

JOHN WAYNE AIRPORT, ORANGE COUNTY ECONOMIC IMPACT STUDY CY 2022

EXECUTIVE SUMMARY

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A. Introduction

John Wayne Airport (JWA or the Airport) is owned and operated by the County of Orange (County) and is the second busiest airport in the Greater Los Angeles Area, serving more than 11.3 million passengers annually. JWA is the sole commercial service airport in Orange County, providing passenger, cargo, and general aviation (GA) services. JWA serves 3.15 million people within the 34 cities and unincorporated areas of Orange County (based on 2022 Census data). The Airport has been a vital part of the Orange County community for 100 years and prides itself on delivering a superior guest experience.

In calendar year (CY) 2022, JWA processed more than 11.3 million passengers including 314,000 international passengers.¹ Air cargo processed via JWA exceeded 34.6 million pounds. A total of 304,000 aircraft operations (takeoffs and landings) occurred including 202,000 GA operations, and 101,000 commercial operations and minor military operations.

JWA is a vital element of the regional economy, generating significant economic impacts through its aviation activities, as well as providing significant developmental and other qualitative benefits. Air transportation links are essential for leisure and business travelers, as well as for the transport of high-value, and time-sensitive cargo. Commercial air transportation services are directly provided by scheduled and charter airlines with support from industries providing local transportation, passenger and cargo processing, and aircraft services. Other Airport users include private and non-commercial aircraft operators, flight schools, GA pilots, and aviation industry firms.

The Airport's passenger, cargo, and GA activities generate economic impacts by supporting employment, labor income, and output for local residents and businesses. This Economic Impact Study estimates the level of local economic activity that is dependent on the Airport including the following types of impacts:

- Direct aviation (airline and Airport) impacts from transportation and supporting activities (including commercial and non-commercial)
- Direct capital impacts from projects at the Airport
- Direct visitor spending impacts by inbound passengers (both commercial and GA)
- Indirect impacts resulting from spending by direct impact sectors within the local economy
- Induced impacts derived from spending by impacted employees within the local economy

The impact of JWA on the Orange County economy is measured using a customized IMPLAN model that translates direct aviation and Airport-related activities into total impacts.² Direct transportation-based impacts are measured in terms of the employment, labor income, gross domestic product (GDP) (value-added), and output (or total expenditures for non-commercial operations) that directly result from the Airport's activities including passenger transits, cargo transfers, and aircraft operations supporting GA

¹ Source: JWA internal statistics

² IMPLAN is a regional economic analysis system that uses input-output data to measure the economic impact of industrial activity on a particular economy (JWA on Orange County in this study). The model contains a detailed representation of the inter-relationships between internal Orange County households, businesses, and government entities, as well as the import and export of labor and other resources. The detailed data for this study was based on 2022 economic and other data.

activity (private or business). The direct impact of capital investment is measured separately to capture the benefits of developing infrastructure in support of Airport activities. Direct impacts of visitors who travel by air and make expenditures in the local economy are measured in terms of employment, labor income, GDP and output for the travel, tourism, and related industries. Indirect impacts measure the secondary spending by entities with direct impacts, while induced impacts result from household spending by all affected employees (“multiplier” effects).

The methodologies used to estimate these impacts varied by type of activity, but were based on the following general procedures:

- Direct employment for entities performing aviation-related Airport activities (excluding JWA, which is measured separately) was mostly measured through security badge counts and estimates provided by the Airport, along with secondary sources for certain activities.
- Direct spending for on-Airport concessions was based on JWA data.
- Direct spending for Airport-related ground transportation activities was estimated from JWA revenue data (for parking and car rental) and trip counts and constructed average fares (for taxi and other transportation options).
- Direct employment, labor income, and spending for JWA were provided using internal data.
- Direct capital expenditure impacts were estimated based on JWA spending data assigned to the affected construction and related service sectors as defined in the IMPLAN model.
- Direct visitor spending impacts combine inbound passenger estimates and spending profiles developed for domestic and international visitors. The spending totals for specific industry sectors were entered as output values into the IMPLAN model to derive income, employment, and value-added impacts.
- All other direct employment, labor income, value-added, and output impacts were estimated (using the IMPLAN model for Orange County), as were indirect, induced, and tax impacts.³

The estimated impacts are based on CY 2022 Airport activity and are measured in 2023 dollars.

