

*THE ECONOMIC IMPACT
OF THE RUSS BEACH SMITHS
FALLS / MONTAGUE AIRPORT*

prepared for

**The Smiths Falls / Montague
Airport Commission**

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(FEBRUARY 2008)

EXECUTIVE SUMMARY

This report documents the 2007 economic impact activity generated by the Russ Beach Smiths Falls/Montague Airport. Benefits are primarily derived from the spending of both local and non-resident visitors participating in mainly aviation activities at the airport. Additional economic benefits accrue from the on-site construction activity associated with new hangar developments and/or the on-going maintenance of existing structures alongside other airport capital projects during the year.

The economic impact is reported in terms of jobs, labour income, value-added gross domestic product (GDP) and taxes. Direct, indirect and induced forms of activity have been considered. The response rate to the interview process was exceptional : a 100 percent completion rate for the data sought.

In 2007, the Smiths Falls/Montague airport supported a significant level of economic activity :			
<i>Direct Impact</i>			
<u>Jobs</u>	<u>Labour Income</u>	<u>Other Expenditures</u>	<u>Total Value added GDP</u>
12	\$286,000	\$432,000	\$718,000
<i>Total Impact</i>			
<u>Jobs</u>	<u>Labour Income</u>	<u>Other Value added GDP</u>	<u>Total Value added GDP</u>
13.5	\$355,000	\$565,000	\$920,000

In 2007, the Smith Falls/Montague airport generated **\$196,000 in taxes.**

This total is divided :

Federal Government	\$92,000
Province of Ontario	\$73,000
Smiths Falls/Montague Municipal Gov'ts	\$31,000

The airport also contributes a number of noteworthy social factors to the community at large :

- In 2007, ORNGE - the Ontario Air Ambulance report between 40 and 50 medivac flights used the airport;
- provides a base for CASARA search & rescue activities;
- provides a major flight training asset to local users, negating the need for residents to travel to distant airfields;
- provides military and police services users with a significant training and operations asset;
- generates roughly 5000 hours of volunteerism amongst on-site aviation users, at no cost to government. Included in this total are a number of annual volunteer jobs;
- offers school tours to the Smiths Falls area and access to COPA's Young Eagles programme which provides local students with a window to explore the aviation industry; and,
- provides a substantive capacity to accelerate responses to natural disasters or man-made emergencies, potentially mitigating the loss of life and property while protecting the local resource base for future generations.

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1.1 About this report

The report was undertaken by RP Erickson & Associates, Aviation Consultants, of Calgary for The Smiths Falls / Montague Airport Commission. The purpose of the study is to document the current economic impact of the Russ Beach Smiths Falls/Montague airport upon the local catchment area of the airport.

Impact assessments are valuable in that they serve to heighten business, community and political awareness as to the importance of an airport to a local economy; in this case, in terms of employment, labour income and value-added gross domestic product activity. This part of the study can also be viewed as a base-line against which future developments may be measured.

Any questions arising from this report should be directed to Ken Graham, Chairman, Russ Beach Smiths Falls/Montague Airport Commission (613) 283-4370.

1.2 Background

The Russ Beach Smiths Falls/Montague (CYSH) airport is a local aviation facility providing for primarily recreational aircraft users residing within approximately a 100 km radius of the airport. The airport attracts a limited amount of corporate traffic and is regularly utilized by the Canadian Forces for its specialized training requirements and the Ottawa Police Service who both train and undertake operations with rotary wing equipment. The airport has also developed several specialized niche roles: namely, the Royal Canadian Air Cadets use the airport as a base for their glider activities – over 1000 cadets visit the airfield each year; and, the Model Aeronautics Association of Canada who hold a major weekend event on site – this latter activity contributes noteworthy sums to the local hospitality sector.

