

CVG

CINCINNATI/NORTHERN KENTUCKY
INTERNATIONAL AIRPORT

APRIL 2013



ECONOMIC IMPACT OF THE
CINCINNATI/NORTHERN KENTUCKY
INTERNATIONAL AIRPORT

Economic Impact Study Cincinnati/Northern Kentucky International Airport

Methodology:

The Bureau of Economic Analysis, through the U.S. Department of Commerce, developed a methodology for estimating the economic impact of public entities such as CVG. This systematic approach accounts for the economic relationships within regions using what are called multipliers, which are based on inputs from the entity, project, and region, to arrive at total economic impact of jobs, operations, visitor spending and tax revenues.

Overview of CVG's annual impact to the region:

- **\$3.6 billion** total impact on the economy of the Cincinnati/Northern Kentucky MSA
- **\$2.7 billion** total spending by CVG operations, construction and visitors
- **16,000+** direct and indirect jobs generated by CVG operations
- **\$864 million** in total salaries from direct and indirect jobs
- **\$578 million** in total spending from visitors to the Cincinnati/Northern Kentucky MSA
- **\$92 million** in sales and income tax revenues
- **\$40 million** to the Commonwealth of Kentucky
- **\$52 million** to the State of Ohio

CVG, governed by the Kenton County Airport Board, is comprised of 18 board members. The CEO of CVG reports to the Kenton County Airport Board. Current Kenton County Board members can be found on page 3.

Thanks to the University of Cincinnati Economics Center and Northern Kentucky University's Center for Economic Analysis and Development for working collaboratively to prepare this report. The abridged version is enclosed and contains the primary estimates of CVG on the Cincinnati MSA.

If you have any questions about the report or CVG, please contact Brian Gregg, Communications Director, bgregg@cvgairport.com or 859-767-3195.

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REPORT ADDENDUM

During 2011 and 2012, the Economics Center at the University of Cincinnati partnered with NKU's Center for Economic Analysis and Development to conduct research and produce a report titled, "Economic Impact of the Cincinnati/Northern Kentucky International Airport." That study considered how the airport's operations, including passenger and cargo traffic, visitor spending from outside the region, and CVG and DHL construction, affected the region's economy. The \$3.4 billion of total economic impact derived from the airport was based upon 2010 data.

Before that study was completed and released, CVG made note of great expansion in its cargo business, as DHL broke ground for a \$47 million expansion, adding an estimated 285 jobs, and making CVG DHL's largest North American hub. This prompted the authors of the report to update the analysis of cargo operations, adding \$200 million in yearly economic impact, pushing the airport's final annual impact on the surrounding community to a total of \$3.6 billion.

The following numbers and charts show the recent impact of cargo construction and operations at CVG on the local economy:

Cargo Operations

Overall spending by DHL and FedEx increased by 13 percent between 2010 and 2012, from \$548 million to \$621 million. That included the addition of 375 employees.



