

FINAL REPORT:
**Billy Bishop Toronto City Airport (YTZ)
Economic Impact Study**



strategic
transportation
& tourism
solutions



Prepared for
Toronto Port Authority

Prepared by
InterVISTAS Consulting Inc.

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Executive Summary

Billy Bishop Toronto City Airport (YTZ) plays a significant role in providing critical regional and continental transportation linkages to support and grow Toronto's economy. The airport's rapid growth and support of high-value business and leisure passengers has been unique in North America in recent years. Billy Bishop Toronto City Airport has become an essential facilitator in the growth of trade and tourism for Toronto.

The results of this study are based on a review of March 2012 operations. YTZ generates 1,700 direct jobs in Toronto. Employees at YTZ and related firms earn approximately \$74 million in wages, yielding an average of \$46,000 per person per year of employment¹, which is relatively high in comparison to the average wage of jobs in the air transportation industry in other Canadian provinces.² Direct employment generates \$200 million in direct gross domestic product and \$900 million in direct economic output in the Toronto economy annually.

In addition, 2,500 person years of employment are indirectly generated in industries in the Greater Toronto Area and surrounding regions that supply the businesses of YTZ. Labour income associated with the total indirect employment is estimated at \$140 million per annum. When total impacts are considered from all outputs (*direct, indirect and induced*), the airport generates total economic impacts of \$640 million in total annual GDP, and supports nearly \$1.9 billion in total annual economic output economy-wide in the Toronto and surrounding area.³

Billy Bishop Toronto City Airport (YTZ) is a major economic engine for the Greater Toronto Area generating *total* impacts of:*

- **\$1.9 billion in economic output;**
- **Approximately 5,700 jobs representing 5,400 person years of employment (1,700 of these jobs are *directly* associated with YTZ);**
- **\$640 million in *total* gross domestic product (GDP);**
- **\$290 million in wages; and**
- **Overall tax revenue and Payments-in-Lieu of Taxes of approximately \$57 million annually.**

**Results shown are total impacts, which include indirect and induced multiplier impacts.*

¹ One person year is equivalent to 1,832 hours of work. See **Appendix C** for a detailed calculation of the number of hours per person year. Person years are the same as full time equivalents (FTEs).

² Based on the Government of Canada's Working in Canada Wage Report for jobs in the air transportation industry (http://www.workingincanada.gc.ca/wage-outlook_search-eng.do?reportOption=wage).

³ The multipliers used for the analysis of indirect and induced impacts are based on Statistics Canada economic multipliers for Ontario from the 2008 Interprovincial Input-Output model, the most recent available. These multipliers were updated with Consumer Price Indices to account for inflation.

The air services at YTZ will bring in non-local visitors to Toronto, spending money on items such as accommodations, food and beverage, retail and local transportation in the city. Although the financial impacts of tourism dollars spent by travellers through YTZ are not factored in the economic impact analysis of this study, non-local visitor spending is estimated by applying average U.S. visitor spending data from the Canadian Tourism Commission (CTC) to YTZ transborder passenger traffic. By applying the average U.S. visitor spending data, this study found that the non-local visitor spending impacts of the air services at YTZ amounts to approximately \$124 million a year.⁴

By the end of 2012, passenger traffic at YTZ is forecasted to rise above two million passengers. As a result, the economic impact of operations at the airport is likewise estimated to increase to approximately 1,750 direct person years of employment in Toronto, earning \$80 million in wages.⁵ The direct employment associated with the forecasted passenger traffic is estimated to contribute approximately \$220 million in direct GDP and \$980 million in direct economic output.

Seventy-four per cent of the businesses and organisations contacted responded to the survey, representing nearly 97% of total person years of employment covered by the survey. This is a high response rate to a survey of this type.⁶

The City of Toronto and the province of Ontario have important economic sectors with international competitiveness and strength, generating synergies and stimulating economic growth. Billy Bishop Toronto City Airport has played and will continue to play a significant role in providing the necessary transportation access and linkages to other major business and financial sectors. This will contribute to the growth of overall economy for the city, the province and the country as a whole.

⁴ It is assumed that 50% of forecasted 2012 enplaned non-connecting transborder passengers are non-local visitors (146,775 passengers). U.S. visitor characteristics were obtained from the Canadian Tourism Commission's Travel Characteristics Q4 2010 report, which contains the most recent statistics on U.S. visitors to Canada arriving by plane. More recent data on visitor spending by U.S. visitors arriving by all modes of transportation is not used in this estimate, as this is shifted downwards by visitors who travel by other modes of transportation. Data for the full year of 2010 was used in the estimate and adjusted to 2012 dollar values to account for inflation (equivalent to \$842.00 in visitor spending per trip).

