



DFW International Airport's Disadvantaged, Minority- and Women-Owned Business Concessionaires Program: Economic and Fiscal Impacts

Prepared for:

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Executive Summary

The following analysis estimates the total regional economic activity generated by retail trade and services at DFW International Airport. In addition, we specifically examine the economic and fiscal impacts of business operations at Disadvantaged, Minority- and Women-Owned Business Enterprise concessionaires operating at DFW Airport.

- DFW International Airport is setting the standard for actively engaging Disadvantaged, Minority- and Women-Owned Business Enterprises (DMWBE) as retail vendors in the airport's terminals and on airport grounds. More than 51% of all retail sales at the airport occur at DMWBE retail outlets.
- Retail sales at DFW International Airport totaled \$559 million from September 29, 2002 through September 24, 2005. Of this total, \$287 million occurred at DMWBE shops.
- Total retail sales at DFW International Airport during the study period generated \$764 million in regional economic activity boosting salaries, wages, and benefits by more than \$283 million (see Table ES1). Currently, more than 3,800 jobs in the Metroplex are supported by concessionaries' activities. State and local taxing jurisdictions enjoyed \$85.6 million in revenues as a result of these activities. The Dallas division of the census-defined DFW metropolitan area captured most of this economic activity.
- DMWBE concessionaires alone had \$287 million in sales during the study period creating \$431 million in regional economic activity and adding \$157 million to regional labor income. The activities of DMWBE concessionaires currently support over 2,200 jobs in the Dallas-Fort Worth Metroplex (see Table ES2).
- Limiting the secondary (multiplier) impacts of DMWBE concessionaire business activities to only those likely to occur through other DMWBEs, we estimate that retail trade and services at DFW International Airport generated over \$266 million in economic activity in disadvantaged, minority- and women-owned enterprises (see Table ES3). These activities support more than 1,600 jobs with disadvantaged, minority, and women employers and boosted local income by \$96.9 million from September 2002 through September 2005.
- By ensuring that vendor/concessionaire opportunities are available to businesses that reflect the cultural and ethnic diversity of the Metroplex, DFW International Airport strengthens the region's capacity to grow and maintain its competitiveness in a global marketplace.

Table ES1

**Economic and Fiscal Impacts of DFW International Airport's Concessionaires
(All Firms, September 29, 2002 through September 24, 2005)**

Description	DFW Metroplex Impacts	Dallas Area Impacts	Ft. Worth-Arlington Area Impacts
Gross sales	\$558,649,140		
Total Economic Activity	\$763,753,823	\$556,013,367	\$207,740,456
Total Salaries and Wages	\$283,636,122	\$206,485,727	\$77,147,588
Employment (jobs) [#]	3,843	2,797	1,045
Property Income*	\$85,953,147	\$62,573,644	\$23,362,661
State & Local Tax Revenues ⁺	\$85,641,570		

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

Table ES2

**Economic and Fiscal Impacts of DFW International Airport's
DMWBE Concessionaires
(September 29, 2002 through September 24, 2005)**

Description	DFW Metroplex Impacts	Dallas Area Impacts	Ft. Worth-Arlington Area Impacts
Gross sales	\$287,310,485		
Total Economic Activity	\$431,306,778	\$313,991,020	\$117,315,758
Total Salaries and Wages	\$157,231,298	\$114,461,039	\$42,767,452
Employment (jobs) [#]	2,214	1,612	602
Property Income*	\$48,591,977	\$35,373,814	\$13,218,163
State & Local Tax Revenues ⁺	\$44,920,421		

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

Table ES3

**Economic Impacts of DFW International Airport's
DMWBE Concessionaire Activities on Area DMWBE Firms
(September 29, 2002 through September 24, 2005)**

Description	DFW Metroplex Impacts
Gross sales	\$287,310,485
Total Economic Activity	\$265,721,848
Total Salaries and Wages	\$96,928,517
Employment (jobs) [#]	1,679
State & Local Tax Revenues ⁺	\$34,855,636

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

SECTION 1: Introduction

DFW International Airport continues to be one of the largest generators of economic activity in the North Central Texas region. A critical component of the airport's becoming what many consider to be the "economic engine" of the Dallas-Fort Worth Metroplex is a commitment to support small businesses, many of which are disadvantaged, minority, and women owned.

