** since these do not include GA passengers). In addition, the percentage of passengers that are visitors has remained fairly consistent with some fluctuations for individual years. As scheduled airlines have changed over the years and routes have been altered, this is to be expected.

Table 2

SJTA				
ACY ECONOMIC IMPACT ANALYSIS				
SCHEDULED AND CHARTER PASSENGER HISTORY BY TYPE, 2006 - 2010				
<u>Year</u>	<u>Total</u>	<u>Resident</u>	<u>Visitor</u>	<u>% Visitor</u>
2006	911,806	487,775	424,031	46.5%
2007	1,123,351	663,477	459,874	40.9%
2008	1,060,975	565,091	495,884	46.7%
2009	1,076,834	641,689	435,145	40.4%
2010	1,368,333	818,931	549,402	40.2%
%ch 2007/2010	21.8%	23.4%	19.5%	
%ch 2009/2010	27.1%	27.6%	26.3%	

It should also be noted, as explained previously, that the increase in 2010 air service is larger as compared to 2009(27.1%) than the last non-recession year, 2007 (21.8%). As the number of passengers dipped in 2008-2009, they more than recovered to historical highs in 2010.

Impacts from Direct Expenditures:

The overall level of economic activity, both direct and indirect, created by expenditures related to activity at ACY – retail through vendors, visitor spending once deplaned, airport operations expenditures and capital invested – exceeded \$465m in 2010, a growth of greater than one-third since 2007.

Table 3

SJTA ACY ECONOMIC IMPACT ANALYSIS SUMMARY OF ECONOMIC IMPACTS, 2007 Revised				
	<u>EXPENDITURES</u>	<u>TOTAL ECONOMIC ACTIVITY</u>	<u>TOTAL EARNINGS</u>	<u>TOTAL EMPLOYMENT</u>
SJTA	\$56,408,832	\$111,621,267	\$33,769,941	830
VISITORS	\$120,353,340	\$228,888,072	\$66,443,228	2,408
TOTAL	\$176,762,172	\$340,509,340	\$100,213,169	3,238
SJTA ACY ECONOMIC IMPACT ANALYSIS SUMMARY OF ECONOMIC IMPACTS, 2010				
	<u>EXPENDITURES</u>	<u>TOTAL ECONOMIC ACTIVITY</u>	<u>TOTAL EARNINGS</u>	<u>TOTAL EMPLOYMENT</u>
SJTA	\$85,482,083	\$171,879,785	\$53,041,104	1,166
VISITORS	\$154,189,906	\$293,238,479	\$85,123,314	2,927
TOTAL	\$239,671,989	\$465,118,264	\$138,164,417	4,093

This economic activity was sufficient to create 4,093 regional full-time equivalent jobs. These jobs paid out in excess of \$138m in wages and salaries.

Benefits from Transportation Enhancements:

Using the methodology endorsed by the Federal Highway Administration, estimated benefits in terms of both time and traveling costs to ACY users whose alternative airport would be a greater distance in miles are shown below. It should be noted that this does **not** include convenience benefits that bring passengers from locations further than they would need to travel to their

closest airport. The savings in terms of congestion, stress, air fare differences, etc. are not estimated to make the results conservative and more reliably estimated.

Table 4

**SJTA
ACY ECONOMIC IMPACT ANALYSIS
SUMMARY OF TRANSPORTATION SAVINGS, 2007 Revised**

<u>PASSENGERS</u> <u>2007</u>	<u>MILES SAVED</u>	<u>HOURS SAVED</u>	<u>MILES- SAVINGS</u>	<u>TIME-SAVINGS</u>
454,748	10,642,958	302,774.9	\$5,110,699	\$14,303,979

**SJTA
ACY ECONOMIC IMPACT ANALYSIS
SUMMARY OF TRANSPORTATION SAVINGS, 2010**

<u>PASSENGERS</u> <u>2010</u>	<u>MILES SAVED</u>	<u>HOURS SAVED</u>	<u>MILES- SAVINGS</u>	<u>TIME-SAVINGS</u>
463,905	9,933,002	299,319	\$4,966,501	\$14,910,573

It should be noted that the decline in some of the transportation benefits despite an increase in the number of passengers that saved miles in using ACY as compared to the next closest airport was due to the mix of counties of origin as estimated by the SJTA. In fact, in 2007 45.7% of ACY users were from the four closest counties (Atlantic, Cape May, Cumberland and Ocean). This declined to 37.7% in 2010. While this shows that passengers are actually coming from a larger market area, this benefit is not captured in the analysis.

Finally, in the benefits and costs of reducing the carbon footprint of travelers, the use of ACY as the point of departure and arrival resulted in nearly 10m driving miles saved.

Estimated Tax Revenues:

The last category of economic impacts is tax revenues due to the additional economic activity created by the expenditures related to ACY. While the previous study only provided estimates based on direct expenditures, the information made available from the *2007 Economic Census* allows an estimate based on the total economic activity as the breakdown of all regional expenditures by industry classification in the census allow for the broader estimate. In short, it is possible to breakdown economic activity by spending category using the overall contribution of that industry to the regional economy.

Table 5

SJTA ACY ECONOMIC IMPACT ANALYSIS TAX REVENUES, 2007 REVISED			
<u>CATEGORY</u>	<u>ACY IMPACT</u>	<u>EFFECTIVE TAX RATE</u>	<u>TAX REVENUE</u>
Earnings	\$100,213,169	3%	\$3,006,395
Retail	\$106,919,933	7%	\$7,484,395
Recreation	\$147,100,035	4%	\$5,884,001
Total			\$16,374,792

SJTA ACY ECONOMIC IMPACT ANALYSIS TAX REVENUES, 2010			
<u>CATEGORY</u>	<u>ACY IMPACT</u>	<u>EFFECTIVE TAX RATE</u>	<u>TAX REVENUE</u>
Earnings	\$138,164,417	3%	\$4,144,933
Retail	\$146,047,135	7%	\$10,223,299
Recreation	\$200,931,090	4%	\$8,037,244
Total			\$22,405,476

As shown in **Table 5**, the spending from two industries was used to estimate sales and leisure/hospitality taxes: retail and recreational (which includes accommodation, gaming and

related dining). These two categories were responsible for 31% and 43% of regional spending respectively.

Finally, the tax revenues from state income taxes at an effective rate of 3% were estimated from the wages and salaries reflected in the earnings impacts. The overall increase in tax revenues of nearly 37% to \$22m is an important impact as most direct public expenditures are under taxpayer scrutiny, the SJTA not excluded. The tax revenues returned are an important measure of the benefits created by activities at ACY.