

Passenger Count Grows at Pittsburgh International Airport

Summary: In late January, Pittsburgh International Airport (PIT) released passenger numbers for 2017. Total passengers enplaned and deplaned at PIT last year reached 8.988 million—8.16 percent growth over 2016’s 8.31 million. While those in charge of PIT are busy congratulating themselves, perhaps some perspective is in order.

PIT’s passenger count reached the highest level since 2007 when it reached 9.822 million. PIT’s troubles over the years have been documented by Institute *Policy Briefs*, from the high debt levels incurred to build the current terminal to the financial struggles of US Airways and its dramatically reduced activity at PIT. Rising passenger counts since 2013 are surely welcome news.

2017’s jump of over 8 percent compared to 2016 is the largest yearly gain this century. But is this significant rise unique to PIT or are other airports seeing similar boosts in passenger totals? Using U.S. Department of Transportation (DOT) data, PIT’s performance can be compared with other similarly sized airports.

DOT airline passenger data for 2017 are available only through October. So for purposes of comparison to 2016, all airport data, including PIT data, will use cumulative passenger counts through October of both years. Also this *Brief* will look only at domestic activity, that is, only those travelling within the country. Since DOT international data are available only through July 2017 and international passengers at PIT only accounted for 0.6 percent (23,762 of 3.89 million) of total enplaned passengers in 2016, the most meaningful comparison of air travel at PIT to other airports is the domestic passenger count.

For all U.S. airports the number of domestic passengers enplaning in 2017 grew by 2.76 percent over 2016 levels. However, it is noteworthy that at major U.S. airports—those ranked in the top 30 in terms of enplanements—passenger count rose only 1.94 percent in 2017. For all other airports the gain was higher at 4.65 percent. Thus, the nation’s largest airports grew at a slower rate than the smaller ones, perhaps because they are already at or near capacity. Note that PIT ranks as the nation’s 48th-busiest airport in terms of enplanements and accounted for 3.87 million of 720 million, or 0.54 percent of 2016 domestic enplanements in the U.S.

Looking at airports close to PIT in size, those ranked from 40th busiest (San Jose) to 52nd busiest (Cincinnati), only two had a decrease in enplaned passengers—Santa Ana, California—John Wayne-Orange County (down 1.5 percent) and San Juan's Luis Munoz International Airport (considered a domestic airport, down 1.1 percent). Cincinnati had the largest passenger count increase in 2017 with a jump of 16.1 percent followed by San Jose (13.8 percent) and Cleveland (9.2 percent). PIT's 7 percent rise, going from 3.23 million through October 2016 to 3.45 million through October 2017, was the fourth best just above Sacramento (6.4 percent). Thus, PIT's performance in 2017 was a nice improvement but well below the gains posted at Cincinnati and San Jose.

Another brag item mentioned by PIT officials is the number of flights that have been added. Again DOT data for domestic flights (year-to-date through October 2016 vs. year-to-date through October 2017) provides some perspective. Flights at PIT rose 3.2 percent during the period, increasing from 43,624 flights through October 2016 to 45,028 through October 2017.

For all airports in the country the number of domestic flights was virtually unchanged (down 0.2 percent). Flights at the top 30 airports fell slightly more (down 0.3 percent). For the remaining airports the combined total flights were virtually unchanged.

Again, looking at the airports ranked from 40th to 52nd, the largest gain in domestic flights occurred at San Jose's airport (14.1 percent). Five airports had losses with San Juan having the greatest decline (7.7 percent) which is no doubt related to a very active 2017 hurricane season in the Atlantic (the number of flights for September and October were cut by a quarter). PIT's increase of 3.22 percent is the 5th largest rise of the 13 airports in this list—again not bad. But the notion that PIT is a world beater in obtaining flights ignores the fact that other comparable airports are doing just as well and some are doing it better.

Interestingly, one brag item for PIT is the number of international flights offered. As mentioned above the DOT data for international flights is available only through July 2017. Through July 2017 PIT had 1,070 international flights, a decrease of 7.75 percent from the 1,160 international flights taken through July 2016. However it is up 40 percent over 2015's number (through July).

To be sure, the increase in both flights and passengers at PIT is encouraging for an airport that has had little to cheer about this century, especially in the context of a being in a regional market with no population growth and mediocre job gains.

One final metric to consider is what the airline industry calls the "load factor." Load factor is the ratio of passenger miles flown to the number of seat miles available. For all airports in the country in 2017 (through October) the load factor was 84.53. For the 30 largest airports it was 85.30. For the remainder of airports the load factor was 82.35. Neither of these load factors changed much from 2016.

The load factor at PIT in 2017 (through October) was 81.09 percent—a slight decline from 2016 (81.38) despite the pickup in enplaned passengers. Of the airports ranked by size from 40th through 52nd, PIT's load factor was the second lowest of the group, above Cincinnati (80.92) and just below Columbus (81.11). The highest load factor was San Juan (90.33) followed by Kahului, Hawaii (87.13) and then Santa Ana, California (84.52). With PIT's

load factor ranking amongst the lowest of its peer group, there would appear to be a weakening incentive to add more flights.

Finally, consider the amount of money Allegheny County's Airport Authority has given to airlines to offer flights at PIT. A late January news article noted that in 2017 the authority paid out nearly \$3.4 million in incentives to airlines to offer passenger service to five destinations and cargo service to the Middle East. On top of that, OneJet also received a million dollars to begin service to 10 new destinations over two years.

The authority's CEO shrugs off criticism of doling out money to airlines saying it's the cost of doing business in the industry. And that's a sad commentary about the industry as other airports play the same game. For example Delta will receive a subsidy to fly from Indianapolis to Paris (as it does from PIT for a similar flight) and WOW Air, also a recipient of PIT subsidies, will begin service from Cincinnati and Cleveland this May thanks to taxpayer money. But the question remains: how are subsidies that, in effect, lower passenger ticket prices or lower shipper costs compared to what they would be without the subsidy, good for taxpayers? It is like subsidies to sports stadiums that enrich owners and make tickets more affordable than they otherwise would be. This is very poor public policy.

While PIT and county officials are pleased with the uptick in both passengers and flights offered, is it a sign that these subsidies are working? How much of the increase in passengers at PIT is due to a general rise in air travel demand and how much to the subsidized added service? Since the majority of comparable airports also had increases in enplaned passengers, it is quite likely a growing national economy that is spurring air travel that gets much of the credit for 2017's gain. Once the subsidies are gone (if they ever are), will the subsidized flights disappear as well? Airlines are not in business to lose money and low or falling load factors accompanied by the end of subsidies could and probably will lead to some reductions in service.

Local demand for air travel depends on the size and income of the population. As we have been saying for years, once the Pittsburgh region's economy and population starts to grow appreciably and people have the disposable income to fly, the demand for travel at PIT will increase without subsidies and the airlines will respond accordingly.

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