

The Economic Impact of St. Louis Regional Airport

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EXECUTIVE SUMMARY

St. Louis Regional Airport, located in northern Madison County, Illinois, houses a number of tenants and adds considerable economic activity to the River Bend area, Madison County, and the St. Louis Metropolitan Area. The airport and business park encompass approximately 150 acres. This study examines the economic impact of the airport operations and the businesses that have chosen to locate in the River Bend area as a result of the availability of a regional airport. The major findings of this study are:

- The total recurring annual economic impact of St. Louis Regional Airport and its business park is approximately \$80 million dollars.
- The economic activity at the airport and contiguous business park generates approximately 572 full-time equivalent (FTE) jobs.
- The airport and business park generate a positive *net* state and local tax revenue impact of \$2.2 million annually.

I. Introduction.

St. Louis Regional Airport is located in northern Madison County, Illinois, in the Village of Bethalto. The airport and surrounding business park encompass approximately 150 acres.¹

Figure 1



The airport is host to a number of tenants and adds considerably to the economic activity of the River Bend, Madison County, and the St. Louis Metropolitan Area. This study details the economic impact of the airport operations and businesses located in the River Bend area as result of the availability of a regional airport. The availability of a local airport adds to the economy of the region in a number of ways.

¹ The airport currently owns approximately 2,300 acres; however the current airport and business park use only about 150 acres.

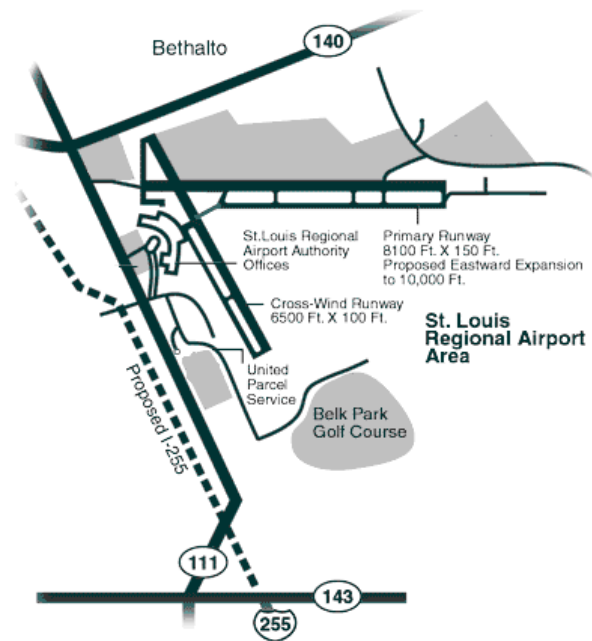
- The airport provides employment and payroll dollars that directly enter the local economy.
- The airport generates indirect and induced economic effects as those dollars originally spent at the airport are re-spent throughout the region.
- The airport provides a home for businesses that provide direct dollars and employment as well as bringing in dollars from outside of the local economy.

II. History of St. Louis Regional Airport.

St. Louis Regional Airport (SRA) was created shortly after the end of World War II. In 1946, SRA was originally known as Civic Memorial. Shortly after the founding of the airport, SRA welcomed their first tenant, Walston Aviation. At its peak, Walston was the largest Cessna aircraft dealer in the world.

In 1979, the airport expanded to include a 150-acre business park that is now home to over 30 businesses. The airport currently owns over 2,300 acres of land including the current business park. Figure 2 shows a current map of the airport.

Figure 2



Civic Memorial officially changed its name to St. Louis Regional Airport in 1984. It is one of five sizeable airports located in the St. Louis Metropolitan area, the other four being Scott Air Force Base/MidAmerica St. Louis Airport located in Belleville, Illinois; Lambert-St. Louis International Airport, in St. Louis, Missouri; St. Louis Downtown Airport located in Cahokia, Illinois; and the Spirit of St. Louis Airport located in Chesterfield, Missouri. Table 1 provides a brief comparison of the five airports.

Table 1
Airports Based in the St. Louis Metropolitan Area

<i>Airport</i>	<i>Location</i>	<i>Based Aircraft</i>	<i>Operations (Civilian)</i>	<i>Operations (Military)</i>	<i>Size (Acres)</i>
St. Louis Regional	Bethalto, IL	148	77,035	3,710	2,250
Spirit of St. Louis	Chesterfield, MO	414	151,340	443	1,300
Lambert-St. Louis International	St. Louis, MO	13	315,166	4,239	2,800
Scott AFB/Mid America	Belleville, IL	6	8,860	21,237	7,003
St. Louis Downtown Airport	Cahokia, IL	252	169,000	1,000	940

Source: U.S. Department of Transportation, Federal Aviation Administration Forms 5010, 2005.

