

2009 Muskoka Airport Economic Impact Study

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The District of Muskoka
Planning and Economic
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BACKGROUND

The Muskoka Airport is situated at the north end of the Town of Gravenhurst, on the east side of Highway 11, and has a total land area of 198 hectares. The Airport is fully owned and operated by the District of Muskoka. The Airport operates 24 hours per day, seven days per week. It can support both Visual Flight Rules (VFR) and Instrument Flight Rules (IFR) operations. There are two runways at the Airport. The first is a 6,000 foot by 150 foot fully paved runway, capable of serving aircraft up to and including the Boeing 737. The second is a 2,180 foot by 100 foot grass strip runway, located at the south end of the airfield. The Airport also has an associated taxiway system and apron to accommodate a variety of aircraft. There is also a fixed location fuelling facility on site at the Airport. The District of Muskoka assumed operation of the fuelling facility in May of 1999.

The first study designed to estimate the economic impact of the Airport on the local economy was undertaken in 1994. At that time, the Airport was owned and operated by Transport Canada. Muskoka assumed operation of the Airport on November 1, 1996. Updated reports were prepared in 2001 and 2005 respectively. The Muskoka Airport Economic Impact Study is now in need of further update.

STUDY APPROACH

The 2009 study update generally follows the approach taken in the original report completed in 1994 and subsequent updates in 2001 and 2005 to allow for meaningful comparisons between the results. The methodology used was developed by the Aircraft Owners and Pilots Association to measure the direct, indirect, and induced economic impacts of small airports. Data collected from surveys forms the basis of the analysis of the economic benefits of the Airport. Economic impact surveys were distributed to travellers using the Airport, businesses and organizations located at the Airport, and major employers and resorts across Muskoka. The travellers and airport business surveys contained detailed financial components, whereas the major employers and resorts surveys measured the non-monetary value of the Airport.

There are only two notable differences between the 2009 report and some of the earlier studies. The first is in the evaluation of direct impacts. Where the earliest studies relied on estimation due to a lack of response from the airport businesses and organizations, the 2009 study was successful in obtaining financial information from a number of businesses and organizations and was therefore able to provide more accurate financial figures. The second is the source year for data. The 2005 study used a combination of 2004 data sources, 2005 projections, and averages over several years. Subsequent evaluation has shown that the projections used were generally inaccurate. Therefore, in this study update, projections were eliminated in favour of data from the previous year. The financial information collected reflects data from 2008 and includes financial data from airport businesses and organizations and the District of Muskoka as the airport operator, in addition to revenues from airport leases, fees, and fuel sales. Airport movements are an average of three years from 2006 to 2008. Travellers surveys were administered in mid 2009.

Copies of the surveys that were distributed are appended to this report for reference (Appendix "A"). Airport business and travellers surveys were hand distributed. Travellers surveys were distributed to airport patrons between the Victoria Day holiday weekend in May and the Labour Day holiday weekend in September. Major employer and resorts surveys were distributed and returned by mail.

ANALYSIS

Direct Impacts

Direct Impacts are associated with providers of services at the Airport and include the District of Muskoka as the airport operator and businesses and organizations located at the Airport such as air carriers, concessionaires, government installations, a flight school, and aircraft maintenance businesses among others. The value of direct impacts is the sum of payroll, capital expenditures, operating and maintenance costs, taxes, and fees incurred by every provider of services. Direct impacts also include Muskoka's revenues from the operation of the Airport (i.e. leases, fees, and fuel sales).

Determination of Direct Impacts

Businesses and organizations currently operating at the Airport were contacted in person and provided with an airport business survey by airport staff to ensure a high level of response and a quick turn-around time. In 2005, seven (7) businesses and organizations were located at the Airport. By 2008, that number had increased to sixteen (16). Seven (7) of the sixteen (16) businesses and organizations provided financial data. A sum of the grand totals (i.e. sum of payroll, capital expenditures, operating and maintenance costs, taxes, and fees) from each survey was used to determine the average economic impact of a business or organization operating at the Airport. Financial data was also collected from the District of Muskoka as the operator of the Airport. The direct impacts of the Airport calculated from these surveys and financial data was estimated at \$6,824,129, an increase over the \$5,020,622 calculated in 2005.

