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The Regional Economic Impact of New Airport Construction: The Case of Austin-Bergstrom International Airport

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In the late 1980s it became apparent that Austin's Robert Mueller Municipal Airport would not be equal to the demands generated by the growth of the city surrounding it. The dynamic increases in cargo and passengers increasingly taxed the capacity of the aging Mueller facility. Consequently, in September 1993, more than sixty years after Mueller opened, Austin voters approved $400 million in revenue bonds to build a new airport at the site of Bergstrom Air Force Base.

The 1991 decision by Congress to close the base had created an opportunity to build a new airport to meet the needs of a booming Austin. The $585 million Austin-Bergstrom International Airport (ABIA), the largest construction project in the city's history, opened for cargo operations in 1997 and began passenger operations in 1999. ABIA provides a strong example of the immediate economic benefits and pressing policy issues that accompany large infrastructure projects, such as the building of a new airport.

Economic Benefits

Several kinds of measurable economic benefits accrue with a new airport. First, the construction of such a large project significantly increases the volume of employment—direct and indirect—in an area. The ABIA construction program included everything from demolition and utilities installation to terminal construction and high-tech information systems installation. Direct employment was created at engineering, architecture, CAD, and surveyor companies. As important, some of the growth in employment resulted from the emergence of new small companies, such as DAVCAR Engineers. These companies, in turn, buy goods and services from other local companies, which must then increase their employment to meet the expanded demand for their goods. City of Austin estimates show that 11,299 new jobs were generated in the construction of the airport in 1998. Approximately 50 percent of these jobs represent direct employment.

Other measurable economic benefits derive from the operation of the completed airport and the development surrounding it. Approximately 1,000 people worked at Mueller Airport at its peak. By the year 2012, the number of jobs associated with ABIA, including direct and indirect employment, is expected to exceed 16,000, and airport operations jobs will account for more than 70 percent of the total jobs. As for the commercial and residential development usually associated with a new airport, the City of Austin anticipates that by the year 2012, more than 725,000 square feet of new development will be added to the area surrounding ABIA, including industrial and office space, as well as hotel/motel and retail businesses.

A new airport also provides opportunities for economic development that are more difficult to measure. The national and international attention generated by the facility attracts new companies to the area. In the case of ABIA, a new airport can have a substantial impact on the development of new products and processes in local high-tech firms. A recent study[1] found that availability of direct flights was the number one priority in the location decisions of high-tech firms with above-average innovation performance in Texas. Through the exchange of knowledge between high-tech engineers and scientists in Texas and their colleagues in other areas, new ideas become new products and processes.

Short-term Policy Issues

Clearly, new airports figure prominently in the economic growth of metropolitan areas. However, new

airports can also highlight, and exacerbate, existing municipal problems. In the case of ABIA, accessibility problems and traffic congestion top the list of policy concerns. According to a 1996 survey,[2] 76 percent of Austin airport users employ private automobiles to make airport trips; 16 percent, rental cars; 4 percent, taxicabs; 4 percent, shuttles; and less than 1 percent, buses. The table shows estimates of the percentages of passengers traveling to ABIA from different locations in the metro area, indicates the major access roads these people would use to get to the airport, and classifies Austin metropolitan areas according to levels of airport traffic.

A report on airport accessibility[3] projects that U.S.183 and Ben White Boulevard will bear the most impact as access roads to ABIA, carrying a projected 83 percent of the airport traffic. In addition, transportation planners for Capital Area Metropolitan Planning Organization (CAMPO) forecast that the use of Ben White Boulevard will have a significant impact on adjacent roads and surrounding neighborhoods.

Conclusions

In the short term, traffic and accessibility problems are the priority policy issues associated with ABIA. However, as with any large infrastructure project, there are also more general, long-term considerations. In the case of ABIA, policymakers and planners are confronted with the question of whether or not the Austin airport should or can become a hub for an airline company. A hub—or even a "mini-hub"— designation translates into significant employment increases for an airport. However, hub status can be a drawback for residents in the community. Although increased service and nonstop flights are beneficial, the enormous market power wielded by carriers in their hub cities can mean higher prices for passengers. The National Council for Urban Economic Development cited a study from Department of Transportation4 that showed that ticket prices at seven airports dominated by one or two carriers outstripped fare increases as measured by the Consumer Price Index over the same period. Moreover, with the increased flight activity that follows a hub designation, noise levels increase as well.

ABIA promises to be a critical factor in Austin's continued growth. This promise can only be fully realized, however, if the short-term and long-term problems associated with the new airport are addressed effectively and promptly.

Notes

1. Elsie Echeverri-Carroll, *Innovation and Employment Trends in High-Technology in Texas*, Bureau of Business Research, University of Texas at Austin, 1998.
2. The survey was conducted by DM Dukes, an Austin firm.
3. City of Austin, *Airport Access Analysis*, 1997.
4. National Council for Urban Economic Development, *Airport Growth: Creating New Economic Opportunities*, Washington, D.C., 1989.

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Airport Traffic Levels in the Austin Metropolitan Area

Area	% of airline traffic	Population rank 1994	Employment rank 1994	Expected growth 2010	Major access roads
High Airport Traffic					
Central Austin	20	1	1	high	Riverside/E. Seventh/Airport Blvd.

Northwest	18	2	2	high	U.S. 183
Northeast/ Pflugerville	26	5	3	medium	U.S. 183
Subtotal	64				

Medium airport traffic

Southwest	8	7	7	low	Ben White
South	11	3	5	moderate	Ben White
Williamson County/Round Rock/Cedar Park/Leander	7	4	6	very high	U.S. 183
Subtotal	26				

Low airport traffic

Southeast	7	6	4	medium	Ben White
Georgetown	2	8	8	medium	U.S. 183
Hays county	1	9	9	low	Ben White
Subtotal	11				

Source: City of Austin, Airport Access Analysis, 1997.

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