B. Summary of Results

JWA generated over \$5.7 billion in total impact for the Orange County economy in 2022 including \$3.4 billion of direct impacts, \$1.2 billion of indirect impacts, and \$1.2 billion of induced impacts. Direct employment impacts were over 32,000 jobs, yielding \$1.4 billion in labor income, while total employment exceeded 45,000 jobs, with \$2.3 billion in labor income, and \$3.5 billion in value-added. Employment as measured in full-time equivalents (FTEs) exceeded 40,000. State and local taxes totaled \$352 million.

³ The IMPLAN model converts direct employment or output impacts for specific industry sectors into the other direct impact measurements (labor income, proprietor income, and taxes) and also models the impact of indirect and induced spending.

Table 1
Total Impacts for JWA by Type

	Employment (Jobs)	Full-Time Equivalents (Jobs)	Labor Income (mil. \$)	Value Added (mil. \$)	Output (mil. \$)	State/Local Taxes (mil. \$)
Direct	32,585	28,469	\$1,421	\$2,045	\$3,413	\$209
Indirect	6,478	5,843	\$457	\$685	\$1,153	\$62
Induced	6,469	5,780	\$398	\$748	\$1,170	\$81
Total	45,531	40,092	\$2,276	\$3,478	\$5,736	\$352

Source: IMPLAN model results

C. Direct Impacts of Air Transportation and Related Activities

The direct impacts of air transportation and related activities for JWA are summarized in Table 1-2. Annual direct output impacts are estimated at \$1.35 billion, including \$512 million in labor income based on 7,854 jobs (and 7,120 FTE's).

Table 2
Airline/Airport Impacts for JWA

	Employment (Jobs)	Full-Time Equivalents (Jobs)	Labor Income (mil. \$)	Value Added (mil. \$)	Output (mil. \$)	State/Local Taxes (mil. \$)
<u>Direct</u>						
Airlines	1,391	1,307	\$150	\$211	\$520	\$7
Airport Services	1,676	1,557	\$102	\$112	\$223	\$7
Airport Concessions	610	492	\$22	\$33	\$53	\$5
Ground Transport	3,149	2,905	\$92	\$192	\$271	\$21
Government	859	699	\$121	\$177	\$177	\$5
JWA Operations	169	159	\$25	\$25	\$106	\$1
Direct Total	7,854	7,120	\$512	\$750	\$1,350	\$46
Indirect/Induced	4,769	4,275	\$324	\$542	\$865	\$59
Total	12,623	11,396	\$836	\$1,291	\$2,216	\$105

Source: IMPLAN model results

Most of the impact occurred in the ground transportation sector, which generated over 3,100 jobs, \$92 million in labor income, and \$271 million of output. Airport services is the next largest impact sector, followed by airlines and the non-JWA government sector. Total aviation-related impacts include \$2.2 billion of output, \$1.3 billion of value-added, \$0.8 billion of labor income, and 12,623 jobs.

D. Capital Expenditure Impacts

Airports require substantial capital investment for facilities, infrastructure, and equipment. The impact of Airport development on the local economy is measured separately to indicate the level of capital investment stimulated by Airport activities.⁴ JWA’s construction budget for FY 2023 exceeded \$60 million, up from \$35.5 million in FY 2022. The Capital Improvement Program for FY 2024 to FY 2026 totals \$405 million, with an estimated additional investment of \$229 million for future years.

Expenditures for capital projects generate revenues for local businesses providing construction, architectural/engineering, and management services, as well as materials sourced locally. Actual spending in FY 2022 and FY 2023 was \$12,583,641 and \$12,476,702 respectively, so the average spending (\$12,530,172 in 2022 dollars) was used for CY 2022 impacts which totaled \$21.1 million in total output, \$9.0 million in labor income, and 109 jobs.