An analysis of current leases at the Airport provides an indication of the revenue generated from leasing land or floor space on an annual basis. **Table 1** outlines the calculation of annual rental revenue and compares the values from 2005 and 2008.

Table 1: Total Revenues from the Airport*

Total Revenue: Annual Land and/or Building Lease and Selected Annual Airport Fees	
2005	2008
\$61,848.61	\$90,153.00

* The revenues reported in this table include annual land and/or building lease revenue and revenue from annual AMC and tie-down fees only.

In the previous studies, the total revenues from the Airport only included revenues from building or land leases, AMC fees, and tie-down fees, likely due to the availability of data. In an effort to apply a consistent methodology, the same revenues were reported in the table above. However, the total revenue from the Airport also includes ramp, call-out, and general fee revenues that totalled an additional \$103,473 in 2008. This amount has been included in the direct impacts for this study and will be included in subsequent updates.

Since the fuel facility is owned and operated by Muskoka, fuel sales can also be considered a direct impact of the Airport. Fuel sales have been increasing over the past four years, as has the cost of fuel. Much of the volume pumped and revenue generated will be determined by the cost of fuel. Two types of fuel are available for sale: jet fuel and regular aviation fuel. Total fuel sales for the year 2008 were \$1,314,882.

The survey circulated to airport businesses and organizations also included some qualitative questions in an effort to determine what improvements are desired by those who use the Airport the most frequently. Of the seven (7) respondents, all seven (7) considered the Airport as essential to the operation of their business and six (6) indicated they chose their present location because of its proximity to the Airport and its related services. **Table 2** indicates the businesses and organizations' preference for various potential improvements to the Airport facilities.

Table 2: Preference for Potential Airport Improvements

	Very Helpful	Somewhat Helpful	No Influence
Taxiway Connections	5	2	0
Runway Asphalt Overlay (Repave)	3	2	2
Security Fencing	3	2	2
Taxiway Asphalt Overlay (Repave)	2	2	3
Connection to Municipal Services	2	1	4
Grass Runway	4	1	2

Based on the information submitted from the airport businesses and organizations and the District of Muskoka as the airport operator, and the revenues generated from leasing, fuel sales, and airport fees, the total annual direct impact of the Muskoka Airport was calculated at approximately \$7,229,621. This represents an increase from the \$5,401,305, which was estimated in 2005. However, it should also be noted

that the direct impact for 2009 is largely based on averages reported by those businesses and organizations that responded to the survey and therefore represents a best estimate of the direct impact of the Airport.

The businesses and organizations currently operating at the Airport, along with the District of Muskoka as the airport operator, have also made substantial investments in equipment and buildings to operate their businesses. Although these figures are not included in the direct impacts of the Airport, the total reported investment in buildings, equipment, and airplanes at the Airport is approximately \$13.3 million. A substantial increase over the \$9.0 million reported in 2005.

Indirect Impacts

Indirect Impacts are associated with the users of airport services and the money these patrons spend in the local community on each visit to Muskoka. The value of these impacts is the sum of the fees and charges paid and expenses related to food, lodging, ground transportation, entertainment, and similar outlay.

Determination of Indirect Impacts

It is assumed that people attending Muskoka on business spend money differently than tourists, seasonal residents, and recreational flyers. Therefore, this study distinguishes between the tourist, recreational, and business economic impacts. A general spending pattern is established for each type of visitor. For the purpose of calculating expenditures, the “transient visitors” category is made up of tourists whereas “recreational visitors” category includes both cottagers and recreational flyers. Business and “other” travellers make up the final category. “Other” travellers were grouped with business because the majority of those who selected “other” as the purpose for their visit were travelling for business reasons.