The airport was constructed in 1960 by a group of local flying enthusiasts. Through their efforts the Smiths Falls Flying Club was created and the not-for-profit corporation owned, managed and operated the airport through 1978 when the airport was turned over to the Town of Smiths Falls (75% ownership) and the Township of Montague (25%). As a part of that agreement, joint provincial/municipal funding was provided which led to the paving of the main runway, taxiways and apron area and the addition of runway landing lights. In 1990, the airport received a further injection of provincial/municipal financial support and the runway was lengthened to its present 4000' along with capital investments in an on-site re-fuelling operation.

As noted, the airport is jointly owned by the Town of Smiths Falls and the Township of Montague. The airport is managed by the Smiths Falls/Montague Airport Commission whose 11 member Board is appointed by the Town of Smiths Falls (6 members), the Township of Montague (3) and the Smiths Falls Flying Club (2). The airport is operated by the Smiths Falls Flying Club where a largely volunteer effort is utilized to oversee daily operations, and provide for the

maintenance and up-keep of the airfield. The Club pursues its commercial interests by offering : 'ab initio' flight training; specialized instrument ratings; flight licences (eg. Private Pilot, Commercial Pilot and Flight Instructor); in addition to, aircraft re-fuelling services. The profits from all revenues received by the Club are re-invested into the operation and the general well-being of the airport. All property taxes generated on-airport accrue to the Township of Montague.

The airport is located some 8 km east of the Town of Smiths Falls on County Road #4 and is situated wholly within the Township of Montague. The airport sits on an approximately 150 hectare site (370 acres). The airport lies 85 km to the southwest of the Ottawa International Airport, the nearest National Airport Systems airport providing a range of scheduled regional, domestic and transborder air services.

Historical air traffic movement data for the Smiths Falls airport is not available. It is estimated that aircraft movements have over the past few years averaged roughly 6000 per year, including 800 itinerant movements undertaken by non-local aircraft. Currently there are upwards of 70 aircraft based on the airport year-round including the 2 aircraft operated by the Flying Club and used for flight training. There are presently 44 hangars on site – a significant number by any recreational airport standards. The Flying Club operates from an on-site clubhouse facility complete with a training classroom.

The airport property exhibits a flat topography with minimal topographic relief within or adjacent to the site. The reference elevation is 416' above mean sea level. The airport operates on a 24-hour basis with no noise curfew. The main asphalt runway R06-24 is 4000 x 75'. The runway, taxiway and apron infrastructure appear to be in good condition given their age. There are no on-site air navigation services, although the airfield does provide Nav Canada-approved and published instrument approaches to each end of the runway. The

airport also features a Non-Directional Beacon (NDB) and provides an ARCAL lighting system for night-time air operations.

The airport is a Transport Canada Certified Airport; and as such, is subject to an on-going federal inspection program which requires the site to be maintained and operated under applicable Transport Canada standards – this status should be viewed as a significant positive, especially for attracting greater levels of commercial activity. A Master Plan for the airport was completed in 1987. It is also noted that the airfield holds a Canada Customs CanPass designation – a valuable resource for attracting both US recreational flyers and Canadian flyers seeking a Customs entry point into Canada.

In general, the airport infrastructure appears to be in good condition – the consultants observe : it is apparent from its overall appearance that the airport receives and benefits from a considerable degree of volunteer-based care and attention. It is our opinion that the Russ Beach Smiths Falls/Montague airport would be the envy of many larger communities throughout Canada.

1.3 The methodology for economic impact studies

The economic impact of the Smiths Falls/Montague airport has been measured in terms of jobs, labour income, value-added, Gross Domestic Product (GDP) expenditures and taxes. Direct, indirect and induced forms of activity have been considered for employment, labour income and GDP expenditures. Data was obtained for the 2007 calendar year.

The direct data compiled in this study was obtained via interviews with individuals and firms either located on the airport or who benefit from aviation activity at the airport – those being primarily hospitality, service sector and

building construction/materials firms in the Town of Smiths Falls. In conducting the interview process, key principals at each identified firm were visited by the consultant, where : the underlying rationale for undertaking the study was explained; the objectives of the study could be examined; the value of their participation could be fully explored; and, the confidentiality of their data could be assured - data has only been released in an aggregated format. This approach resulted in an exceptional 100% response rate for the data sought.