In our June 2004 study, we examined the economic and fiscal impacts of Disadvantaged, Minority- and Women-Owned Business Enterprises (DMWBE) who receive more than \$150 million per year in construction, maintenance, service, and procurement contracts from DFW International Airport. The impacts of this airport spending result in thousands of permanent, high-quality jobs and the creation of *real* economic development opportunities for DMWBE firms in the Dallas-Fort Worth region. However, the airport's Small and Emerging Business Department does more than promote small and DMWBE enterprises through DFW's contracting and procurement. They also strive to create opportunities for small business participation in the concessions component of airport operations. This report focuses on the economic and fiscal impacts associated with the airport's concessions program and specifically examines these impacts as they relate to business operations at vendors owned by minorities and/or women.

Concessionaires at DFW International Airport are engaged primarily in providing retail trade and food and beverage services in terminals and on airport grounds.¹ Outlets for retail goods, personal services, currency exchange, newsstands, restaurants and food

¹ For purposes of this analysis, references to "retail" activities include retail trade establishments selling merchandise, food and beverage establishments, and providers of personal services.

kiosks are found throughout the terminals. Concessionaires also include gasoline stations/convenience store operations on airport grounds.

For the 36-month period between late September 2002 and September 2005, concessionaires at DFW International Airport realized more than \$559 million in sales. Impressively, over half (\$287 million) of these sales occurred in DMWBE firms.² Along with the evidence we offered in our June 2004 analysis, this level of DMWBE participation offers further proof that DFW International Airport has one of the most successful small business programs in the country.³ However, direct sales by DMWBE concessionaires only tell part of the economic story. Like any other business, these DMWBE businesses hire people, buy goods to resell, and retain business services to support their operations. Therefore, in assessing the impacts of DFW International Airport's concessions, we look not only at direct impacts but also the indirect and induced economic impacts.

Our estimates of the economic activity associated with the airport's disadvantaged, minority- and women-owned business concessionaires are based on the IMPLAN⁴ input-output model developed by the Minnesota IMPLAN Group. The IMPLAN model measures how a given change in output at a firm supports economic activity across many firms and households within a study area. The direct impacts represent operations at the given firm. Indirect effects generally measure the secondary

² If an individual vendor is 100% disadvantaged, minority- and/or women-owned, then 100% of their sales count towards the DMWBE total. If a vendor's disadvantaged, minority, and/or women ownership is less than 100%, only that ownership percentage of sales is counted towards DMWBE participation.

³ While most airports do not publicly discuss their DMWBE participation levels, there are some comparisons that can be made. In 2004, the Minneapolis airport touted a new program that would increase underutilized business participation in concession businesses from 10% to 19%. A similar program at the pre-Katrina New Orleans airport targeted 39% participation, up from 25%, for airport concessions.

⁴ IMPLAN (Impact Analysis for PLAnning) was originally developed by the USDA Forest Service in cooperation with the Federal Emergency Management Agency and the USDI Bureau of Land Management to assist the Forest Service in land and resource management planning.

economic activity that is created when the firm purchases goods and services from their suppliers. Induced impacts are a result of the firm paying salaries and wages to its employees, who then spend a portion of their earnings in the local economy for goods and services. When added together, the direct, indirect, and induced impacts create a “multiplier” effect such that the total impacts are greater than the initial value of output of the firm. The IMPLAN model is widely used in academic and professional studies and is judged to offer reasonable, conservative estimates of the impacts of firm activities.

In presenting our findings, we offer three estimates of the impacts of concessionaire activities. In the first, we calculate the full economic activity associated with all concessionaires, both DMWBE firms and non-certified firms. The second estimate calculates the full economic and fiscal impacts associated with business activity at DMWBE concessions. These impacts include all indirect and induced effects of DMWBE concessionaire spending, regardless of ownership structure of the indirect and induced impact firms. For example, a DMWBE concessionaire at DFW International Airport hires an accounting firm that is not a certified DMWBE. The third estimate considers only the proportion of the indirect and induced effects of the DMWBE concessionaire activities that will be realized at qualifying DMWBEs across the Metroplex. We have allocated indirect and induced impacts to DMWBEs based on our estimates and data from the U.S. Department of Commerce. Our findings are offered at three geographic levels—the Dallas-Fort Worth Metropolitan Statistical Area, the Dallas Metropolitan Division, and the Fort Worth-Arlington Metropolitan Division.⁵

⁵ The Dallas Metropolitan Division includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman, and Rockwall counties. The Fort Worth-Arlington Metropolitan Division includes Johnson, Parker, Tarrant, and Wise counties.