To determine the indirect impact of the Airport on Muskoka’s economy, the number of people entering Muskoka via the Airport and the average dollar expenditures per person, depending on the purpose of travel, was required. An estimate of the number of people entering Muskoka via the Airport was determined by the number of aircraft arrivals multiplied by the average number of people per flight (i.e. three). A travellers survey was administered by airport staff throughout the summer months to determine the purpose of travel to Muskoka via the Airport. The survey also included a question regarding frequency of travel.

Once the purpose of travel was established, the average dollar amount spent, per visit, by each type of airport user was required. Values of \$318 per person for transient visitors and \$182 for recreational visitors have been identified based on information in the Muskoka Tourism and Marketing Agency Strategic Plan (2000). The 2005 Airport Economic Impact Study used a value of \$251 for business travellers. The above values have been converted into 2009 dollars for use in this report:

- a. \$367 for transient visitors
- b. \$210 for recreational visitors
- c. \$269 for business travellers

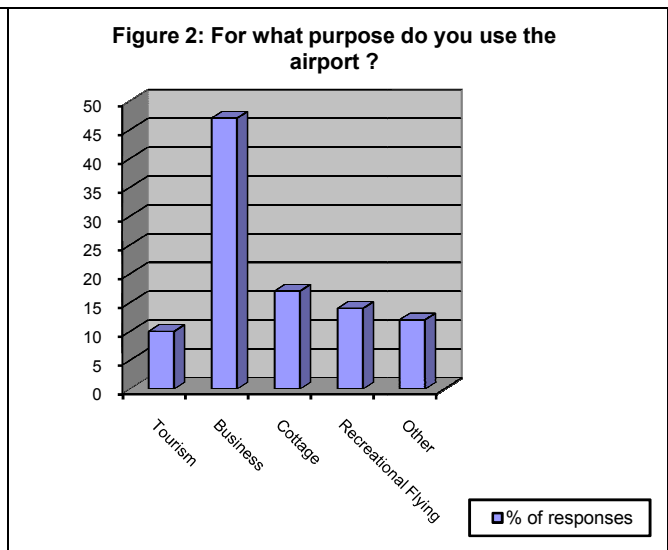
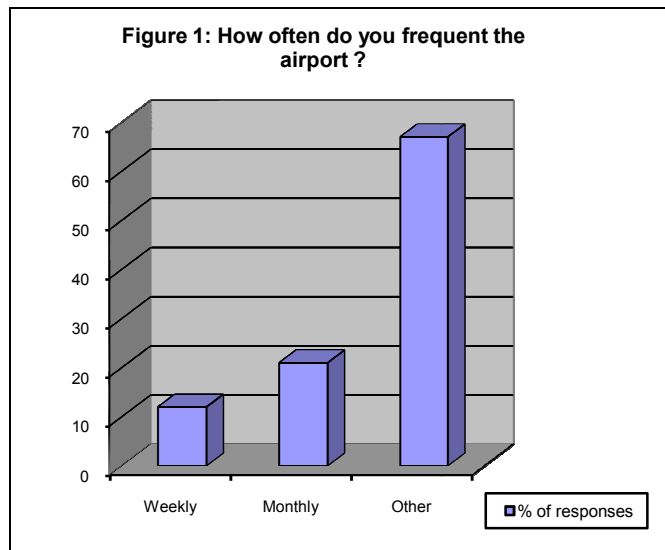
Muskoka Tourism and Marketing Agency expenditure values were used rather than those values reported in the travellers survey because the sample size of the respondents was too small to be statistically accurate. However, the expenditure values reported by airport patrons were similar to those derived in the Muskoka Tourism and Marketing Agency Strategic Plan.