FIGURE 2: NUMBER OF EMPLOYEES WORKING FOR DHL AND FEDEX

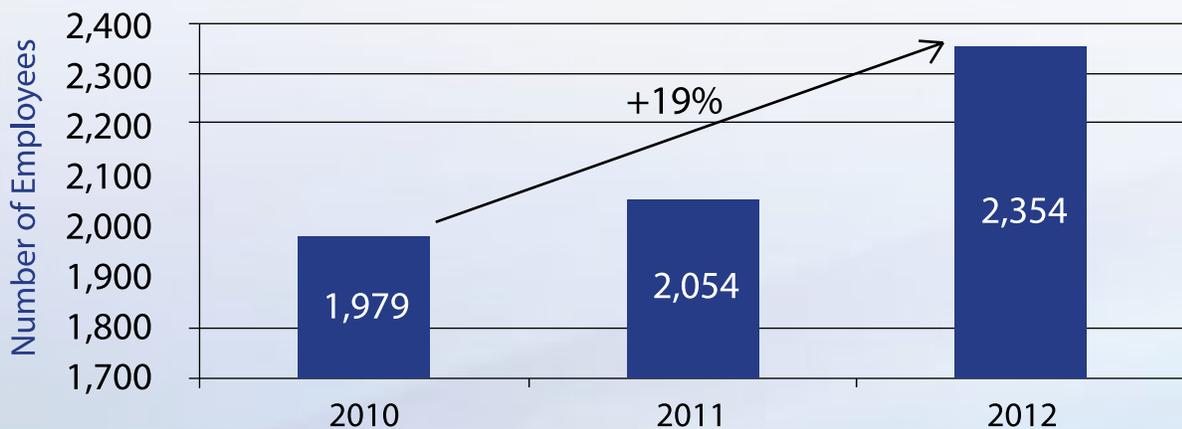


TABLE 1: ECONOMIC IMPACTS OF DHL AND FEDEX OPERATIONS IN 2012

	Direct	Indirect	Total
Spending	\$621,393,817	\$505,711,108	\$1,127,104,925
Labor Income	\$69,519,000	\$151,248,144	\$220,767,144
Employment	2,354	3,978	6,332



Cargo Construction

Total construction spending for 2010 at CVG was \$59 million, of which \$53 million was spent locally. During 2011 and 2012, DHL alone spent \$97 million on construction to expand its operations. Of this \$97 million, the Economics Center estimated that \$92.4 million was spent locally.

During 2011 and 2012, roughly half of the \$92.4 million that DHL spent on airport construction was for employee wages, paid to an estimated 839 workers. The indirect economic activity resulting from this construction spending generated an additional 1,072 jobs in the regional economy.

Compared to 2010, the additional construction spending in 2011 and 2012 resulted in a 73% increase in the total economic impact. The economic impact from DHL construction spending grew from \$118 million in 2010 to \$204 million by the end of 2012.



TABLE 2: ECONOMIC IMPACTS OF AIRPORT CONSTRUCTION IN 2011 AND 2012

	Direct	Indirect	Total
Spending	\$92,400,000	\$112,026,537	\$204,426,537
Labor Income	\$46,124,083	\$19,731,870	\$65,855,9543
Employment	839	1,072	1,911

REPORT HIGHLIGHTS

The Cincinnati/Northern Kentucky International Airport (CVG) is a vital piece of the region's transportation infrastructure. CVG functions as the largest airport in the immediate area and is among the busiest in the nation. It is the 12th largest—and one of the fastest growing—cargo airports as measured by cargo tonnage. Importantly, CVG contributes to the Cincinnati Metropolitan Statistical Area (MSA) in its role as a hub for passenger air transportation and air cargo shipping. CVG also contributes to the regional economy through spending by visitors it attracts to the area and by its daily operations and the operations of supporting industries.

The airport has a total annual impact of \$3.6 billion on the economy of the metro area. This impact was generated by the more than 9,000 people CVG hired from the metro area, which paid wages and salaries of \$469 million, and the total spending on airport operations, construction and visitors, which equaled \$1.76 billion. Taking into account the spending of employees and visitors, CVG stimulated even more economic activity (the multiplier effect) within the metro area. One can calculate the total effect of this spending on the regional economy, (direct plus indirect), which is based on the following:

- For every \$1 of direct spending, there is \$1.94 in total spending
- For every \$1 of direct labor income, there is \$2.19 in total labor income
- For every 1 direct job, there are 2.38 total jobs

Most of the economic impact of the airport was due to the effect of the basic day-to-day operations of CVG.

In 2010, the impact of airport operations:

- \$1.4 billion in direct spending and \$2.7 billion in total spending
- 9,068 direct jobs and 16,401 total jobs
- \$469 million in direct labor income and \$864 million total labor income

Airport construction also contributed to economic activity in the metro area. In 2010, CVG and DHL spent approximately \$59 million on construction projects. The impact:

- \$53.3 million in direct spending and \$117.9 million in total economic activity, including multiplier impact
- 484 direct jobs and 948 total jobs, including multiplier impact
- \$26.6 million in direct labor income and \$37.9 million in total labor income

In 2010, approximately 8 million passengers used CVG. Nearly 4 million were deplanements at CVG and of those, more than 860,000 were visitors to the region (i.e., they lived outside of the metro area). These visitors accounted for an estimated \$282 million in direct spending at local businesses, generating great impact throughout the region. Estimated economic impact generated by visitor spending:

- \$282 million in direct spending and \$578.7 million in total economic activity
- 3,350 direct jobs and 5,375 total jobs
- \$93.5 million in direct labor income and \$181.6 million in total labor income

The total impact of airport operations, construction and visitors are shown below.