The year 2005 will not be remembered fondly by many concessionaires at DFW International Airport. With Delta airlines closing their DFW hub, passenger traffic at Terminal E has declined precipitously. In addition, on-going debate about the future status of the Wright Amendment and the financial challenges facing most legacy carriers have hindered the airport's ability to attract new occupants to Delta's abandoned gates. Finally, though the new International Terminal D opened this past summer, American Airlines did not shift its international flights to the new terminal until the end of October, with attendant impacts on concessionaire sales opportunities. But despite these disruptions, overall retail sales by DFW International Airport's concessionaires increased about \$2 million compared to a similar period in 2003-2004.

SECTION 2: The Economic and Fiscal Impacts of All Concessionaire Activities

As noted above, total concessionaire sales at DFW International Airport for the period September 29, 2002 through September 24, 2005 totaled a little over \$558 million. These sales created more than \$763 million in economic activity in the Dallas-Fort Worth Metroplex increasing labor income by \$283 million (see Table 1).⁶ In addition, property income—which includes rents, royalties, dividends, and corporate profits—was boosted by \$85.6 million. State and local taxing jurisdictions realized \$85.6 million in revenues associated with concessionaire business activity, including sales and property taxes, as well as excise taxes, licensing and permit fees. Currently, concessionaire activities are supporting more than 3,800 jobs in the region.

⁶ The multipliers used in this analysis vary by type of activity. For example, food and beverage vending, retail stores, currency exchange, and other services each have their own industry profiles and impacts. Therefore, it is not appropriate to think of there being one multiplier for concessionaire activities. However, the average effective output multiplier in this analysis, based on the particular mix of activities recorded in the study period, is 1.37.

Based on their relative shares of total regional employment, the Dallas side of the Metroplex received a larger share of this activity. This disparity is due in large part to the definition and size of counties assigned to each metropolitan division. For example, the Dallas division includes Collin, Denton, and five other counties in addition to the core Dallas County. The Fort Worth-Arlington division includes only Wise, Parker, and Johnson counties outside of Tarrant County. Therefore, it is reasonable to assume that a much larger share of total regional economic activity will occur in the eastern half of the Metroplex.

Of the total impacts described above, the Dallas Metropolitan Division saw \$556 million in total economic activity associated with concessionaire business activities during the study period. This activity supported over \$206 million in labor income and \$62.6 million in property income. In the most recent 12-month period, almost 2,800 jobs in the Dallas area can be attributed to concessionaires operating at DFW International Airport. The Fort Worth-Arlington Metropolitan Division realized \$208 million in economic activity during the study period generating \$77.1 million in labor income, boosting property income by \$23.3 million, and supporting over 1,000 current jobs.

Table 1

**Economic and Fiscal Impacts of DFW International Airport's Concessionaires
(All Firms, September 29, 2002 through September 24, 2005)**

Description	DFW Metroplex Impacts	Dallas Area Impacts	Ft. Worth- Arlington Area Impacts
Gross sales	\$ 558,649,140		
Total Economic Activity	\$763,753,823	\$556,013,367	\$207,740,456
Total Salaries and Wages	\$283,636,122	\$206,485,727	\$77,147,588
Employment (jobs) [#]	3,843	2,797	1,045
Property Income*	\$85,953,147	\$62,573,644	\$23,362,661
State & Local Tax Revenues ⁺	\$ 85,641,570		

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

SECTION 3: Economic and Fiscal Impacts of DMWBE Concessionaires

Of the \$559 million in total concessionaire sales at DFW International Airport during the study period, DMWBE firms captured over \$287 million. The business activities associated this level of retail sales generated a total of \$431 million across the Metroplex, creating opportunities for DMWBE and non-DMWBE firms alike (see Table 2). These activities generated over \$157 million in labor income, and \$49 million in new property income. State and local tax revenues associates with sales and DMWBE concessionaires exceeded \$44 million during the study period. These activities currently support over 2,200 jobs.