Economic impact analysis is based on the premise that operations within various industries in an economy are closely related or linked to each other; that is, an increase in the activity levels in one industry will produce a positive 'domino' or rippling effect on other industries. Economists discuss the impact that one sector has on another in terms of indirect and induced effects. The total economic impact is the sum of the direct, indirect and induced effects.

In this report :

Direct economic effects are the economic activities related to labour, expenditures and revenues emanating from the firms engaged in supporting or benefiting from aviation or airport activities at the Smiths Falls/Montague airport.

Indirect + induced economic effects are those related to the economic impact associated with parallel co-activities which support activities at the airport and the overall increase in the goods and services produced within an economy, arising from the spending power of direct and indirect employees. This economic activity is accounted for by multipliers which attempt to quantify the interactive linkages within the local economy impacted by direct economic activity.

The most common economic measures used in economic impact surveys are : employment and value-added gross domestic product [GDP]. For this report, the consultants have chosen to display labour income as a separate category of value-added GDP in addition to total value-added GDP.

In this report :

Employment is measured by the number of jobs and by annual income plus benefits of the employees required to mount an aviation or airport presence. Ratio multipliers have been used to generate the associated indirect and induced impacts.

Labour income is the total payroll expense of the canvassed firms, including wages, salaries and all employee benefits. Ratio multipliers have been used to generate the associated indirect and induced impacts.

Other Value-added GDP is defined as the amount of value to the local economy created through expenditure activity. A GDP ratio multiplier has been used to generate the indirect and induced impacts.

Total Value-added GDP is an aggregate of labour income and other expenditure totals. No multiplier has been applied to this category.

Multipliers are used to *infer* indirect and induced economic activity from a measure of direct economic activity. Multipliers are not directly observed; they are inferred from an economic model. By far the direct measure is the most accurate. Readers are advised that multiplier analysis remains an imprecise econometric technique and that caution be used in interpreting the indirect and induced impacts contained in this report. However, multipliers are virtually the only cost-effective tool available to identify the overall impact of a sectoral activity within an economy.

The consultants note that a significant proportion of the economic activity associated with the airport results from either resident and non-resident visitor spending linked to the aviation activities created or attracted by the airport, alongside specific maintenance and capital spending associated with the presence of existing and/or the construction of new on-site hangars.

It is the consultants' observation that airports featuring the level of aviation activity and the number of resident aircraft as found at the Smiths Falls/Montague

airport generally support several small, aviation maintenance and/or specialized aeronautical service firms with permanent full-time employees - this is not the case here. As such, the consultants have chosen not to use Statistics Canada aviation multipliers in this study which would be a more typical approach. Instead we have adopted Economic Impact From Visitor Spending ratio multipliers as provided in an Ontario Ministry of Tourism (2005) Economic Impact model¹. We have factored inflation into those ratios in arriving at a 2007 valuation.

1.4 Economic Impact of the Smiths Falls/Montague Airport

The following table depicts the economic impact of the Smiths Falls/Montague airport on the Town of Smiths Falls and the surrounding catchment area in 2007. It is noted that the impact would be greater if the 'leakage' related to expenditures on fuel were also included : in keeping with the purposefully conservative nature of this study, they were not. It is noted that most of the impact 'leakage' benefits are likely occurring elsewhere in the province, just not in the Smiths Falls area.

<i>Direct Impact</i>			
<u>Jobs</u>	<u>Labour Income</u>	<u>Other Expenditures</u>	<u>Total Value added GDP</u>
12	\$286,000	\$432,000	\$718,000
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¹ The Economic Impact from Visitor Spending, Region 9 - Eastern Ontario, Regional Tourism Profiles (2005), Ministry of Tourism, Ontario Government.

