

Kingston Airport 2009 Economic Impact Study



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Prepared by:

Jocelyn Purcell, Executive Director

Inside Canadian Airports, 1070 Aubeneau Crescent
West Vancouver, B.C. V7T 1T5

Phone: (604) 916-8170 **Fax:** (604) 922-9166
jocelyn@insidecanadianairports.com



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Methodology

This update to the Kingston Airport Economic Impact study has been undertaken to measure the total contribution made by the airport to the provincial economy during 2009. To determine the total economic impact of an airport, economists measure three types of impacts: direct, indirect, and induced. The sum of the three measurements equals the total economic impact of the airport.

- The direct economic impact refers to the employment and revenues attributable to the commercial activities which take place directly at the airport.
- Indirect economic impact measures the purchase of goods and services by airport businesses from other firms, in terms of the employment and revenues related to the incremental business activities resulting from their operations in support of airport operations.
- The induced economic impact estimates the increase in employment and spending resulting from direct and indirect airport activities. The jobs sustained by the direct and indirect airport activity generate an increase in household income. This drives the induced economic impact that results from an increase in purchases at local businesses.

For this analysis, the economic impact of Kingston Airport has been estimated using a model originally formulated by the Transport Institute of the University of Manitoba. The model consists of two econometric formulas and was developed by applying regression analysis to the results of more than forty detailed economic impact studies performed at Canadian airports. It has been used extensively to calculate the economic impact of airports across Canada, and when compared to the results obtained using a survey methodology, the model was found to produce fair and reasonable estimates of an airport's impact on the provincial economy.

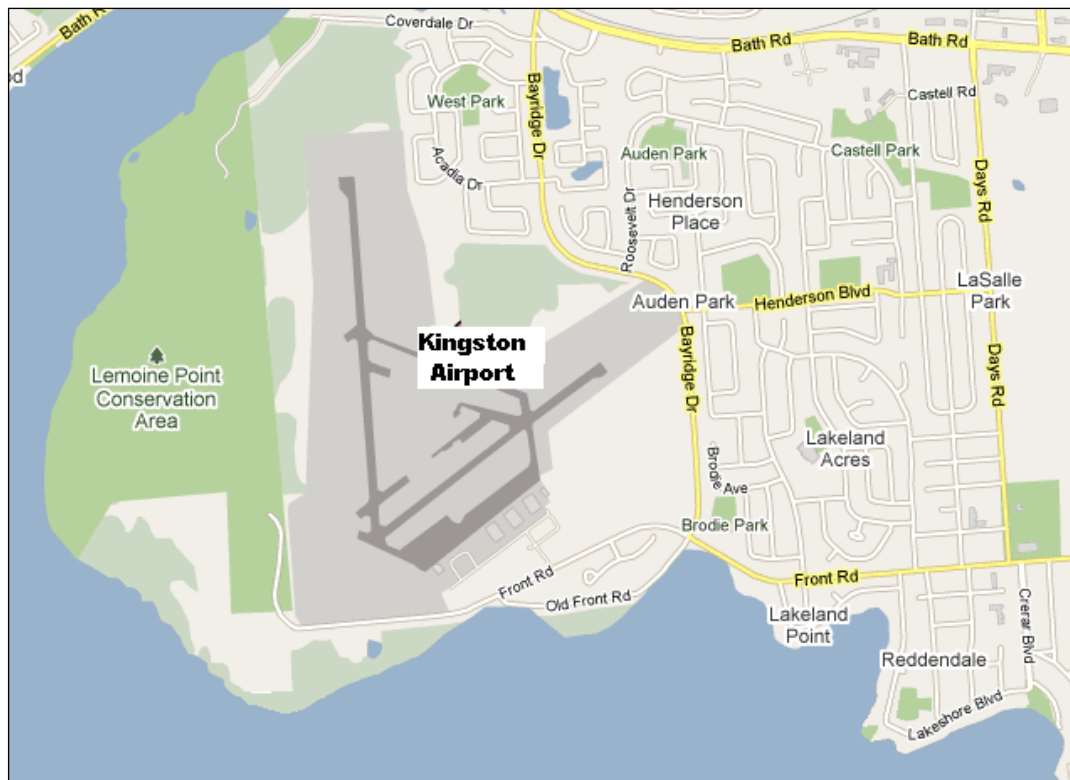
The outputs of the model are estimates of the total revenues, or economic output, and employment generated throughout the province by the commercial activity conducted by the airport operator, its tenants and others at the airport. These estimates represent the sum of the direct, indirect and induced employment and revenue generated by airport activities.