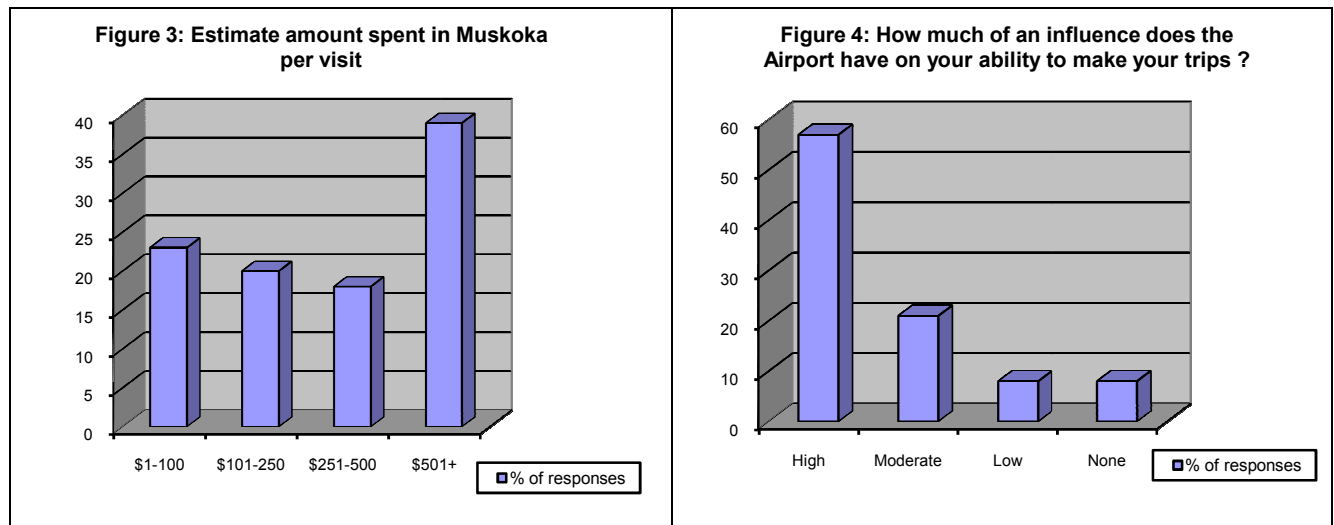
In total, 49 travellers surveys were returned, a significant decrease over the 143 surveys received in 2005. **Table 3** provides a summary of the responses and **Figures 1** through **4** indicate the relative response to each question.

Table 3: Results from Travellers Surveys

Question						
<i>How often do you frequent the Muskoka Airport?</i>	Weekly	Monthly	Other			
	6	10	33			
	Percent	12%	21%	67%		
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<i>For what purpose do you use the Airport?*</i>	Tourism Travel	Business Travel	Cottage Destination	Recreational Flying	Other	
	5	23	8	7	6	
	Percent	10%	47%	17%	14%	12%
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<i>Please estimate the dollar amount you spend, per visit, in Muskoka</i>	\$1-100	\$101-250	\$251-500	\$501+		
	11	10	9	19		
	Percent	23%	20%	18%	39%	
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<i>How much of an influence does the Muskoka Airport have on your ability to make your trips?</i>	High	Moderate	Low	None		
	28	13	4	4		
	Percent	57%	27%	8%	8%	
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Total Surveys Received: 49						

*Note: Some respondents indicated more than one purpose for their trip.





Based on the survey responses 10% of airport travellers were using the Muskoka Airport for tourism (i.e. transient visitors). The recreational travellers (i.e. cottagers and recreational flyers) accounted for 31% of the responses. Business and “other” travellers accounted for approximately 59% of the respondents. There were a few respondents who indicated more than one reason for their trips.

Information gathered from the Airport Manager provided the figures to estimate the volume of flights the Airport would handle on an average year. Using an average of three (3) persons per flight, including crew, approximately 23,508 people travel through the Muskoka Airport each year. This represents an increase over the 2005 report where the average estimated number of airport patrons was 20,814. **Table 4** summarizes the historical flight activity.