**Table 3
Construction Impacts for JWA**

	Employment (Jobs)	Full-Time Equivalents (Jobs)	Labor Income (mil. \$)	Value Added (mil. \$)	Output (mil. \$)	State/Local Taxes (mil. \$)
Direct	66	63	\$6.0	\$7.0	\$12.8	\$0.3
Indirect/Induced	43	39	\$3.0	\$5.2	\$8.3	\$0.6
Total	109	103	\$9.0	\$12.3	\$21.1	\$0.9

Source: IMPLAN model results

E. Visitor Spending Impacts

The direct visitor spending impacts were estimated at \$2.1 billion of annual revenues, \$909 million in labor income, and nearly 25,000 jobs. The lodging, food and beverage, and entertainment sectors accounted for the highest number of jobs (over 18,000 combined).

⁴ Capital expenditures are measured as a separate direct impact since direct impacts for JWA were limited to operating revenues. Public capital expenditures at the Airport represent a long-term contribution to the output of the airport system, but are measured in terms of a single year’s funding to be consistent with other impact measures.

With indirect and induced impacts, commercial and GA visitors accounted for \$3.5 billion in output, \$1.4 billion in labor income, and nearly 33,000 jobs while generating \$248 million of state and local taxes. The vast majority of the visitor impacts (96%) are accounted for via commercial travel airlines, with the remainder being business and other travelers using private aircraft.

**Table 4
Passenger Spending Impacts for JWA**

	Employment (Jobs)	Full-Time Equivalents (Jobs)	Labor Income (mil. \$)	Value Added (mil. \$)	Output (mil. \$)	State/Local Taxes (mil. \$)
<u>Direct</u>						
Accommodations/Lodging	7,917	7,128	\$385	\$594	\$900	\$57
Food & Beverages	6,085	4,823	\$202	\$309	\$522	\$47
Entertainment & Recreation	4,816	3,998	\$190	\$202	\$339	\$23
Ground Transportation	3,750	3,504	\$43	\$63	\$105	\$5
Retail (excluding airport)	2,161	1,893	\$89	\$127	\$195	\$31
Medical/Education	2	2	\$0	\$0	\$0	\$0
	24,730	21,349	\$909	\$1,295	\$2,063	\$163
Indirect/Induced	8,178	7,348	\$532	\$892	\$1,457	\$85
Total	32,909	28,697	\$1,440	\$2,187	\$3,520	\$248

Source: IMPLAN model results

F. Qualitative Impacts of JWA

The economic impacts measured above show the value of Airport-related business and non-commercial activities in terms of local output, labor income, and employment required to “produce” the transportation and other services. The impact of JWA can also be described qualitatively in terms of the important role a vital airport has in supporting and stimulating air transportation use. The structure and capabilities of a nearby accessible airport can benefit the local community by promoting efficiency, flexibility, and economic development.

A fundamental benefit of the County’s sole commercial Airport (JWA) to the local community can be measured in terms of the efficiency of accessing and using the Airport, and the competitiveness, diversity, and level of available services. In short, local leisure and business travelers are typically more interested in the “value” obtained from Airport use, rather than the effect of that use on local businesses. JWA maintains an aggressive policy for improving ground access and terminal efficiency through management and capital improvement programs. JWA seeks to maintain a competitive air service market through capacity investment, improved facility management, and active marketing for new services.

The ability to use JWA air services for both passenger and cargo transportation is a key factor in supporting and stimulating trade by local companies. Air cargo services allow local manufacturers to participate in worldwide markets for both inbound materials and outbound finished products, while also accommodating industries that are dependent on air trade. The air cargo market is well-served by the U.S. integrated carriers (FedEx and UPS), who connect the County to all of the U.S. and the world via their U.S. sort hubs. Similarly, companies dependent on business travel to manage multinational business or engage in services trade are also stimulated and attracted. The growth in U.S. merchandise and services trade can be closely correlated with the expansion of air transportation access to world markets, and better trade access for the County benefits local industrial expansion and new development.