Overview of the Kingston Area

Location

Recently recognized as the 2nd best place to live in Canada by MoneySense Magazine (May 2010), Kingston is an amazing city. Nestled at the confluence of the Rideau Canal and the St. Lawrence River where they meet Lake Ontario, Kingston is built on a grand heritage and defined by an exquisite ability to blend the beauty of yesterday with the passion and sophistication of today. This historic city is located midway between Toronto, Ontario and Montreal, Quebec and was the first capital of Canada.

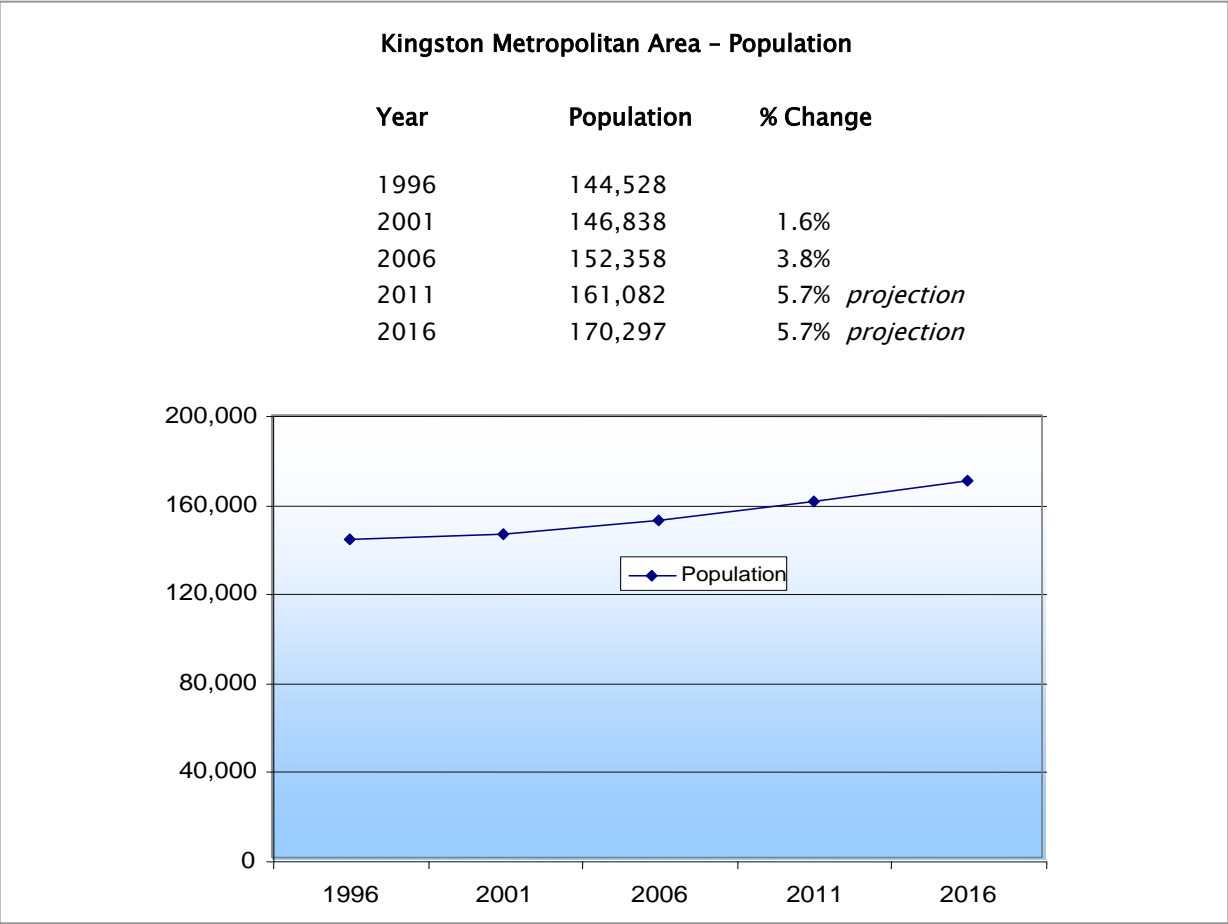
Kingston is home to many restored historic sites, including Fort Henry (which was designated in 2007 as a National Historic Site of Canada and a UNESCO World Heritage Site) and the Rideau Canal (inscribed on the World Heritage List in 2007). Other sites include the Royal Military College of Canada, St. Lawrence College, several major hospitals associated with Queen's University and one of the world's best freshwater sailing areas.



