ADVISORY COMMITTEE MEETING #2

Meeting Summary

INTRODUCTION

The second meeting of the WSDOT Aviation Economic Impact Study Advisory Committee took place on July 12, 2011 at the Confluence Technology Center in Wenatchee, Washington. A total of 12 Advisory Committee Members attended in person and 13 participated via conference phone. There were 7 members from the project team in attendance.

LIST OF ATTENDEES

Committee Members

Attending in Person

Christina Bandaragoda, Save Our Communities

Lorrie Brown, Office of Financial Management

Cynthia Chen, University of Washington

Amber Hansen, Port of Sunnyside

Sally Harris, Department of Commerce

Bob Isaman, Washington State Emergency Management Division

Kathy Jones, City of Oroville

Bob Kibler, Desert Aire Airport

Jerry Litt, Washington Transportation Commission

Brenda Nelson, Airlift Northwest

Greg Phillips (sub for Mark Urdahl), Port of Chelan

David Sypher, City of Kelso, Kelso-Longview Regional Airport

Participating by Teleconference

Borgan Anderson, Sea-Tac Intl. Airport

Peter Anderson, Galvin Flying

Tim Brooks, Kenmore Air

Ron Cridlebaugh, Economic Development Group of Kittitas County

Chuck Kegley, Advanced Aviation Services

John Dobson, Washington Pilots Association

Kristi Ivey, National Business Aviation Association

Pat McClain (sitting in for Mayor Ray Stephenson), City of Everett

Jeff Robb, Washington Public Ports Association

Elizabeth Robbins, WSDOT

Page Scott, Yakima Valley Conference of Governments

Mayor Mary Verner, City of Spokane

Ryan Zulauf, Washington Airport Management Association

Project Team

Julia Bosch, BERK
Michael Hodgins, BERK
Kapena Pflum, BERK
Paul Roberts, BERK
Gary Simonson, BERK
Nisha Marvel, WSDOT Aviation
John Shambaugh, WSDOT Aviation

MEETING PURPOSE

The purpose of the meeting was to:

- Develop further understanding on the project's approach and analytic components
- Show preliminary airport perspective draft products in development for feedback
- Ask for input on industry selection for upcoming analysis

MEETING SUMMARY

Introductions and Welcome

Paul Roberts of BERK welcomed the Committee to the meeting, re-emphasized the Committee's role as a sounding board, and provided an overview of the meeting agenda. All attendees and remote participants then introduced themselves to the group.

John Shambaugh provided his opening remarks. He welcomed the group and thanked them for participating. He emphasized that the study was a statewide effort, highlighted the diversity of the Committee, and re-stated the Committee's role in helping the project team understand how and why aviation is important to the state. He also reviewed the input taken in the previous meeting and noted that the project team has done their best to address and incorporate that input.

Big Picture/Three Perspectives: Presentation

Michael Hodgins of BERK provided an overview of the new framework used to describe the three perspectives being examined in the project: airport, industry, and users. He noted that the project team has adopted more intuitive language for how they talk about these components, as a response to input provided during the last meeting.

- The airport level perspective describes an airport's economic impacts (jobs, wages, spending) from businesses at the airport and from spending by visitors passing through the airport.
- The industry level perspective describes the role of aviation in the broader economy and the relationship between aviation and selected industries of what is happening at the airport.
- Finally, the users perspective describes the value individuals derive from their use of aviation facilities and services.

There were no questions from the Committee following this presentation.

Airport Level Perspective: Presentation and Discussion

The project team then presented on various components of the airport level analysis. This included several sections: an overview of the analysis and the project team's approach, a look at airport footprint

and through-the-fence definitions, an explanation of how visitor spending is being calculated, and an overview of how economic impacts were being measured.

Overview

Michael Hodgins began with an overview of the airport level perspective. He noted that the team has completed the preliminary analysis for this section, and is in the process of conducting quality control efforts and refining initial drafts. After initial draft development, the project team will email draft profiles to representatives from each of the 136 airports for review and feedback. He highlighted that the approach is to look broadly at source data from the Department of Revenue and Employment Securities Department, establish a consistent dataset, and create profiles for all 136 airports. Michael then showed the Committee a draft of the airport level profile for input, noting that page one presents airport activities as reported by the Aviation Information System Database, while page two depicts the summary of economic impacts examined in the current study: activity at the airport, visitor spending, and fiscal impacts.