Orange County is home to 3.15 million residents in 2022⁵, and is one of the most densely populated counties in California. It is California's 3rd largest county by population, behind Los Angeles and San Diego. Orange County has a diverse industry base including technology, healthcare, aerospace and defense, and education. Additionally, the region is a thriving tourism destination with multiple theme parks, beaches, and luxury resorts. The County is home to over 25 institutions of higher education serving over 200,000 students. The region is also known for affluent communities, with 22.6% of the residents in the Orange County region earning a household income of \$150K or above which is 5.3 points above the national average (17.3%). Since 2019, and after the entry of several new ultra low-cost carrier (ULCC) airlines, the average share of households earning \$150K or more using the Airport has dropped from 38.3% to 34.8%. This is just one example of how the Airport is reaching more diverse income levels, providing more equitable access to travel markets. The availability of competitive and efficient access at JWA benefits the business, local, and educational sectors.

JWA is the closest commercial airport for almost all of the zip codes in Orange County accounting for 88% of County population and 96% of outbound passenger trips. Outbound residents are within 17 minutes of the Airport on average. On average, JWA is 9 minutes closer than any of the other Los Angeles area airports (LAX, ONT, LGB and BUR) and 25 minutes closer than the primary alternative airport, LAX. The time savings are higher for outbound JWA passengers at 12 minutes relative to all Los Angeles area airports and 29 minutes versus LAX. In addition to reduced ground access costs (over \$100 on average for a round-trip taxi to LAX), JWA users enjoy the benefit of time savings. Using the Federal Aviation Administration's (FAA) estimate of \$58.87 per hour for the "value of travel time savings" provides a benefit of \$24 to \$58 per passenger trip (without regard to any differences in processing times at alternative airports, particularly LAX)

The availability of direct passenger flights at JWA results in faster travel times and reduced trip costs relative to alternative routes accessed via connecting flights or long ground access times. JWA provides a substantial level and range of air services for passengers. At the end of CY 2022, JWA had non-stop service to 45 destinations including Mexico and Canada. Of domestic passengers using JWA, 71% traveled on direct non-stop flights in 2022, including 98% for the top ten markets and 92% for the top twenty.

⁵ U.S. Bureau of the Census, American Community Survey, 2022 1-Year

The availability of direct non-stop flights between JWA and key markets creates enormous time savings over using connecting flights or flights at alternative airports. For five top non-stop domestic markets with significant connecting traffic (Denver, Dallas, Chicago, Seattle, and Salt Lake City), the average time savings between the average non-stop flight and the fastest connecting flights to these markets was 73 minutes. The annual time savings due to the availability of non-stop service amounts to 2.9 million people-hours for just 42% of the total non-stop passengers. While connecting flights may provide some fare savings, the high usage of non-stop services demonstrates their value to Orange County residents and businesses.⁶

In addition to commercial airline services, JWA also has a significant level of GA activity including pilot training, personal aircraft operation, and corporate travel. In 2021, 475 personal and business aircraft were based at JWA, generating property tax for the County. It is estimated that two-thirds of all GA operations are business-related, generating substantial impacts from business and high-income visitors. In addition, the Airport facilitates numerous critical services such as airborne firefighting assets, airborne law enforcement assets, time critical organ transplants, and a means of rapid ingress/egress for both supplies and personnel during any sort of emergency response (e.g., natural disaster).

The Airport is similarly centrally located for GA users as it is for commercial airline passengers. For the 12 months ending June 30, 2023, there were over 107,000 visits to one of the Airport's FBO locations from an Orange County origin. On average, these visitors were 8.4 miles from the Airport and had a drive time of 15 minutes. Of all visits, 61% were within 15 minutes of the Airport and 98% were within 30 minutes. The ability to get relatively quick access to JWA is valuable to all GA users.

In addition to the economic benefits of the thousands of jobs supported by JWA's activities, the County benefits from the households that are supported by those jobs throughout the County. In 2022, there were nearly 6,000 on-airport jobs (excluding taxi and other passenger pickup and delivery jobs). An estimated 77% of these jobs are filled by Orange County residents. The direct airport-related jobs are dispersed throughout the County with an average one-way commute of 14 minutes. The top employee locations are Santa Ana, Huntington Beach, and Costa Mesa which combine for nearly half of total jobs, although there are 29 localities with jobs.

⁶ Note that the time savings apply to both local originating passengers and leisure and business visitors, but both benefit the County.