Table 4: Summary of Flight Activity

Year	Total Movements	Inbound Only	# of Travellers
2006	15,335	7,667	23,001
2007	15,656	7,828	23,484
2008	16,028	8,014	24,042
Average	15,673	7,836	23,508

Using the above figures, the calculated annual indirect impact of the Airport was estimated at \$6,124,070. This represents an increase over the \$5,038,130 direct impact estimated in 2005.

Induced Impacts

Induced impacts are also referred to as “the multiplier effect”, which accounts for the additional jobs or expenditures within a community caused by the expenditure of the airport-related dollar.

Determination of Induced Impacts

Most airport economic impact studies include an analysis of the induced impacts of the facility. The Aircraft Owners and Pilots Association states that studies from various airports in the United States indicate that multipliers for airports from various geographic areas and segments of the economy range from two (2) to seven (7). To be consistent with past reports, a multiplier of two (2) has been used in this study. Surveys of major employers and resorts in Muskoka provide additional support for this analysis.

Using the chosen multiplier, the annual induced economic benefit of the Airport was estimated at \$26,490,500 and is calculated as follows:

$$\begin{aligned} &(\text{Direct Impact} + \text{Indirect Impact}) \times 2 = \text{Induced Impact} \\ &(\$7,229,621 + \$6,124,070) \times 2 = \$26,707,382 \end{aligned}$$

Non-Monetary Value of the Airport

Part of the value of the Airport to Muskoka is the convenience to businesses. Although location criteria may not hinge on the availability of an airport, the ability to fly executives into Muskoka for meetings or to fly parts/merchandise to the area instead of being trucked over land can be important. The major employers survey included two questions addressing this issue. Although a dollar value cannot be assigned to this service, it is important to inventory the use and value of the Airport by businesses and industries in the region. A resorts survey was also sent to the major tourist commercial resorts in Muskoka to determine the value of the Airport to their operations.

Table 5 summarizes the results from the major employers surveys and **Table 6** summarizes the results from the resorts surveys.

5: Results from Surveys sent to Major Employers

Question	Yes	No			
<i>Does your company utilize the Airport?</i>	9	13			
Percent	41%	59%			
	Daily	Weekly	Monthly	Other	N/A
<i>If yes, how often?</i>	0	1	1	7	13
Percent	0%	5%	5%	31%	59%
	Shipping/ Receiving	Business Travel	Other	N/A	
<i>If yes, in what capacity?</i>	0	6	3	13	
Percent	0%	27%	14%	59%	
	Essential	Very Helpful	Helpful	No influence	
<i>Airport's relationship to your business</i>	0	5	4	13	
Percent	0%	23%	18%	59%	
	Yes	No			
<i>Does your business maintain a company aircraft at the Airport?</i>	0	22			
Percent	0%	100%			
Total Surveys Received: 22					

About half of the major employers indicated that they utilized the Airport, which is slightly down from 2005. Although the Airport may not have been considered a factor in the original location decision of these businesses, 9 of the 22 respondents reported the Airport was either helpful or very helpful in the operation of their business.

Table 6: Results from Surveys sent to Major Resorts

Question	Yes	No		
<i>Do your patrons use the Airport?</i>	5	8		
Percent	38%	62%		
	Vacation	Business	Other	N/A
<i>If yes, in what capacity?</i>	2	3	0	8
Percent	15%	23%	0%	62%
	<10	10 to 25	>25	N/A
<i>If yes, how many patrons per year use the Airport?</i>	4	1	0	8
Percent	31%	7%	0%	62%
	Essential	Very Helpful	Helpful	No influence
<i>Airport's relationship to your business</i>	1	1	5	6
Percent	8%	8%	38%	46%
	Yes	No		
<i>Do you foresee any future opportunity to take advantage of Airport facilities?</i>	5	8		
Percent	38%	62%		
	Sightseeing	Jet Facilities	Not Specific	N/A
<i>If yes, what are the opportunities?</i>	3	1	1	8
Percent	23%	8%	8%	62%
Total Surveys Received: 13				