St. Louis Regional has undergone a number of recent expansions including expanding apron parking for aircraft, and the construction of a new taxi-way. Additional construction is planned over the next five years. Currently, St. Louis Regional hosts two full-service fixed-base operators (FBOs) related to the airline industry.

- Langa Air, in addition to being a full-service FBO, also provides the largest flight school in the Great Lakes Region.
- Premier Air, in addition to being a full-service FBO, provides a major repair, refurbishment, and overhaul service for corporate and private aircraft.

In addition to aeronautical businesses, the airport also hosts a number of non-aeronautical related businesses, including United Parcel Service, Chuck Fritz Distributing, Lewis and Clark Community College, legal offices, and Wegman Electric Company.

III. Background on the Economy of Madison County and the St. Louis MSA.

In order to appreciate the economic impact of St. Louis Regional Airport, it is important to examine the current economic situation of Madison County and the larger St. Louis area. Madison County is part of the St. Louis Metropolitan Statistical area (MSA) as defined by the U.S. Bureau of the Census. A graph of the MSA is presented in Figure 3. The MSA encompasses areas in both Illinois and Missouri. Table 2 presents an overall view of the current economic and employment situation in the areas around the airport.

Figure 3



**Table 2
Madison County and St. Louis MSA Economic Data**

Category	Madison County	St. Louis MSA
Population (2003)	261,689	2,735,927
Median Household Income (2003)	\$48,288	\$46,803
Private Non-farm Establishments (2001)	5,700	67,354
Unemployment Rate (July 2005)	5.8%	6%
Employment	93,900	1,285,470
Avg. Weekly Wages	\$694.00	\$721.20
Source: U.S. Department of Labor, Bureau of Labor Statistics and U.S. Bureau of the Census.		

IV. St. Louis Regional Airport's Effect on the Madison County Economy.

St. Louis Regional Airport affects Madison County's economy in several ways. The airport itself employs residents of Madison County (who spend part of their income in the area) and makes purchases from local firms (everything from construction to advertising). The airport's tenants also employ local workers and make purchases from local suppliers. Finally, the airport and its tenants bring travelers (e.g., pilots, flight school students and supplier representatives) into the county, who spend money while in the area.

These various effects increase Madison County's output, employment, employee compensation and local tax revenue. This study estimates these effects on the local economy (also known as *economic impacts*). Subsequent sections of this report describe the methodology and individual effects. Separate economic impacts are described for the operation of St. Louis Regional Airport, as well as for the airport's tenants. (The impacts of the tenants are further divided into aeronautical tenants and non-aeronautical tenants.)

V. Economic Impact Methodology.

This study measures the economic impact of St. Louis Regional Airport. Economic *impact* differs from economic *activity* in that it only includes transactions that add to the output, employment, income and/or tax revenues of Madison County. For example, if an aircraft repair business, located at St. Louis Regional Airport, were to purchase \$10,000 worth of parts from a supplier located outside of Madison County, the purchase would have no economic impact on Madison County, as the purchase would result in no increase in output or income in the county.

Purchases made in the area, however, do have a three-part economic impact on the local economy - a direct impact, an indirect impact, and an induced impact. If the aircraft repair business purchases the parts from a Madison County supplier, the \$10,000 purchase generates \$10,000 of *direct impact* on Madison County's output, employment, income, and tax revenue. This \$10,000 expenditure will generate further expenditures, as the parts company makes purchases (e.g., shipping, warehouse space, maintenance services) to complete the order. A portion of these purchases will take place in Madison County, and cause an *indirect impact* on the Madison County economy. Finally, as the employees of the parts supplier and the employees of the parts supplier's suppliers (the warehouse workers, shippers and maintenance workers) spend their extra income (on, for example, groceries, clothes and movies), a portion of these dollars continue through the economy causing an *induced impact*. The economic impact numbers in this report, unless otherwise specified, refer to total economic impact, the sum of direct, indirect and induced impacts.

Assumptions made to measure the economic impact of St. Louis Regional Airport are presented in the appropriate sections of this report. The results are based on the assumptions used, and the validity of the results rests upon the validity of the assumptions.

VI. Economic Impact of St. Louis Regional Airport.

St. Louis Regional Airport is *minimally* supported through local tax revenue. During the last fiscal year, the airport authority received approximately \$700,000 in local property tax revenue. The economic impact of the airport authority itself enters the local economy from two sources: payroll and purchases of goods and services. During the most recent fiscal year, the airport authority had 12 full-time equivalent employees and a total payroll of \$522,047.² The airport authority reported total vendor payments of \$1,396,774.14. Out of the total vendor payments, approximately \$750,000 (54%) was identified as going to businesses located within Madison County. The economic impact of the airport authority is detailed in Table 3.