Footprint and Through-the-Fence (TTF) Activities

Kapena Pflum of BERK spoke about the airport footprint and through-the-fence definitions that the project team was using in the study, highlighting the draft Renton map as an example. He noted that the base footprint was determined through parcel ownership data; anything airport-owned and airport-leased was included in the footprint. TTF activities include significant aviation dependent businesses and rural airparks. He highlighted that a range of sources (WSDOT Aviation database, business records, and aerial photos) were used to identify potential through-the-fence parcels, which were then sent to airports for confirmation. He also discussed how the project team selected which businesses within the footprint were included or excluded – the goal was to select businesses at the airport that rely on the presence of the airport to exist.

Throughout the overview and footprint/TTF activities presentations, Committee members offered various questions and comments. Key discussion points included:

- **Questions about Activity Inclusion.** There were a number of questions and comments from Committee members regarding the types of activities that would be captured (or not captured) via the airport footprint analysis. The project team's general response was that they were taking a relatively conservative approach in terms of defining airport businesses and operations, but that other spinoff-related activities would be captured in the indirect and induced impacts (via the multiplier analysis). It was emphasized that airport footprint boundaries are limited to areas that are airport-owned or -leased, or that have TTF connections (i.e. properties adjacent to the airport that are tied to the presence of the airport). Within the airport footprint, only activities that rely on access to or use of the airport are included.

  Specific activities that were discussed by the Committee include:

  - ***Off-site Cargo Facilities.*** Several Committee members stated that off-site cargo facilities should be included under local activity. They contended that, although these facilities are not physically on the footprint, they rely on the presence of an airport to receive cargo and would not be able to exist in certain communities if the airport were not there. The project team stressed that a geographic boundary is the only way to provide a consistently sound basis for attributing impacts to 136 airports, but that off-site cargo facilities would likely be captured through the multiplier analysis. In addition, some of these activities may be identified by airport managers during the review process. It was also noted that off-site cargo facilities could potentially be included in the industry analysis.

- ***Transportation for Elected Officials.*** A Committee member asked whether transportation for elected officials (e.g. the Governor) would be included. The project team responded that if it were activity related to employment, it would get captured there.
- ***Businesses (Non-aviation related) with Aviator Owner.*** A Committee member mentioned non-aviation related businesses where the owner is an aviator as an example of activity that would re-locate if the airport disappeared. The project team re-stated that these types of businesses would not be included in direct impacts, but that they would be picked up via multipliers or the industry level analysis.

- **Through-the-Fence (TTF) Definitions.** Some Committee members had questions about how through-the-fence activities were being defined for the study. The project team explained that TTF activities had to both be physically connected to the airport and require airport facilities or the presence of the airport to operate. The two main categories of TTF activity are aviation-dependent business activity and rural airparks.

  A Committee member also noted that the Federal Aviation Administration (FAA) recently updated their definition for TTF to include only businesses that have a contract with the tenant. The project team said they would look into this definition, but noted that the way they define the concept in the study will likely differ from the FAA designation.

- **Data Sources: Businesses at the Airport.** A Committee member asked whether business income is reported by all airport companies or is an airport calculation. The project team explained that if the business has only one location and it is on the footprint, they were able to get the Gross Business Income (GBI) from the Department of Revenue (DOR). However, businesses that have multiple locations still only report one number to DOR, so in those cases they had to estimate the GBI using multiple sources.

Visitor Spending

Julia Bosch of BERK then discussed visitor spending, the second source of economic impacts. This analysis captures economic impacts related to visitors entering a community through an airport and spending money in that community and beyond. Using three airports as examples, Julia walked through the five steps used to estimate these values and determine visitor spending: 1) compile existing data on commercial service and general aviation for each airport, 2) estimate the number of visiting passengers, using previous studies from Washington and other states, 3) estimate per trip spending by aviation visitor for the county in which the airport is located, 4) multiply the number of visitors and spending per visitor, and 5) divide total spending into categories and apply factors to account for different spending patterns in different counties.

Following this presentation, Committee members offered additional questions and comments:

- **Corporate Aviation.** Committee members noted that, while corporate aviation is a subset of general aviation, the amount of economic benefit that it provides to a community is significantly greater than most general aviation. It was suggested that general aviation visitor spending estimates are too low for airports with a high amount of corporate aviation, and that this type of travel should be considered separately. Boeing Field was provided as an example of an airport that has received billions of dollars from corporate executives flying in to conduct business. The project team noted they would take this under advisement.

