

# APPENDIX F - ECONOMIC IMPACT OF AIRPORT CLOSURE

## INTRODUCTION

This appendix provides detailed analysis of the calculations made to determine the financial impact of closing Dickinson's primary runway for construction.

A financial impact analysis was completed based on the current level of activity at Dickinson Theodore Roosevelt Regional Airport and information obtained from the 2010 North Dakota Economic Impact of Aviation.

There are several categories of impact the suspension of airline service would have. These are:

- Income to the Airport
- Gross Income to Tenants
- Local Business Losses
- Local Tax Income Losses
- Cost to Passengers

For **Income to the Airport**, the current fee structure for the airport was used. The income loss areas include landing fees, terminal rental, Passenger Facility Charges, rental car charges, parking lot income and fuel sales by the FBO. The total loss of Income to the Airport is estimated as \$121,502 per month. One airport with 200,000 annual enplanements completed a pavement maintenance project over two weekends and experienced a \$70,000 revenue loss for just that short closure over two weekends.

**Gross Income to Tenants** included airlines, rental cars, concessionaires and the FBO. The FBO is included because of services to the airlines as well as the crosswind runway will not be sufficient for general aviation jet traffic. The gross loss of income to tenants is estimated to be \$2,559,825 per month.

For the airlines the financial impact is great, but what it does to the airline's marketing approach to a region is much greater. One airport which was contacted, annually enplanes 300,000 passengers and a 5-6 month closure was being proposed for runway reconstruction. The airlines were serving another community 60 miles away and advised the airport and the FAA that they would adjust capacity and flight schedules to accommodate passengers at other airports. This is seen to be a possibility for Dickinson as Bismarck is only 100 miles away with very good interstate connectivity on I-94. Since Dickinson experienced a 66% leakage in 2012, this option is highly likely.

**Local Business Losses** were based primarily on the 2010 North Dakota Economic Impact of Aviation study. It was estimated that half of the visitors (which are 59% of the total enplanements) would seek accommodations elsewhere as they would likely be traveling in and out of Bismarck or Williston. The other half of those visitors would still stay in Dickinson despite flying out of Bismarck or Williston. The total local business loss would be \$1,673,756 per month.

The **Local Tax Income Loss** is also based on the same passenger assumptions as the local business losses and includes restaurants, lodging and retail. The total loss in local taxes would be \$150,638 per month.

For **Cost to Passengers**, local passengers and visitors will both be impacted in similar ways. Each will be impacted by a loss of time, and local passengers will incur additional travel costs by driving to and from the nearest alternative airport, Bismarck. The parking rates are the same for Dickinson and Bismarck resulting in no additional out of pocket cost. Some visiting passengers will have rental car costs since they previously used taxis or hotel shuttles to get to their destination in Dickinson. The total cost to local passengers and visiting passengers in time and expenses was is estimated at \$1,396,049 per month, based upon current traffic.

The construction period for the runway including complete removal of the existing runway, lighting and nav aids and a newly constructed runway with lighting and nav aids would be approximately 9 months anticipating normal weather conditions. **Table 1** provides the estimated financial impact from the primary runway closure at Dickinson.

<b>Table 1 – Financial Impact of Primary Runway Closure</b>				
	1 Month	3 Months (Construction Option 4 Phase 3 for Alternative G)	5 Months (Construction Option 4 Phase 3 for Alternative H)	9 Months (Construction Option 5 for Alternatives G & H)
Income to Airport	\$ 121,502	\$ 364,506	\$ 607,510	\$ 850,514
Gross Income to Tenants	2,559,825	7,679,475	12,799,125	17,918,775
Local Business Losses	1,673,756	5,021,269	8,368,781	15,063,806
Local Tax Income Losses	150,638	451,914	753,190	1,355,743
Cost to Passengers	1,396,049	4,188,146	6,980,243	12,564,437
<b>Total Direct Cost of Closure</b>	<b>\$ 5,901,770</b>	<b>\$ 17,705,309</b>	<b>\$ 29,508,849</b>	<b>\$ 53,115,928</b>