source: maps.google.ca

Population

The Kingston Metropolitan area includes the City of Kingston and the townships of South Frontenac, Loyalist and Frontenac Islands. At our most recent census, the total population in 2006 was 152,358, an increase of 3.8% since 2001.



Source: Statistics Canada Census (2006)

Industry and Labour Force

Kingston's economy is a blend of old and new- strong, historic companies that are familiar to all Canadians and impressive new start-up's. Together, they contribute to a city buzzing with ideas and innovation.

A primary focus is on developing the knowledge- based economy, and Kingston is well positioned to excel in the public sectors of defense, education, health care and correctional services, Top- flight research and development infrastructure includes Queen's University, the Royal Military College (RMC), and St. Lawrence College.

Logistics and distribution, business process outsourcing, warehousing, manufacturing, biotechnology and information technology provide a strong and diverse economic base for the City of Kingston. A list of the leading employers in the area is presented below.

Largest Private Sector Employers	# of Employees	Largest Public Sector Employers	# of Employees
Invista Canada	1,200	Canadian Forces Base Kingston	8,000
StarTek Canada	900	(Includes Royal Military College of Canada)	
Empire Life Insurance Company	535	Queen's University	4,200
J.E. Agnew Food Services	485	Kingston General Hospital	3,700
Novelis	350	Limestone District School Board	3,100
Assurant Solutions	280	Correctional Services of Canada	2,670
Bell Canada	250	City of Kingston	2,100
Commissionaires Canada	240	Providence Care	1,800
Dupont Research & Development Centre	200	Ontario Ministry of Health	950
SLH Transport Inc.	165	Hotel Dieu Hospital	800
KIMCO Steel	135	Ongwanada	450
Cancoil Thermal Corporation	110	Ontario Ministry of Transportation	310
		St. Lawrence College - Kingston campus	300

** data confirmed as of April 2010*

livework.kingstoncanada.com

Kingston is consistently listed as one of Canada's top cities and has much to offer potential investors – its strategic location, its cost competitiveness, its brain power, its bilingual capability, but perhaps most important is its existing economy. Kingston has a balanced and diverse economy with a strong private sector that accounts for 60 per cent of local employment.

The city has a blend of manufacturing, business services and research and development. Its largest employers are: Invista Canada, StarTek, Empire Financial, J.E. Agnew Food Services, Novelis, Assurant Group, Bell Canada, Commissionaires Canada, DuPont Canada R&D, SLH Transport, KIMCO Steel and Cancoil Thermal Corporation.

The largest public sector employers are CFB Kingston, Queen's University, Kingston General Hospital, Limestone District School Board, Correctional Services of Canada, City of Kingston, Providence Continuing Care Centre, Ontario Ministry of Health, Hotel Dieu Hospital, Ongwanada, Ontario Ministry of Transportation and St. Lawrence College.