- **Destination/Event Visitor Spending.** Some Committee members asked whether spending by visitors who do not travel through an airport, but attend events or destinations at an airport (e.g. Museum of Flight, Cross-Air Balloon Rally) would be included in the visitor spending total. The

project team responded that the current definition of visitors only includes those who are travelling through the airport, but that they will consider if and how to incorporate spending by those who visit the airport via other means.

- **Visitor Spending Studies in Other States.** Some Committee members asked whether the project team would be looking at studies conducted in other states to help with the visitor spending estimates. It was noted that the Sea-Tac study, which the project team is using as a baseline, may not be representative of all airports in the state (since Sea-Tac is so different from other airports), and that other studies could help supplement the estimates.

  The project team responded that, although the Sea-Tac study will serve as a baseline, they will be making adjustments based on county variation and type of visitor. In addition, the Sea-Tac study is appropriate since more than 85% of visitors travelling to Washington State by airport are coming through Sea-Tac. Studies from other states are being used to examine the relationship between general aviation and commercial service, but will not be applied directly to the estimates.

- **Federal Per Diem to Adjust for County Variation.** A Committee member suggested that the project team use Federal Per Diem spending amounts to adjust for county variation in hotel, food, and other costs. The project team agreed that this could be a useful tactic for step five, which involves dividing the total amount of spending by various categories.

- **Data Sources: Visitor Spending.** Several Committee members asked questions and provided suggestions regarding data sources for visitor spending. One member suggested looking at port of entry crossings from customs, while another proposed looking to the Department of Commerce for tourism data. In addition, it was suggested that the project team change some language to more accurately reflect the concepts (e.g. change “visitors” to “visits”).

  One Committee member asked from where the project team received their operations data. The team responded that they are compiling it from three sources: the FAA terminal area forecasts, the WSDOT Aviation Information System database updated by airport managers, and other forecasts from the LATS study.

Economic Impacts

Michael Hodgins concluded the airport perspective presentation by discussing the project team’s approach to economic impacts. He explained that the multiplier impacts for each airport are based on a geographic definition of the “local” economy. For businesses on the airport, an airport’s economic region is a county or cluster of counties. For visiting spending, the economic region is the entire state because we don’t know exactly where visitors spend their money in the state.

He then provided an overview of how economic impacts are determined and how dollars are cycled through the local economy – beginning with direct impacts relating to airport activity and visitor spending, and followed by the indirect and induced impacts (which are determined by multipliers).

Throughout this presentation, Committee members raised questions and comments, and various discussions ensued. Key discussion points included:

- **Taxes/Fiscal Impacts.** Some Committee members asked whether taxes/fiscal impacts would be included in the direct, indirect, or induced impacts. The project team explained that they are going to focus on the fiscal impacts of direct activities. However, it is possible some money could ripple through and generate additional taxes. It was also noted that fiscal impacts would be a discussion topic in the next Advisory Committee meeting.

- **Total Statewide Impact.** One Committee member had a question about whether a total statewide impact number would be developed based on the sum of all the airports in the state. The project team emphasized that this analysis is in the service of the 136 individual airport profiles, but that larger questions will be addressed once the profiles have been completed and patterns have been identified.
- **Methodology for Economic Impacts.** There were several questions regarding the methodology for determining economic impacts. This included questions about how job numbers were being developed, the tools that would be used (IMPLAN), and how multipliers were established. Renton was called out as appearing to have low multipliers. The project team said they would review the multipliers, and that they were planning to double-check their enplanements and operations data with the airports during the review.

Industry Level Perspective: Presentation and Discussion

Michael Hodgins of BERK introduced the group to the industry analysis and its primary purposes: examining how aviation supports the economy more generally, as well as how aviation supports and affects specific industries. He noted that a key aspect of this analysis is to look at how aviation-supported activity is distributed around the state and to begin to understand the geographic correlations between the aviation system and patterns of economic activity distribution in the state. The product will include both the broader story of aviation's role in supporting economic growth and an analysis of selected industries. Michael explained that the project team is looking for feedback on industries that they should focus on.