⁵ Academic studies have shown that the aviation industry benefits from economies of scale, wherein a 1% increase in passenger traffic does not necessarily result in a 1% increase in employment at the airport. (For example: Gillen, Oum and Tretheway, "Airline Cost Structure and Policy Implications: A Multiproduct Approach for Canadian Airlines," *Journal of Transport Economics and Policy*, January 1990, pp.9-34.) Taking this consideration into account, the economic impacts associated with the 2012 forecasted passenger traffic was estimated based on knowledge gained from previous economic impact studies conducted by InterVISTAS and on information collected on major employers for the current economic impact study at YTZ.

⁶ The average response rate to a survey of this nature is in the range of 60%-70%.

On-Going Economic Impacts

Direct Economic Impacts

Direct economic impact measures the employment and economic impact directly associated with the airport (including airlines, ground handling, airport operations, air traffic control, etc.).⁷

This study found that the direct impacts of YTZ in 2012 include⁸:

- Approximately 1,700 *direct* jobs associated with YTZ, representing over 1,600 *direct* person years of employment (FTEs).⁹
- The annual *direct* economic impact of this employment on the economy of the Greater Toronto Area (GTA) is:
 - \$200 million in gross domestic product (GDP);
 - \$900 million in economic output; and
 - \$74 million in wages.

Total Economic Impacts

The economic impact of Billy Bishop Toronto City Airport extends beyond the airport, as other sectors of the economy are dependent on the businesses of employers directly related to the airport. Indirect and induced impacts are multiplier impacts in the wider economy stimulated by the airport's activities (e.g., other businesses that supply goods and services to the airport and spending by airport employees, respectively).¹⁰ Total impacts are calculated by adding together the direct, indirect and induced impacts.

Including multiplier impacts, this study finds that on-going operations at YTZ generate *total* impacts of:

- Approximately 5,700 jobs, representing nearly 5,400 person years of employment.¹¹
- The *total* economic impact of this employment on the economy of the GTA and nearby regions is:
 - \$640 million in gross domestic product (GDP);
 - \$1.9 billion in economic output; and
 - \$290 million in wages.

⁷ Emphasis is placed on the direct economic impacts as these are based on data from the employer survey and are clearly identifiable.

⁸ Employment, wage, GDP and economic output impacts are based on March 2012 operations.

⁹ One person year is equivalent to 1,832 hours of work. Person years are the same as full time equivalents (FTEs).

¹⁰ Statistics Canada economic multipliers for the Province of Ontario from the 2008 Interprovincial Input-Output model, the most recent available, were used to measure the indirect and induced economic impacts. These multipliers were updated with Consumer Price Indices to account for inflation.

¹¹ One person year is equivalent to 1,832 hours of work. Person years are the same as full time equivalents (FTEs).

Annual Tax Contributions

Billy Bishop Toronto City Airport is also a significant generator of taxation revenues to all levels of government. The overall tax revenue and Payments-in-Lieu of Taxes (PILT) contribution generated by on-going economic activity at the airport is approximately \$57 million annually.¹² The federal government received nearly \$35 million (61% of the total), while the provincial government received over \$19 million in tax revenue (34% of total tax revenue). Nearly \$3 million in taxes (5% of the total) is estimated to be collected by the municipal government, PILT and property tax payments by the airport and its tenants, as shown in **Figure ES-1**.¹³ This relative proportion of tax revenues among the three levels of government is standard for airports.

Figure ES-1: Annual Tax Contributions of Billy Bishop Toronto City Airport (YTZ) by Taxpayer (\$ Millions)

Taxpayer	Federal	Provincial	Municipal	Total
Passengers	11.0	10.1		21.1
Employers or Employees	22.2	9.5	1.4	33.1
Toronto Port Authority	1.5		1.3	2.8
Total	34.7	19.6	2.7	57.0

Notes:

- Totals may not add, due to rounding.
- Taxation impacts are based on calendar year 2011, except for taxes collected from air fares and the Air Traveller Security Charge (ATSC) which are based on year-to-date September 2012 passenger traffic volumes.

¹² Taxation impacts are based on calendar year 2011, except for taxes collected from air fares and the Air Traveller Security Charge (ATSC) which are based on forecasted 2012 passenger traffic volumes.

¹³ Property tax payments made by employees are not included in this analysis; however, it is important to note that these payments also contribute to municipal tax benefits.

Estimation Method and Results

In order to estimate the total accommodation costs of visitors to Toronto the average daily room rate was applied to the estimated connecting passenger nights determined from the hotel survey conducted. The total accommodations expenditure amounted to more than \$2.4 million.

HST based on accommodation costs of \$2.4 million by connecting passengers is approximately \$314,000.



Prepared by
InterVISTAS Consulting Inc.

Airport Square – Suite 550
1200 West 73rd Avenue
Vancouver, BC
Canada V6P 6G5

Telephone: 604-717-1800
Facsimile: 604-717-1818
www.intervistas.com