Areas of strength are knowledge-based innovation in biotechnology, health sciences and fuel cells, information technology, transportation and logistics, business outsourcing, warehousing and distribution.

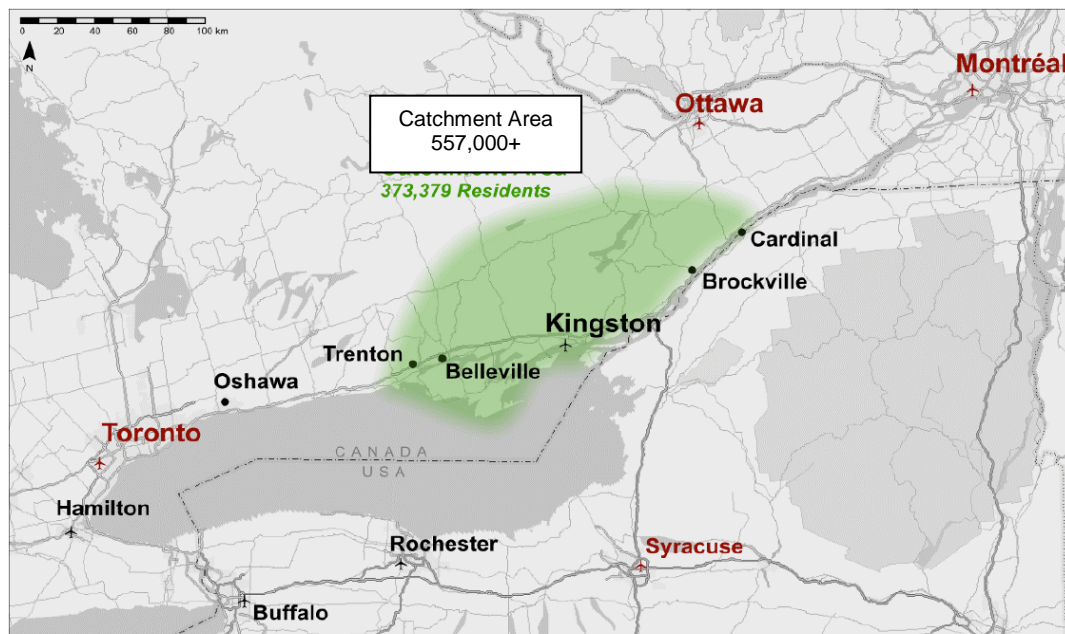
An Overview of Kingston Airport

Location

The Kingston Airport occupies over 3.23 square kilometres of flat terrain, approximately eight kilometres west Kingston's downtown core.

Originally constructed in 1940 as part of the British Air Training Plan, the military activity and pilot training undertaken at Kingston during World War II paved the way for the future of aviation in the region. In 1974, the airport was transferred to the City of Kingston, which assumed full responsibility for airport operations and development.

Today, the Kingston Airport serves a catchment area population of more than 557,000. The airport is the principle aviation gateway between Kingston and Toronto, with an average of seven flights per day.