² We used the most recent data available for the airport which is fiscal year data covering the period June 1, 2004 through May 31, 2005.

Table 3
St. Louis Regional Airport Authority's Economic Impact on Madison County

Source of Impact	Output Impact	Employment Impact	Labor Income Impact	State & Local Tax Impact
Payroll	\$401,320	16.3	\$621,301	\$33,826
Local Vendor Payments	\$1,074,646	13.8	\$432,102	\$45,970
Gross Total	\$1,475,966	30.1	\$1,053,403	\$79,796
Minus Local Property Tax Revenue	\$(700,000)	(6.2)	\$(152,505)	\$(28,286)
Net Effect	\$775,966	23.9	\$900,898	\$51,510

The payroll and vendor payments generate an increase in local (Madison County) output valued at \$1,475,966. These payments also can be measured in terms of jobs created, in this case 30.1 full-time equivalent positions, generating \$1,053,403 in labor income. These expenditures would result in state and local taxes of \$79,796. In order to examine the true *net* economic impact of the airport, we remove the property tax assistance provided to the airport and its associated economic activity as if those dollars were returned to local households. The economic effects of the local property tax payments to the airport are contained in the fifth row of Table 3. The *net* economic impact of the airport then is an increase of \$775,966 in local output along with the creation of 23.9 new FTE positions. Given that there are currently 12 Full Time Equivalent (FTE) positions on the airport authority's payroll, the airport authority is responsible for an additional 11.9 jobs outside the authority.

VII. Economic Impact of Aeronautical-Related Tenants.

As noted earlier, St. Louis Regional Airport and business park are home to two large fixed-based operators (FBOs), Langa Air and Premier Air, as well as home to Fabritech. Fabritech is a manufacturer of parts and a maintenance company for

helicopters. Unlike many of the non-aeronautical related tenants, we assume that these three tenants would leave Madison County if the airport were not present.

In addition to being a full-service FBO, Langa Air features a flight school. The economic impact of Langa to Madison County comes directly through operations (payroll and vendor payments) as well as visitors and students. Langa students contribute to the local economy by living in the Madison County area and providing spending on housing, entertainment, and food that would otherwise occur outside of the county. In order to measure the economic activity of Langa students, we conducted a survey asking the students where they were from, where they currently reside, and their expenditures within Madison County (but outside of the Airport). A copy of the survey is attached as Appendix A.

In addition to the flight school, Langa also provides a refueling service and stop-over service for private aircraft. These stop-over services provide economic impact through the purchase of food and lodging. Similarly, in addition to its economic impact from operations (payroll and vendor payments), Premier Air also provides economic impact through the purchase of food, lodging and rental cars by out-of-area customers using Premier's services or individuals investigating the use of Premier's services. We estimate that Premier and Langa (together) account for approximately 975 hotel rooms per year at \$87.00 per night and also \$45,000 per year on food and expenses.

The economic impact of Fabritech comes primarily through operations. Table 4 details the economic impact of the aeronautic-related companies.³

³ In order to protect the individual companies, we provide economic impact data in aggregate form only.

Table 4
Economic Impact of Aeronautical-Related Companies on Madison County

Payroll: \$8,791,987* Total FTE: 227				
	Output Impact	Employment Impact	Labor Income Impact	State & Local Tax Impact
Operations	\$60,100,878	367	\$14,229,910	\$1,290,399
Students	\$241,489	2	\$50,531	\$9,165
Visitors	\$184,878	4	\$71,178	\$12,054
Total Economic Impact	\$60,527,245	373	\$14,351,619	\$1,311,618
*Estimated				

Unlike the non-aeronautical related companies, we estimate that 100% of these jobs would leave Madison County if the Airport did not exist. Because of this assumption, there is no divergence between the gross and net economic impact. The aeronautic-related companies provide in excess of \$60.5 million in economic impact and an additional 373 jobs. This economic activity contributes over \$1.3 million to state and local tax revenue.

VIII. Economic Impact of Non-Aeronautical-Related Tenants.

The Airport business park and adjacent property is currently home to a number of tenants that conduct business outside of the aeronautics industry. These businesses include gas stations, hardware stores, hair salons, legal offices, and educational facilities. In addition to these tenants, portions of the Airport property are also leased to local farmers, with the airport receiving a portion of the value of crops produced each year.

In order to accurately measure the economic impact of the businesses, one must examine whether the economic activity associated with the tenants would take place in Madison County if the airport did not exist (or if its land were unavailable). The income from the farmland, for example, would clearly not exist in Madison

County if the airport property would not be available. Legal offices on the other hand, would more than likely still locate within Madison County if the Airport did not exist. The fact that many of these businesses would still locate within the county works to reduce the economic impact of the non-aeronautical-related businesses.

