

How airports drive economic growth

Airports have a stronger connection to regional growth than high-tech industry and about the same impact as high-skill talent, writes Richard Florida. “The key lies in the way that global hub airports connect global cities.”



Terminal 1 at Toronto Pearson International Airport. “Today, Toronto Pearson yields an economic impact of more than \$40 billion a year, equal to 15 per cent of Greater Toronto’s economic output or GDP and more than six per cent of Ontario’s,” writes Richard Florida. (Rick Madonik / Toronto Star)

By **RICHARD FLORIDA** Opinion
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In more than three decades of studying urban economic development, I haven't been compelled to think much about airports — until recently.

For me, and for many other experts in my field, there were two key things that drove innovation and economic growth in cities: high-tech industries and highly educated knowledge, professional and creative talent.

John Kasarda and Greg Lindsay, authors of 2011's *Aerotropolis*, argued that airports wield heavy influence on the growth of cities and industries. In fact, the authors predicted that airports and their surrounding communities would “shape business location and urban development in the 21st century as much as highways did in the 20th century, railroads in the 19th and seaports in the 18th.”

But did airports really drive economic growth in the same way as universities or high-tech firms?

With the help of two colleagues, I undertook a large-scale research project to gauge the impact of airports — and other key factors like talent and technology — on regional economic development.

We found that airports help to propel regional economic prosperity. What's more, we found that airports have a stronger connection to regional growth than high-tech industry, and about the same impact as high-skill talent.

We knew that airports moved two things: goods and people. But while both are essential for regional development, we found moving people to be more important. As sources of ideas and talent, people are chief contributors to regional innovation, creativity and economic growth.

This is backed by research concluding that an airport's ability to move people from one place to another is a key factor in urban economic development.

One such study, which compared U.S. domestic air traffic before and after the deregulation of the airline industry in 1978, found that air traffic growth has a positive effect on population, income and employment growth in cities, even after statistically controlling for other regional characteristics.

The key lies in the way that global hub airports connect global cities. A 2017 study discovered that non-stop flights and high levels of connectivity generate even more intercity investment than airport capacity. This is particularly true of airports that offer long-haul flights to global cities between 5,000 and 6,000 miles away.

While there are plenty more studies like these to cite, the picture is sufficiently clear: Having a global hub airport is fundamental to the economic competitiveness of the world's cities — like Toronto, for example.

Today, Toronto Pearson yields an economic impact of more than \$40 billion a year, equal to 15 per cent of Greater Toronto's economic output or GDP and more than six per cent of Ontario's.

At the same time, it provides access to about 70 per cent of the global economy via daily direct flights, while anchoring a powerful transportation and logistics hub. Investment in a new regional transit centre at the airport will only enhance and reinforce this progress.

But the impact of Toronto Pearson isn't limited to the city alone. The airport is also a key asset to the broader mega-region spanning Kitchener-Waterloo to the west, Ottawa and Montreal to the east, and Rochester and Buffalo to the south.

This economic aggregate is the 12th-largest mega-region in the world, producing nearly \$600 billion in economic output. When combined, the region is bigger than Sweden and equivalent to one of the world's 25 largest economies.

In this way, Toronto Pearson acts as a powerful anchor institution for the region, alongside top-notch universities, hospitals and medical centres, as well as leading corporations. Moving forward, Toronto must continue to leverage this asset to ensure sustained economic growth.

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