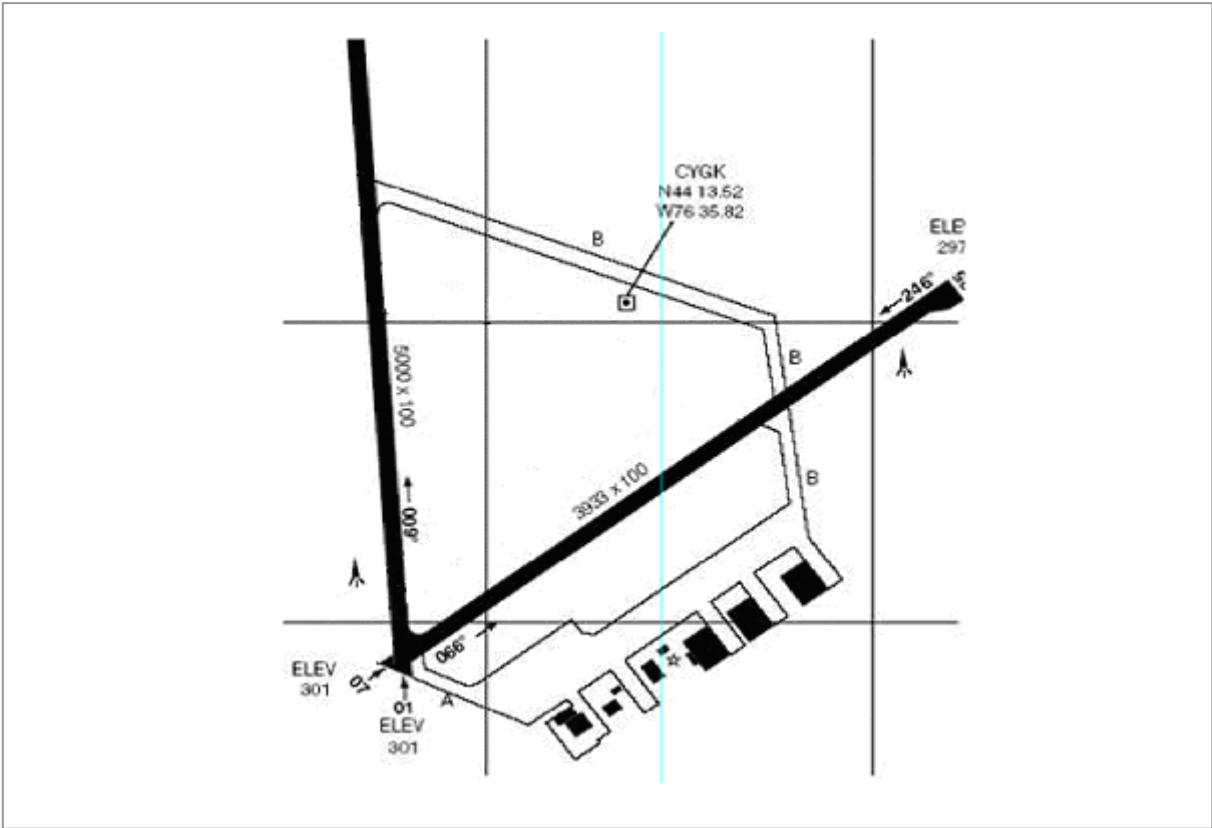


Map – 2007 Kingston (Norman Rogers) Airport Master Plan

Airport Infrastructure

The following facilities and services are currently provided at Kingston Airport:

- Two operational runways:
 - 01/19 – 4,929 x 100'
 - 07/25 – 3,909 x 100'
- Air Canada JAZZ
Scheduled passenger service
- Flight Service Station
- Medivac Services
- Aircraft maintenance
- Aircraft refueling
- Aircraft storage
- Flying club
- Flying school (fixed wing)
- Fixed-base operator (FBO)
- R.C.A.F. Association
- Complementary Wi-Fi Wireless internet
- Pay and Display Parking lots
- ATM
- Vending machines
- Car rental
- Taxi service
- Golf course and Driving range
- Free Baggage carts



Developments/ events at Kingston airport during 2009

Demolition of Hangar 3 and Transport Canada Building

Hangar 3 and the Transport Canada building were both demolished in 2009 in compliance with requirements of the Kingston Airport Master Plan. Demolition services were provided by Lions Group Inc.

Cross Canada Flight

More than 100 small planes stopped at Kingston Airport on July 25th en route to Sydney, N.S. from Vancouver, B.C. The armada of private aircraft included World War I replicas, vintage bush planes and two-seater jets, was organized to commemorate 'A Century of Flight', a celebration of the 100th anniversary of aviation in Canada.