Thirteen (13) of the major resorts responded to the surveys (an increase from 11 in 2005). Of those that responded, 38% reported their patrons use the Airport (a decrease from 54% in 2005). Although the Airport was not a major factor in their operations, the resorts did suggest some opportunities for future use such as offering sightseeing tours or providing facilities for jets. The specific suggestions made by the resorts have been provided to the Airport Manager.

In addition to the non-monetary values indicated by major employer and resort survey respondents, the final question on the travellers survey asked about the influence of the Airport on their ability to make trips to Muskoka. This is another indication of the non-monetary value of the Airport related to convenience for travellers. Of the 49 respondents, 57% reported that the Airport had a high influence, and that they would likely not make the trip otherwise, and 27% indicated it had a moderate influence, and that they would otherwise have had to use other means to travel to Muskoka.

These survey responses help to confirm that there are a number of non-monetary benefits of the Muskoka Airport for business travel, tourism, and recreational use including transportation of executives and resort patrons, convenience for travellers, potential use as an attraction (i.e. sightseeing tours), and transportation of cargo.

Additional Benefits

Since Muskoka assumed ownership of the Airport, there have been improvements that affect the evaluation of the Airport's economic impact. The following factors may have influenced the economic impact of the Airport:

1. The introduction of the land sale policy;
2. Establishment of emergency services providers;
3. Construction of the Little Norway Memorial; and
4. Establishment of the fuel dealership.

SUMMARY

The total economic impact of the Airport is derived from the sum of the direct, indirect, and induced impacts. An outline of each impact and a comparison with the 2005 results are outlined in **Table 7** below. For a more meaningful comparison, the 2005 economic impact has been adjusted for inflation and compared to the 2009 results in **Table 8**.

Table 7: Total Economic Impact of the Muskoka Airport

	2005 Study	2009 Study
Direct Impact	\$5,401,305	\$7,229,621
Indirect Impact	\$5,038,130	\$6,124,070
Induced Impact	\$20,878,870	\$26,707,382
Total Impact	\$31,318,305	\$40,061,073

Table 8: Comparison Between 2005 and 2009 Results

	2005 Study*	2009 Study	% Change
Direct Impact	\$5,763,067	\$7,229,621	25%
Indirect Impact	\$5,375,567	\$6,124,070	14%
Induced Impact	\$22,277,269	\$26,707,382	20%
Total Impact	\$33,415,903	\$40,061,073	20%

* Adjusted for inflation and reported in 2009 dollars.

Overall, the Muskoka Airport contributes approximately \$40,061,073 to the Muskoka economy annually. Compared with \$31,318,305 overall impact in 2005, and adjusting for inflation, this represents a 20% increase.

Since 2005, the number of businesses and organizations located at the Airport has more than doubled. This could be due to a number of factors including the availability of land for sale or lease. Businesses located at the Airport create jobs and income for local residents and some tenants provide valuable community services such as emergency medical services. The establishment of businesses and organizations at the Airport also contributes to use of the Airport.

This report shows a 13% increase in the number of airport patrons and visitors over estimates calculated for 2005, which represents approximately 2,700 additional visitors annually. The Airport has a wide range of users. Permanent and seasonal residents, business travellers, tourists, and recreational flyers all use the Muskoka Airport and spend money in the local community. This diversified use may assist in mitigating any change in use in any one sector. For example, in past studies approximately half of all airport users were recreational visitors. In this report, the number of recreational visitors appears to have declined and more than half of airport patrons report business as their primary purpose for travel. Furthermore, based on the survey responses it is clear that the convenience factor of the Airport is important for many local employers and resorts. The trend toward business use of the Airport will be monitored in future report updates.