ECONOMIC IMPACT SUMMARY

	Spending/Econ Activity	Labor Income	Employment
Passenger service, cargo, & support activities	\$2,746,564,107	\$864,350,018	16,401
Visitor spending	\$578,736,883	\$181,627,488	5,375
Airport construction	\$117,901,400	\$37,981,905	948
CVG Total Impact (including multipliers)	\$3,443,202,390	\$1,083,959,411	22,724

The economic activity and labor income generated by CVG and visitors to the area also resulted in tax revenue for local jurisdictions. CVG operations and visitor impact to the area (including multipliers) generated more than \$92 million in sales and income tax revenues:

- **\$40 million** to the Commonwealth of Kentucky
- **\$52 million** to the State of Ohio

ECONOMIC IMPACT OF THE CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT

PURPOSE OF THE STUDY

Connecting the region to the rest of the world is the essential service of the airport and the act of doing so creates value to the economy. To help communicate CVG's value to the economy, the Economics Center at University of Cincinnati, in conjunction with the Center for Economic Analysis and Development at Northern Kentucky University, estimated the economic impact of CVG on the metropolitan area and on its Ohio and Kentucky sub-regions. This study considered how the many aspects of the airport's operations, including passenger and cargo traffic, visitor spending from outside the region, and CVG and DHL construction, affect the region's economy. Additionally, this study estimates the tax revenues accruing to local and state governments as a result of CVG's economic activity.



**TABLE 1: AIRPORT OPERATIONS BY INDUSTRY
DIRECT SPENDING AND TOTAL IMPACT**

Industry Sector	Spending
Airport Operations	\$95,463,840
Airport Tenants	
Airport construction	\$117,901,400
Air Cargo/ Trucking	\$3,443,202,390
Rental Cars	864,456,425
Hotel, Concessions, Other	66,145,527
Government	6,358,184
Total Direct Spending	\$1,431,246,164
Total Impact	\$2,746,564,107

AIRPORT OPERATIONS SPENDING

Through its own spending and investment, CVG and its tenant businesses directly contributed \$1.43 billion of economic activity in 2010. The major contributors to operational spending were air cargo and trucking service providers, which spent \$844 million, and airlines, which spent \$379 million. This spending was a stimulus to the rest of the economy and created spending in other sectors. According to models from the US Department of Commerce, for each dollar of direct spending of this type, an additional \$.94 in spending is created in other parts of the area's economy. Thus, the \$1.43 billion of spending led to a total impact of \$2.75 billion.

LABOR INCOME AND EMPLOYMENT

The jobs created at CVG are another contribution to the economy. The more than 9,000 employees at CVG received \$469 million in wages and benefits during 2010, 60 percent of which was earned by airline employees. Air cargo/trucking employees received 21 percent of labor income. Employees with airlines operations/airline support companies, including CVG and businesses such as airline food service companies and aircraft service companies, earned 12 percent of labor income.

Employment at CVG spurred additional activity throughout the regional economy and thus increased the demand for more jobs. For example, because of the advertising needs of a business tenant at CVG, a local printer needed to hire an additional employee to make the product and meet the needs of its client. The economic activity associated with this employment and the spending by the employees stimulated the demand for more jobs which, according to economic impact models, equals 7,333 additional jobs, bringing the total employment impact to 16,401 regional jobs.



Direct wages and benefits paid to CVG and its tenant employees were approximately \$469 million in 2010. This direct labor income generated an additional \$395 million in wages, increasing total labor income to \$864 million. Table 2 shows the direct salaries and benefits paid by businesses at CVG.