Kingston Flying Club KFC 80th Anniversary

On Sunday October 4th the Kingston Flying club celebrated their 80th anniversary of operation. To celebrate the club hosted a fly in breakfast from 8 A.M. to noon.

Breakfast was served at "The Landings" golf course. The Club offered sightseeing trips over the city for very low rates. Vintage aircraft were also displayed.

Airport Management Council of Ontario Annual Convention

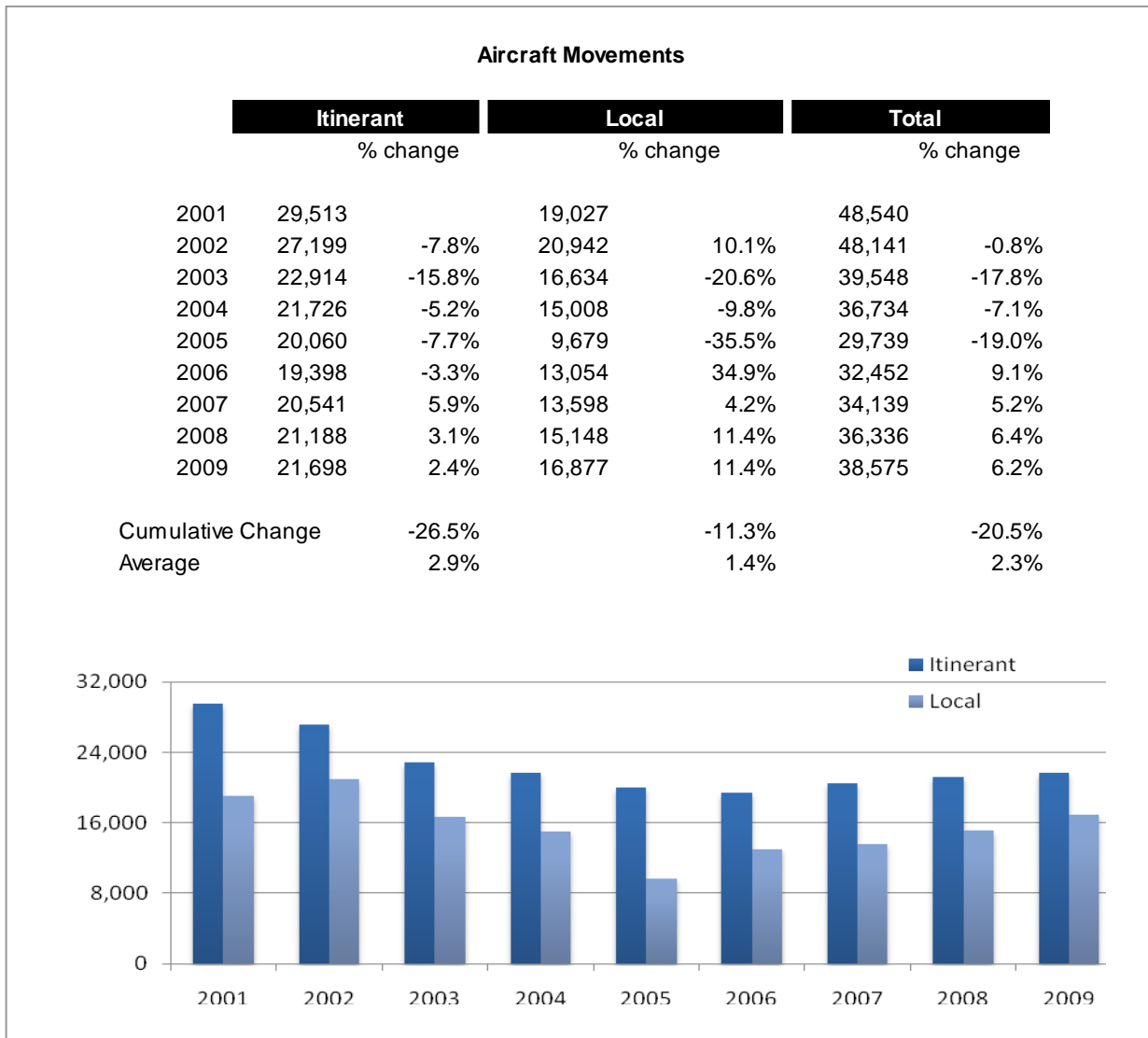
Kingston hosted the 24th Airport Management Council of Ontario annual convention and 12th annual trade show under the theme, 'How to thrive in changing economic times'. The conference had the highest attendance in many years.