Based on proportional total employment in the region, we estimate that the economic impacts of DMWBE concessionaire activities total almost \$314 million in the Dallas Metro Division during the 3-year study period and boosted area labor income by \$144.5 million. In addition, property income gains totaled \$35.4 million in the Dallas

division during the study period. Similarly, the Fort Worth-Arlington division captured \$117.3 million in total economic activity as a result of DFW International Airport concessionaire business activity with associated gains in labor income (\$42.8 million) and property income (\$13.2 million).

Table 2

**Economic and Fiscal Impacts of DFW International Airport's
DMWBE Concessionaires
(September 29, 2002 through September 24, 2005)**

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Gross sales	\$287,310,485		
Total Economic Activity	\$431,306,778	\$313,991,020	\$117,315,758
Total Salaries and Wages	\$157,231,298	\$114,461,039	\$42,767,452
Employment (jobs) [#]	2,214	1,612	602
Property Income*	\$48,591,977	\$35,373,814	\$13,218,163
State & Local Tax Revenues ⁺	\$ 16,003,000		

* Includes rents, royalties, dividends, and corporate profits. + Includes sales and property taxes, as well as excise taxes and fees for licenses and permits. . # Employment is measured in jobs and expresses estimates for 2005. Source: Authors' estimates.

SECTION 4: Economic Impacts on DMWBE Firms Only

In this section, we make further assumptions regarding the distribution of indirect and induced impacts to DMWBE firms across the Metroplex. We have allocated the IMPLAN estimates for indirect and induced effects based on the relative share of total business activity enjoyed by certified DMWBE firms as reported by the US Department of Commerce.⁷ It is important to note that our estimates only include certified DMWBE

⁷ While these data from USDOC are somewhat dated (1997), they are the best source of information currently available. It is our opinion that the share of total business activity enjoyed by DMWBE firms in the Metroplex has likely risen over the past 8 years; therefore, our estimates likely understate the full values of the benefits enjoyed by DMWBE firms as a result of DMWBE concession activities at DFW International Airport.

firms. There are many minority- and women-owned businesses that do not register for DMWBE status and some of these are likely to benefit directly or indirectly from DMWBE concessionaire business activities. Based on this level of disaggregation of impacts among firms, we do not offer estimates of how these impacts are geographically distributed across the Metroplex.

Concessionaire activities at DFW International Airport by firms possessing certified DMWBE ownership generate almost \$266 million in direct, indirect, and induced activities for the region's DMWBE firms supporting almost 1,700 current year jobs with \$5 million being paid in salaries, wages, and benefits during the study period (see Table 3). State and local tax revenues associated with these direct, indirect, and induced impacts were \$12.4 million.

Table 3

**Economic Impacts of DFW International Airport's
DMWBE Concessionaire Activities on Area DMWBE Firms
(September 29, 2002 through September 24, 2005)**

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Employment (jobs) [#]	1,679
State & Local Tax Revenues ⁺	\$34,855,636

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SECTION 5: Conclusions

DFW International Airport continues to be one of the largest and most consistent generators of economic opportunity for disadvantaged, minority- and women-owned

businesses in the Dallas-Fort Worth region. Not only have the airport and its staff demonstrated success in exceeding DMWBE participation goals in contracting and procurement, they have succeeded in attracting a diverse complement vendors to offer retail sales and services to airport passengers and visitors. And despite recent challenges to retail vendors in the airport's terminals, due to reductions in gate occupancy, total sales have increased over the past year.

DFW International Airport has succeeded in attracting competitive DMWBE concessionaires who are capturing more than half of the \$559 million in retail sales at the airport during the study period. The impacts of these business operations spread across the Metroplex, creating over \$431 million in regional economic activity – some of which is captured by other DMWBE firms. Once Terminal D is fully occupied, and the unutilized gates in Terminal E re-leased, the opportunities for new DMWBE concessionaires will increase dramatically.