In 2007, there were 12 full-time, part-time and seasonal jobs² associated with the Smiths Falls/Montague airport. This workforce generated a labour income of \$286,000. Airport and hospitality firms spent roughly \$432,000 in non-labour related expenditures over the year. Virtually all of the 'Other Expenditures' benefits find their way into local businesses in the Town of Smiths Falls in support of the aviation activities of the airport. The total value-added GDP of the airport (labour + expenditures) summed to \$718,000.

When the above direct indicators are subjected to the multiplier modelling process, the 'rippling effect' of the overall contribution of the airport to the local economy can be assessed. Thus, some 13.5 local jobs are dependent on the airport, generating an annual payroll of roughly \$355,000. Other value-added GDP totalled \$565,000. When labour and expenditures are combined, the airport generates nearly \$1.0 million dollars of GDP economic activity for the Town of Smiths Falls and its immediate catchment area.

In 2007, the Smith Falls/Montague airport generated \$196,000 in taxes³.

This total is divided :

Federal Government	\$92,000
Province of Ontario	\$73,000
Smiths Falls/Montague Municipal Gov'ts	\$31,000

² RP Erickson & Associates generally seeks airport employment data in terms of full-time equivalents (FTEs). For this study we have had little choice but to use the broader classification – Jobs since that is the term and methodology used in the Ontario Ministry of Tourism, Economic Impact Visitor Spending ratio multipliers which have been used in this study. Their description of Jobs includes “part-time, full-time and seasonal jobs”.

³ RP Erickson & Associates utilizes a proprietary tax implication model. The model uses a set of economic and technical data bases produced by Statistics Canada to derive federal, provincial and municipal taxes. The model can be 'tuned' to individual provincial situations – and is in this case Ontario-specific.

1.5 Social Value of the Smiths Falls/Montague Airport

In addition to the quantifiable economic benefits displayed in this report, the Smith Falls/Montague airport provides a range of ancillary qualitative benefits to local residents living in the area. These range from societal advantages attached to the transportation functions of the airport, through career and hobby development possibilities to opportunities for volunteerism.

No where are the social quality attributes of the airport more tightly focussed than in the access the airport provides to remote medical health facilities. In 2007, Ornge reported “between 40 and 50 air ambulance movements” at the Smiths Falls/Montague airport⁴.

It is also noted that the airport provides a base for air-related environmental services which contribute to the area’s natural and renewable resource base (eg. forest fire-fighting). The airport also provides a substantive capacity to accelerate responses to natural disasters or man-made emergencies, potentially mitigating the loss of life and property while protecting the local resource base for future generations.

Volunteerism

The airport provides local residents with volunteer opportunities, where local residents can pursue their recreational interests in like company at no cost to any level of government. By example, the Smiths Falls Flying Club estimate that its members contribute on average some 5000 hrs per year to volunteer activities of benefit to the community. Club activities include Fly-In breakfasts, access to COPA’s Young Eagles flight program, search and rescue work and volunteer assistance in maintaining the airfield.

⁴ Ornge, a non-profit organization, was appointed by the province of Ontario Ministry of Health to co-ordinate all aspects of Ontario’s air ambulance system and began operations in the province in January 2006. For 2007, Ornge was unable to provide an exact number of movements and offered the above estimate. Ornge did note that in 2006 there were 43 air ambulance movements at the airport.

Other social attributes of the airport

The airport also hosts school visits during the year and supports the operational needs of the Royal Canadian Air Cadets for the entire Ottawa Valley, and for much of the province of Quebec. These services are undertaken on a 'no-charge, volunteer basis' and have the significant parallel benefit of passing the region's rich aviation heritage onto future generations - not to mention those student visitors or cadets who may be attracted to a career in aviation.

1.6 Conclusions

In 2007, the Russ Beach Smiths Falls/Montague airport supported a considerable level of economic activity which occurs primarily within the Town of Smiths Falls. When aviation fuel inputs are considered, the impact is felt throughout the province.

When direct, indirect and induced forms of economic activity are included, the airport generates :

- 13.5 jobs;
- over \$355,000 in annual labour income;
- nearly \$1 million dollars of total GDP activity;
- and, \$196, 000 dollars in taxes.