The program consisted of four workshops, nine business sessions, a tour of the airport, and a golf tournament. Topics covered during the convention included insurance and risk management, safety management, airfield inspection and reporting, economic forecasting, a NAV Canada update and Management skills.

The event was completed with a tour of Fort Fright at Fort Henry, a formal dinner at the Renaissance and a tribute to 100 years of flight.

Aircraft Movements

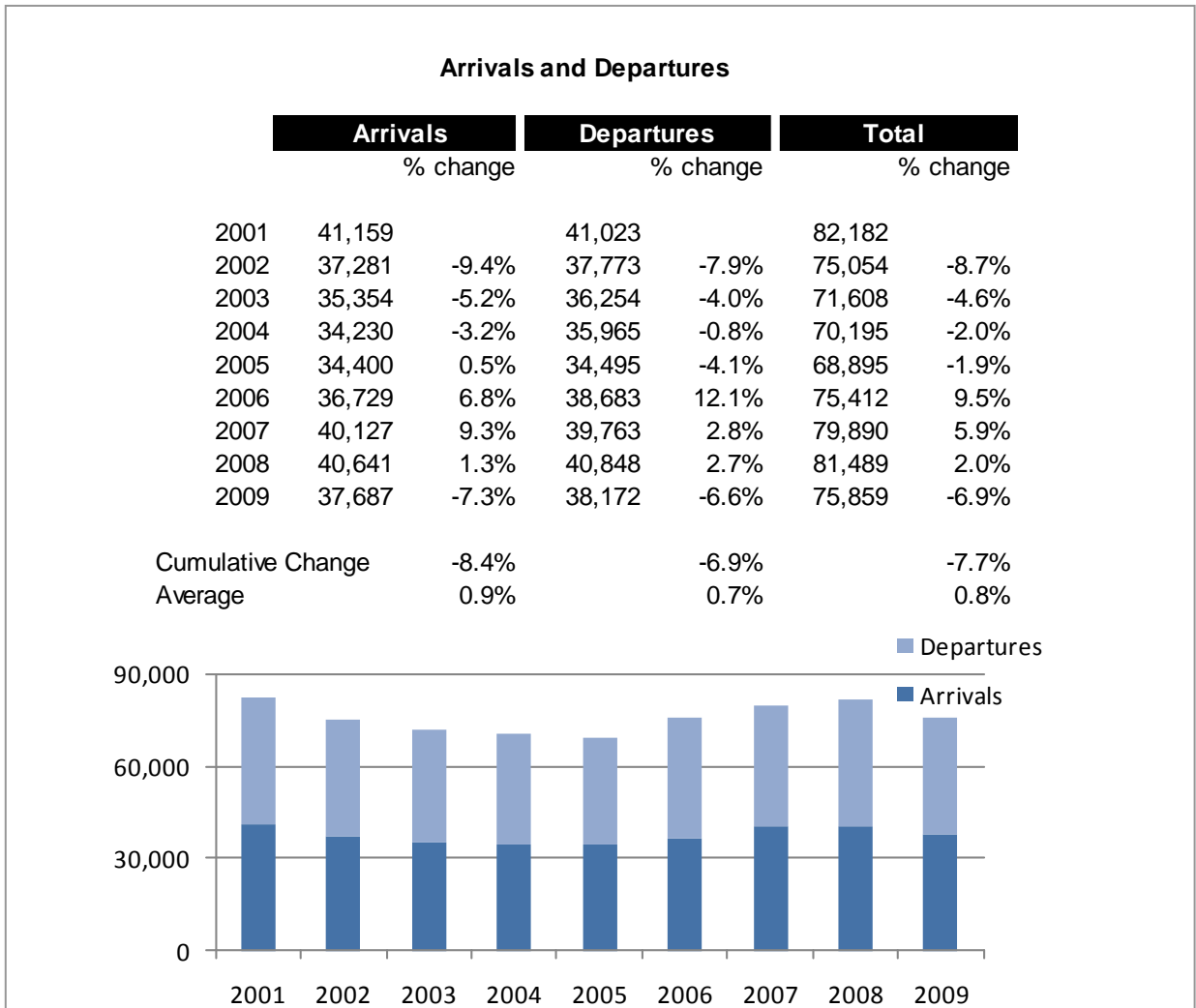
Total aircraft movements at the Kingston Airport climbed for the fourth year in a row, reporting a 6.2% increase in total activity for 2009. Most notable was an 11.4% rise in local movements, which have increased by more than 67% since 2005.