**TABLE 2: LABOR INCOME AND EMPLOYMENT BY INDUSTRY
DIRECT AND TOTAL IMPACT**

Industry	Labor Income	Share of Total	Employment	Share of Total
Airport Operations/ Airline Support	\$57,610,629	12%	819	9%
Airport Tenants				
Airlines	276,269,529	59%	4,280	47%
Air Cargo/ Trucking	96,711,851	21%	2,846	31%
Rental Cars	15,782,294	3%	451	5%
Hotel, Concessions, Other	4,157,388	1%	279	3%
Government	18,772,252	4%	393	4%
Total Direct	\$469,303,935	100%	9,068	100%
Total Impact	\$864,350,018		16,401	

Table 3 summarizes the broader impact of the \$1.43 billion of direct spending on operations (see Table 1) and the broader employment impact of 9,068 jobs.

TABLE 3: TOTAL IMPACT OF OPERATIONS

	Direct	Indirect	Total
Spending	\$1,431,246,164	\$1,315,317,943	\$2,746,564,107
Labor Income	\$469,303,935	\$ 395,046,083	\$864,350,018
Employment	9,068	7,333	16,401

CONSTRUCTION EXPENDITURES

Total construction spending for 2010 at CVG was \$59 million, of which \$53 million was spent locally. The first phase of the DHL expansion accounted for \$23 million of total construction spending. While the impact of construction is significant, this impact continues only through the period of construction, in contrast to operational impacts, which are ongoing.

This \$53 million in spending generated a total economic impact of \$118 million. The direct employment of 484 workers had a total impact on the area of creating 948 jobs. The income from these 948 jobs was approximately \$38 million in 2010.

TABLE 4: ECONOMIC IMPACT OF AIRPORT CONSTRUCTION

	Direct	Indirect	Total
Spending	\$53,290,975	\$64,610,426	\$117,901,400
Labor Income	\$26,601,703	\$11,380,201	\$37,981,905
Employment	484	618	948



VISITOR SPENDING

In 2010, a total of nearly 8 million passengers flew through CVG. While some passengers only connected through the airport, approximately 2.3 million were passengers visiting from outside of the metro area and left the airport premises.

In addition to airfare, visitors to the region spend money locally on food, lodging, transportation and entertainment. Not all types of visitors spent the same amount of money while they were in the Cincinnati area. Convention travelers usually spent the greatest sum of money while visiting Greater Cincinnati, at nearly \$1,250 per person per trip. Travelers to the region that came to attend personal and other functions spent the second largest amount—an average of \$650 per trip. Business travelers spent an average of almost \$560 per trip, and leisure tourists spent approximately \$200 per trip.

As with the other generators of economic impact associated with CVG, economic impact is generated by business spending and employee spending. In 2010, the total economic impact from visitors totaled \$578 million, including \$182 million in employee income from 5,390 new jobs that were created.

TABLE 5: ESTIMATED VISITOR SPENDING IMPACT

	Direct	Indirect	Total
Spending	\$282,240,420	\$296,496,470	\$578,736,880
Labor Income	\$93,477,480	\$88,150,020	\$181,627,500
Employment	3,350	2,040	5,390



FISCAL IMPACT ON KENTUCKY AND OHIO

The economic activity generated from CVG's activities result in sales tax revenues for Ohio and Kentucky. Additionally, all employees of the airport and on-site tenant businesses pay state tax on earnings, as do employees at supporting local businesses. In 2010, CVG generated \$92 million in tax revenue for Kentucky and Ohio.

CONCLUSION

CVG, the Cincinnati/Northern Kentucky International Airport, is an important economic driver for Northern Kentucky and the tri-state Cincinnati Metro. In spite of economic setbacks during the past five years due to the national economy and changes in the airline industry, CVG activity in 2010 contributed to more than 23,000 total jobs within the metro area; \$1 billion in total labor income; and \$3.4 billion in total output in the Cincinnati MSA. Add in the \$200 million contributions from the expansion of cargo operations in 2011 and 2011 and the impact is even greater.



CVG, along with providing vital transportation infrastructure that permits the rapid, efficient, and cost effective movement of people, goods and services, plays a vital, positive and multifaceted role in regional economic development.

Please visit us at www.CVGairport.com

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CINCINNATI/NORTHERN KENTUCKY
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