Economic impact for tenants was based on FTE employment numbers provided through phone or personal interviews with the individual businesses.⁴ Table 5 details the economic impact of the non-aeronautical-related businesses on Madison County.

**Table 5
Economic Impact of Non-Aeronautical-Related Tenants on Madison County**

Payroll: \$8,405,387* Total FTE: 240				
	Output Impact	Employment Impact	Labor Income Impact	State & Local Tax Impact
Gross Total	\$38,109,331	379.0	\$12,207,650	\$1,601,544
Less adjustment for % of New Economic Impact	\$19,163,399	203.9	\$6,113,789	\$708,369
Net Economic Impact	\$18,945,932	175.1	\$6,093,861	\$893,175
*Estimated				

Based on a total FTE of 240 people at the tenant businesses, and accounting for their industrial classifications, we estimate a total payroll of \$8,405,387. This employment and payroll number will produce a gross economic activity of \$38.1 million and a gross employment increase of 379 FTE jobs. Because of the nature of many of the tenants, however, we reduce our impact estimates substantially. The final row provides our estimate of the true economic impact of the current non-aeronautic related tenants. Please note that the current number of FTE employment is 240, while our estimate is that the true economic impact is only 175.1 new jobs. The reason for this is as follows: Suppose that one of the fast-food tenants were to

⁴In the few cases where tenants refused to provide FTE employment numbers, estimates were obtained based on data from the U.S. Bureau of Census County Business Patterns 2003.

shut down. In order to evaluate the impact, one must ask how many of the restaurant’s customers would move their purchases outside of Madison County? We make a conservative assumption that the vast majority of the restaurant’s customers would continue to purchase their meals in Madison County. We make similar assumptions for most of the other non-aeronautical tenants. For this reason, we estimate that if all of the non-aeronautic tenants were to shut down, the net loss in jobs to Madison County would be approximately 175. It is important to point out, however, that these tenants are providing a positive economic impact on Madison County on the order of \$18.95 million annually as well as a state and local tax impact of \$893,175.⁵

IX. Summary of Economic Impact of St. Louis Regional Airport.

Table 6 presents a breakdown of the total economic impact provided by St. Louis Regional Airport.

**Table 6
Total Economic Impact of St. Louis Regional Airport on Madison County**

Payroll: \$17,754,426* Total FTE: 485				
	Output Impact	Employment Impact	Labor Income Impact	State & Local Tax Impact
St. Louis Regional Airport	\$775,966	23.9	\$900,898	\$51,510
Non-Aeronautical Companies	\$18,945,932	175.2	\$6,093,861	\$893,175
Aeronautical Companies	\$60,527,245	373.0	\$14,351,619	\$1,311,618
Total Economic Impact	\$80,249,143	572.1	\$21,346,378	\$2,256,303
*Estimated				

⁵ These estimates should be regarded as low-end estimates, as we were extremely conservative in our estimate of the portion of employment that would leave Madison County should these employers close down.

Overall, the airport and associated businesses provide Madison County with \$80 million in annual economic impact and approximately 572 FTE positions. In addition, these businesses provide a positive state and local tax impact in excess of \$2 million.

APPENDIX A

Survey Used for Langa Air Students

The St. Louis Regional Airport is conducting a study to assess the economic impact of the airport on Madison County. By completing this survey, you will provide valuable data for the study. Be assured that all of your responses will be anonymous. Your participation is greatly appreciated.

1. Do you currently live in Madison County, Illinois (see the map below)?

Yes No

If the answer to Question 1 was “No” please complete Section A on the reverse side. If the answer to Question 1 was “Yes” please complete section B on the reverse side.

Section A: Complete if you answered “No” to Question 1.

1. What zip code do you currently live in?
2. About how many times did you visit Langa Air in the last 12 months?
3. On average, how much money did you spend during each visit? (Include gas purchases, meals, etc., but do not include money spent at Langa Air or on the grounds of the St. Louis Regional Airport.)

You are finished. Thank you for your participation.

Section B: Complete if you answered “Yes” to question 1.

1. Do you live in Madison County specifically because of Langa Air?
Yes No

If you answered “No” to question 1 you are finished. Thank you for your participation. If you answered “Yes” to question 1 above, please answer the following questions as well.

2. About how much money did you spend in Madison County during the last 12 months? (Include gas purchases, rent, groceries, meals, etc., but do not include money spent at Langa Air or on the grounds of the St. Louis Regional Airport.)
3. Are you employed by Langa Air?
Yes No
4. Approximately what percentage of the money you reported spending in Question 2 was earned at Langa Air? If you are not employed at Langa Air, please answer “zero.”

You are finished. Thank you for your participation.