Passengers

Air Canada currently provides scheduled passenger service at the Kingston Airport. From 2006 to 2008 passenger volumes have consistently shown strong growth, increasing a total of 18.3% over the three year period.

During 2009, a total of 75,859 enplaning and deplaning passengers were served at the Kingston Airport, representing a decrease of 7% from 2008 levels. The national Air Canada passenger decline was due to a yield decrease of 7.3 per cent driven by the weak economy, greater fare discounting to stimulate traffic and reduced fuel surcharges year over year.



Tenant Businesses

In addition to regular scheduled air service between Kingston and Toronto Pearson International Airport, Kingston Airport also serves the general aviation sector, air charter operations, corporate air services and government aircraft operations. Kingston Airport is classified for day and night operations and the Nav Canada Flight Service Station (FSS) provides advisory services to pilots between the hours of 0615 and 2300 hours.

The 14 businesses and organizations currently operating at Kingston Airport directly employ a total of 117 people, as detailed below:

Airport Businesses	# of Employees
Kingston Airport	8
Golf Course (The Landings)	24
Central Aviation Security	19
Central Airways	10
A.O.G. Heliservices	10
JAZZ Air	9
Nav Canada FSS	7
Corps of Commissionaires	4
Royal Canadian Air Force Club	6
Ontario Fun Flyers	6
Brian Reid/ A. McGugan	4
Janitorial	3
Dakin Aircraft	1
Avis Car Rental	6
	<u>117</u>

Source: Kingston Airport survey

Economic Impact of Kingston Airport – 2009

Total Employment (FTEs):	336
Gross Revenues:	\$49.5 million

Total Employment

During 2009, Kingston Airport supported an estimated 336 person years of employment.

Through regression analysis, the Transport Institute’s comparison of economic impact studies found a strong correlation between the total number of full-time jobs sustained by airport activities, the number of passengers handled throughout the year and the relative wealth of the community served by the airport. A total of 75,859 passengers traveled through Kingston Airport during 2009 and the average price of housing (the measure of relative wealth of the community) rose to \$242,729. According to the model, these factors indicate that a total of approximately 336 full-time jobs were generated by the activities of the airport and its tenants during the year. This figure represents the sum of direct, indirect and induced employment.

Gross Revenues

Total gross revenues generated by activities at Kingston Airport during 2009 are estimated to be \$49.5 million.

The gross revenues generated by activities at Kingston Airport were also calculated by applying the relative wealth of the community and passenger volumes to the Transport Institute model. In addition, the revenue formula also incorporates large aircraft movements handled by the airport (for aircraft exceeding 35,000 kg). In 2009, the airport handled a total of 152 large aircraft movements. According to the economic impact model, Kingston Airport generated approximately \$49.5 million for the provincial economy during 2009. This figure represents the sum of direct, indirect and induced gross revenues.