Kapena Pflum of BERK then highlighted what the project team is hoping to describe through the analysis: how big the industries are, where they are located, and what the correlations are between locations of business activities and aviation services. He then went through the criteria for the initial industry selection. Selected industries should have strong relationships or dependence on the aviation system, be of interest to particular stakeholders, serve more than just local markets, be large enough to be important to local or state economies, and potentially demonstrate the role aviation plays in distributing economic activity throughout the state. The group was shown the list of industries likely to be analyzed and several others that are being considered, and were asked to provide feedback that would help guide which industries are selected.

Committee members provided the following feedback on the "other industries to consider" identified in the chart:

- **Life Sciences.** Life Sciences was identified by several Committee members as an industry that would benefit from analysis. It was noted that it is a top three industry in the state and is largely dependent on aviation services (e.g. for transport of medical devices). There were questions about the definition of Life Sciences and whether it includes only hospitals and clinics, or pharmaceuticals and the entire medical industry as well. One Committee member pointed out that there is a strong interconnection between life sciences and professional services. The project team noted they are still determining the scope of life sciences and that this would be established before the analysis began.
- **Business & Professional Services.** Business and professional services also received significant support for an analysis. It was noted that commercial service and access to an international airport is critical for business recruitment and retention. The project team explained that business aviation will be captured in both the airport-level analysis and (potentially) the industry-level analysis. They stated that businesses' headquarters location decisions will be discussed in the broader piece, but not necessarily captured in the more specific industry analyses.

- **Manufacturing.** Manufacturing was also called out by several Committee members as an industry that greatly benefits from aviation. It was noted that airports typically provide available property for manufacturing plants, as well as connectivity to the aviation system (for shipping) and other transportation networks. In addition, policy-makers would be interested in manufacturing since it is a diminishing part of the economy, and it creates middle-class jobs.
- **Logistics and International Trade.** One Committee member argued that international trade is a key part of commerce and should be a big focus. It was noted that commerce exports were expected to increase 35% in the next 5 years.

Committee members also discussed other industries and potential criteria:

- **Aerospace.** It was emphasized that the aerospace industry-level analysis should include all 650 companies that serve the two large Original Equipment Manufacturers (OEMs), as well as the Maintenance, Repair, and Overhaul (MRO) facilities. In addition, a Committee member had a question regarding whether aerospace entailed manufacturing or operations. The project team confirmed that they are examining aerospace manufacturing.
- **State and Local Government.** There was a question about where industry federal, state, and local government services fit in, and whether that should it be its own industry. The project team said they would take this under consideration.
- **Biofuels.** One Committee member stated that sustainable biofuels is a big part of the State's economy, and asked whether it overlaps with agriculture or fits into a separate category (such as fuel refineries).
- **Additional Criteria: Value of Time.** There was a question about whether the value of time was being captured though the industry analysis and the study in general. It was emphasized that there is great value in saving time through using aviation over other forms of transportation, and that aviation provides significant advantages for industries involved in time sensitive activities. The project team agreed and stated that this could be folded into the broader piece that will be included in the industry analysis. They noted that value of time could also be discussed in the user perspective, as a significant benefit to individual users.

User Level Perspective: Presentation

Julia Bosch discussed the user-level perspective and explained that this is the same concept as what was called "economic value" in the previous meeting. The new terminology is more intuitive and is used to differentiate between the airport-level and industry-level analysis. She noted that the team has written a draft section for the report, and will be offering it to the Committee for review prior to meeting #3. She noted that this will be the first time the Committee would have an opportunity to review a draft section of the report. This review will be conducted via email and will not take up meeting time. She then showed the user perspective graphic and reviewed how this analysis aims to get at airports' intrinsic value and the various reasons airports are valuable to individuals.

There were no questions from the Committee following this presentation.

Next Steps and Roundtable

Paul Roberts then discussed next steps, and noted that meeting #3 will be held in Spokane on September 27, and meeting #4 will be in Seattle on November 1.

The meeting concluded with a roundtable, where every committee member had the opportunity to provide one final comment. In general, Committee members were thankful for the opportunity to participate in the study and expressed appreciation for the design of the meetings and the open

approach of the project team. In addition, a number of key discussion points from earlier in the meeting and the previous meeting were re-stated, including:

- The importance of being able to see detailed explanations of the methodology and data processing used in the report. The project team stated that detailed technical appendices would be included.
- The importance of accounting for all aviation-related business and ensuring the study is as all-encompassing as possible.
- The importance of airport proximity to business recruitment and retention.
- The value of airports to businesses in small communities.
- The value of commercial service at airports, and the importance of capturing this in the study.

Following the roundtable, the meeting adjourned.